EXECUTIVE SUMMARY

The Townhouses of Bayshore Replacement Reserve Inventory identifies 15 Projected Replacements for funding from Replacement Reserves, with an estimated one-time replacement cost of $2,011,772.

The Replacement Reserve Analysis calculates recommended funding of Replacement Reserves by the two generally accepted methods, the Cash Flow Method and the Component Method. The Analysis also evaluates current funding of Replacement Reserves, as reported by the Association. The calculations and evaluation are summarized below:

$70,457 **CASH FLOW METHOD MINIMUM ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2015.**

$40.21 Per unit (average), minimum monthly funding of Replacement Reserves

The Cash Flow Method (CFM) calculates Minimum Annual Funding of Replacement Reserves that will fund Projected Replacements identified in the Replacement Reserve Inventory from a common pool of Replacement Reserves and prevent Replacement Reserves from dropping below a Minimum Recommended Balance.

CFM - Minimum Annual Funding remains the same between peaks in cumulative expenditures called Peak Years.

The first Peak Year occurs in 2040 and the CFM - Minimum Annual Funding of Replacement Reserves in 2041 declines to $50,360 ($28.74 per unit, per month), after the completion of $2,042,737 of replacements in 2015 to 2040.

A subsequent Peak Year and decline in the Cash Flow Method, Minimum Annual Funding, occurs in 2041.

$79,268 **COMPONENT METHOD RECOMMENDED ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2015.**

$45.24 Per unit (average), recommended monthly funding of Replacement Reserves

The Component Method is a very conservative funding model developed by HUD in the early 1980's.

The Component Method treats each projected replacement in the Replacement Reserve Inventory as a separate account. Deposits are made to each individual account, where funds are held for exclusive use by that item.

Based on this funding model, the Association has a Current Funding Objective of $454,370.

The Association reports having $311,456 on deposit, which is 68.5% funded.

$56,472 **CURRENT ANNUAL FUNDING OF REPLACEMENT RESERVES (as reported by the Association).**

$32.23 Per unit (average), reported current monthly funding of Replacement Reserves

The evaluation of Current Funding, as reported by the Association, has calculated that if the Association continues to fund Replacement Reserves at the current level, there will NOT be adequate funds for Projected Replacements in 5 years of the 30-year Study Period, and a maximum shortfall of $-263,009 occurs in 2040.

Pages A2 and A3 explain the Study Year, Study Period, Adjustments (interest & inflation), Beginning Balance, and Projected Replacements. Pages A4 to A9 explain in more detail the calculations associated with the Cash Flow Method, Component Method, and Current Funding.

REPLACEMENT RESERVE STATUS AND FUNDING PLAN

Current funding of Replacement Reserves is inadequate to fund Projected Replacements.

We recommend the Association adopt a Replacement Reserve Funding Plan based on the Cash Flow Method or the Component Method, to ensure that adequate funding is available throughout the 30-Year Study Period for the $2,095,861 of Projected Replacements listed in the Townhouses of Bayshore Replacement Reserve Inventory.

The Funding Plan should be professionally updated every three to five years or after completion of each major replacement project. The Board of Directors has a fiduciary responsibility to review the Funding Plan annually and should consider annual increases in Replacement Reserve funding at least equal to the Producer Price Index.

REPLACEMENT RESERVE ANALYSIS - GENERAL INFORMATION

The Townhouses of Bayshore Replacement Reserve Analysis calculations of recommended funding of Replacement Reserves by the Cash Flow Method and the Component Method, and the evaluation of the Current Funding, are based upon the same General Information; including the Study Year, Study Period, Beginning Balance, and Projected Replacements.

STUDY YEAR

The Association reports that their accounting year begins on January 1, and the Study Year, the first year evaluated by the Replacement Reserve Analysis, begins on January 1, 2015.

STUDY PERIOD

The Replacement Reserve Analysis evaluates the funding of Replacement Reserves over a 30-year Study Period that begins on January 1, 2015.

BEGINNING BALANCE

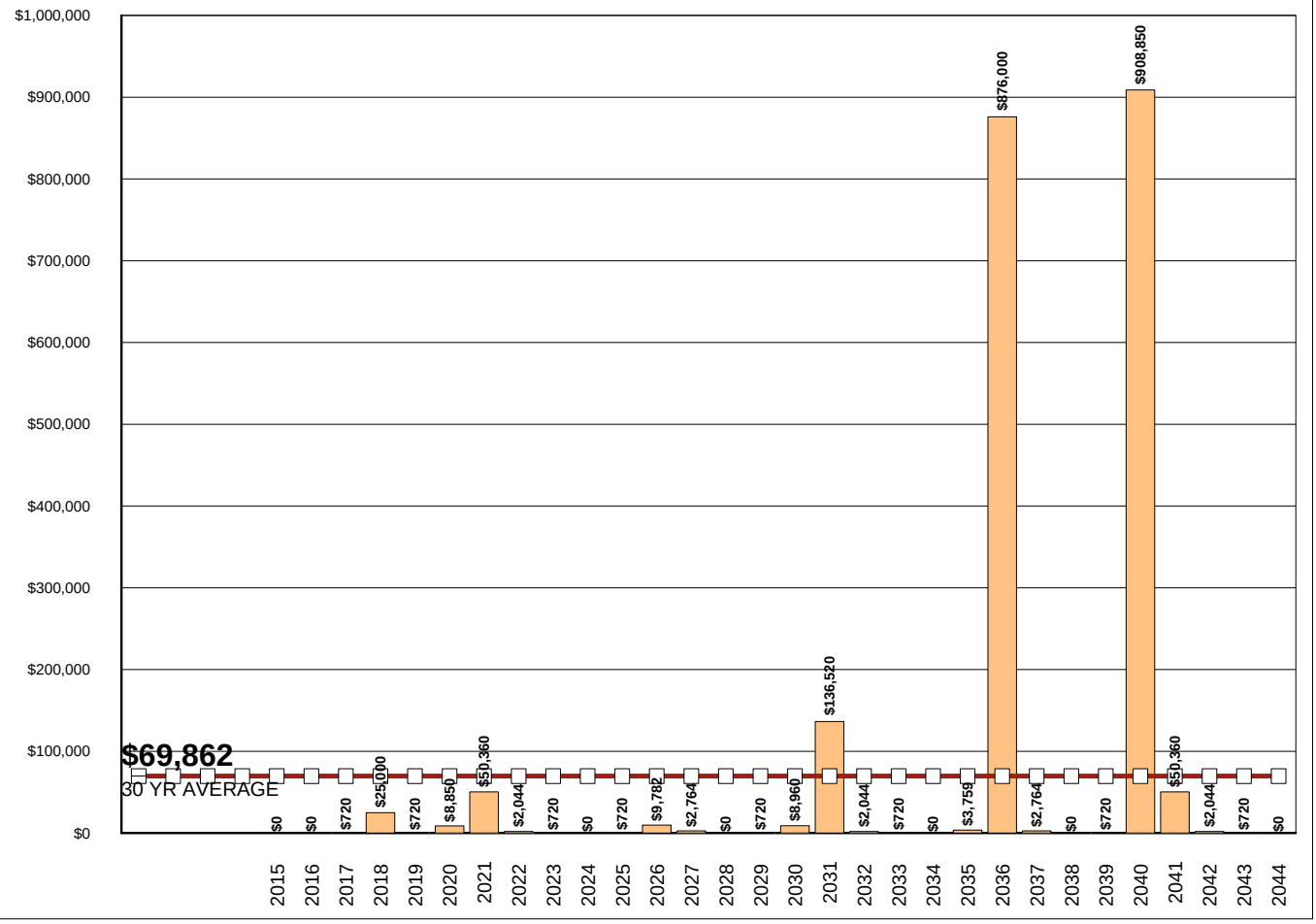
The Association reports Replacement Reserves on Deposit totaling $311,456 at the start of the Study Year.

ADJUSTMENTS AND INFLATION

The short term consequences of 4.50% inflation and no constant annual increase in Reserve funding on the Cash Flow Method, as calculated by a proprietary model developed by Miller + Dodson Associates. are shown on Pages A6 and A7. Other calculations in this Analysis do not account for inflation or a constant annual increase. The calculations in this Analysis do not account for interest earned on Replacement Reserves.

Graph #1. Annual Expenditures for Projected Replacements

This bar graph summarizes annual expenditures for the $2,095,861 of Projected Replacements identified in the Replacement Reserve Inventory over the 30-year Study Period. The red line shows the average annual expenditure of $69,862.



PROJECTED REPLACEMENTS

The Townhouses of Bayshore Replacement Reserve Inventory (Section B) identifies 15 Projected Replacements with a one-time Replacement Cost of $2,011,772 and replacements totaling $2,095,861 in the 30-year Study Period. Projected Replacements are the replacement of commonly-owned items that:

require periodic replacement and
whose replacement is to be funded from Replacement Reserves.

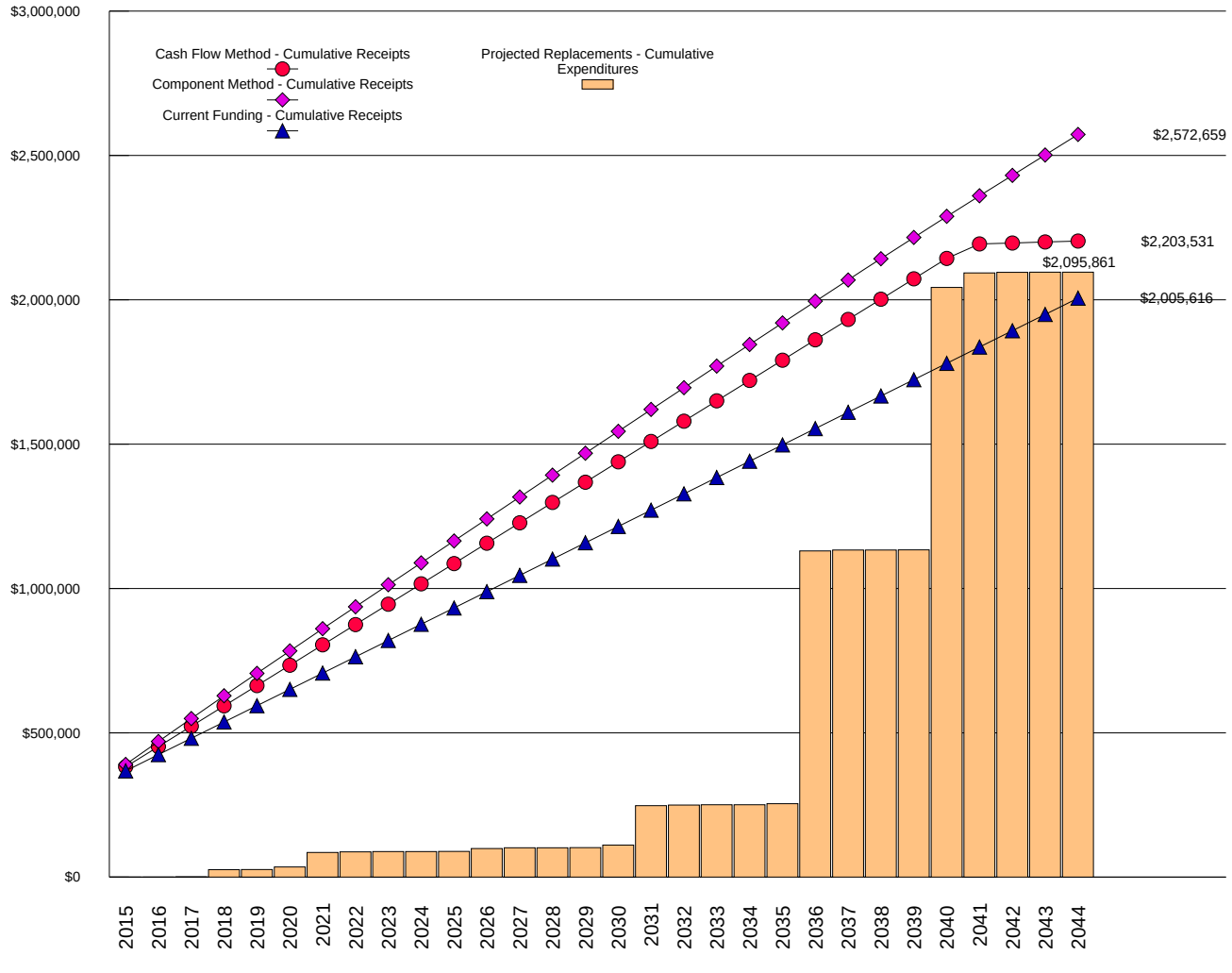
The accuracy of the Townhouses of Bayshore Replacement Reserve Analysis is dependent upon expenditures from Replacement Reserves being made ONLY for the 15 Projected Replacements specifically listed in the Replacement Reserve Inventory.

To further assist in the identification of items not appropriately funded from Replacement Reserves, the Replacement Reserve Inventory identifies 36 Excluded Items. The rationale behind the exclusion of items from funding by Replacement Reserves is discussed in detail on Page B1.

The Section B - Replacement Reserve Inventory, contains Tables that list each Projected Replacement (and any Excluded Items) broken down into 9 major categories (Pages B3 to B10). Tables are also included that list each Projected Replacement by year for each of the 30 years of the Study Period beginning on Page C1.

Graph #2. Comparison of Cumulative Replacement Reserve Funding and Expenditures

The line graph shows Replacement Reserves - Cumulative Receipts over the 30-year Study Period by the Cash Flow Method (red circles), Component Method (purple diamonds), and the Current Funding Plan as reported by the Association (blue triangles). The bar graph shows the Cumulative Expenditures necessary to fund the Project Replacements listed in the Replacement Reserve Inventory (Section B) and summarized in Graph #1.



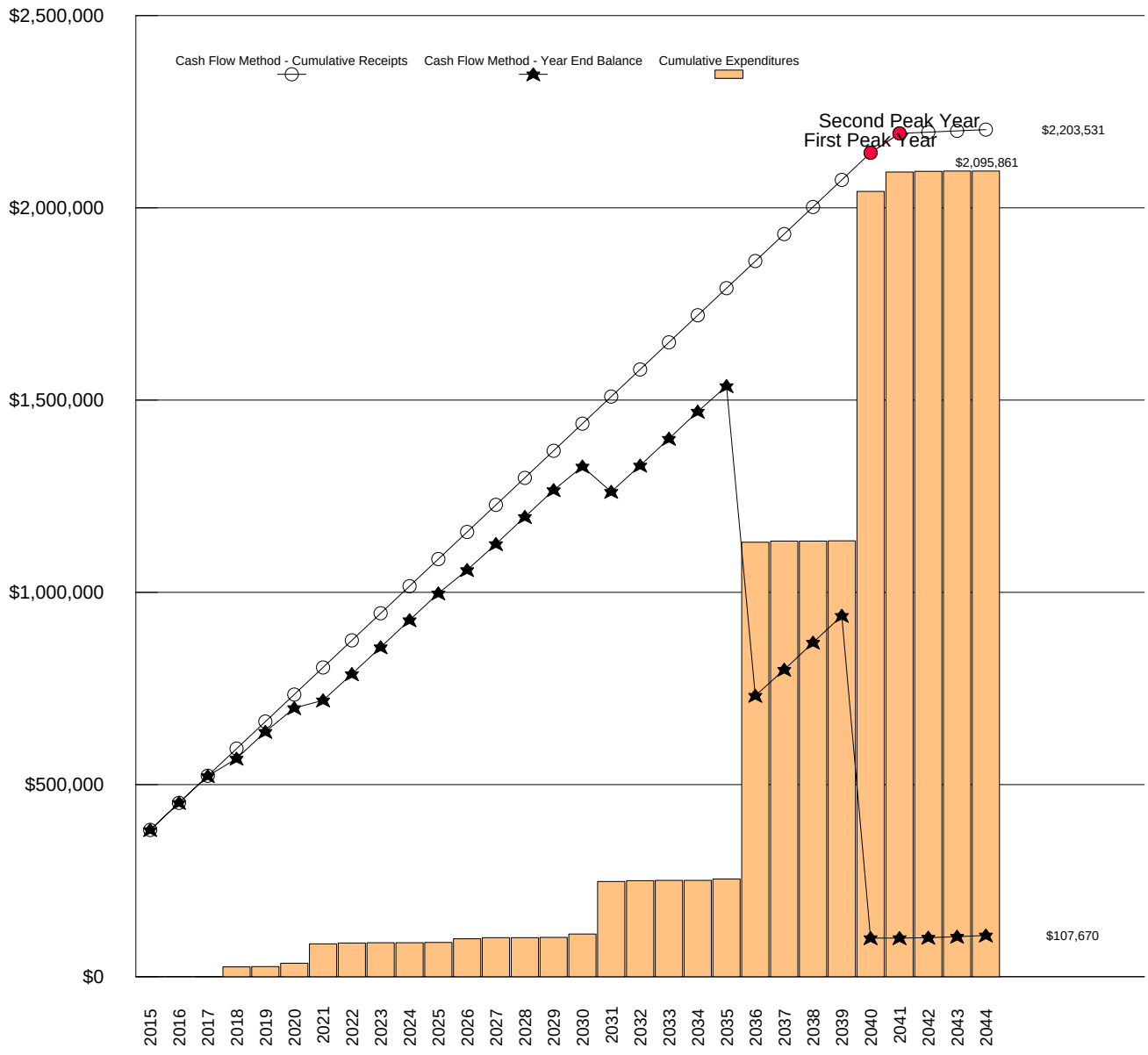
CASH FLOW METHOD

$70,457 **CASH FLOW METHOD MINIMUM ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2015.**
$40.21 Per unit (average), minimum monthly funding of Replacement Reserves

General. The Cash Flow Method (also referred to as the Straight Line Method) is founded on the concept that the Replacement Reserve Account is solvent if cumulative receipts always exceed cumulative expenses. The Cash Flow Method calculates a MINIMUM annual deposit to Replacement Reserves that will:

- Fund all Projected Replacements listed in the Replacement Reserve Inventory (see Section B)
- Prevent Replacement Reserves from dropping below the Minimum Recommended Balance (see Page A-5)
- Allow a constant annual funding level between peaks in cumulative expenditures

Graph #3. Cash Flow Method - Cumulative Receipts and Expenditures Graph



CASH FLOW METHOD (cont'd)

- Replacement Reserves - Minimum Recommended Balance. The Minimum Recommended Balance is $100,589, which is 5.0 percent of the one-time replacement cost of the Projected Replacements listed in the Replacement Reserve Inventory. Unless otherwise noted in the Comments on Page A-9, the Minimum Recommended Balance has been established by the Analyst based upon an evaluation of the types of items included in the Replacement Reserve Inventory.
- Peak Years. The Cash Flow Method calculates a constant annual funding of Replacement Reserves between peaks in cumulative expenditures called Peak Years. In Peak Years, Replacement Reserves on Deposit decline to the Replacement Reserves - Minimum Recommended Balance discussed in the paragraph above.

  First Peak Year. The First Peak Year occurs in 2040, after the completion of $2,042,737 of replacements in 2015 to 2040. The Cash Flow Method - Minimum Annual Funding of Replacement Reserves declines from $70,457 in 2040 to $50,360 in 2041.

  Subsequent Peak Year. A subsequent Peak Year and decline in the Cash Flow Method - Minimum Annual Funding, occurs in: 2041.
- Study Period. The Cash Flow Method calculates the recommended contributions to Replacement Reserves over the 30-year Study Period. These calculations are based upon a 40-year projection of expenditures for Projected Replacements to avoid the Replacement Reserve balance dropping to the Minimum Recommended Balance in the final year of the Study Period.
- Failure to Fund. The Cash Flow Method calculates a MINIMUM annual funding of Replacement Reserves. Failure to fund Replacement Reserves at the minimum level calculated by the Cash Flow Method will result in Replacement Reserves not being available for the Projected Replacements listed in the Replacement Reserve Inventory and/or Replacement Reserves dropping below the Minimum Recommended Balance.
- Adjustment to the Cash Flow Method for interest and inflation. The funding recommendations on Pages A4 and A5 do not account for interest earned on Replacement Reserves, the effects of inflation of the cost of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves.
- Comparison of Cash Flow Funding and Average Annual Expenditure. The Average Annual Expenditure for Projected Replacements listed in the Reserve Inventory over the 30-year Study Period is $69,862 (see Graph #1). The Cash Flow Method - Minimum Annual Funding of Replacement Reserves in the Study Year is $70,457. This is 100.9 percent of the Average Annual Expenditure, indicating that the Association is building Replacement Reserves in advance of the first Peak Year in 2040.

Table #1. Cash Flow Method Data - Years 1 through 30

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning balance	$311,456									
Minimum annual funding	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457
Expenditures			$720	$25,000	$720	$8,850	$50,360	$2,044	$720	
Year end balance	$381,913	$452,369	$522,106	$567,562	$637,299	$698,905	$719,002	$787,414	$857,151	$927,607
Minimum recommended balance	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589
Cumulative expenditures			$720	$25,720	$26,440	$35,290	$85,650	$87,694	$88,414	$88,414
Cumulative receipts	$381,913	$452,369	$522,826	$593,282	$663,739	$734,195	$804,652	$875,108	$945,565	$1,016,021

Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Minimum annual funding	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457
Expenditures	$720	$9,782	$2,764		$720	$8,960	$136,520	$2,044	$720	
Year end balance	$997,344	$1,058,018	$1,125,711	$1,196,167	$1,265,904	$1,327,400	$1,261,337	$1,329,749	$1,399,486	$1,469,942
Minimum recommended balance	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589
Cumulative expenditures	$89,134	$98,916	$101,680	$101,680	$102,400	$111,360	$247,880	$249,924	$250,644	$250,644
Cumulative receipts	$1,086,478	$1,156,934	$1,227,391	$1,297,847	$1,368,304	$1,438,760	$1,509,217	$1,579,673	$1,650,130	$1,720,586

Year	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Minimum annual funding	$70,457	$70,457	$70,457	$70,457	$70,457	$70,457	$50,360	$3,282	$3,282	$3,282
Expenditures	$3,759	$876,000	$2,764		$720	$908,850	$50,360	$2,044	$720	
Year end balance	$1,536,640	$731,097	$798,789	$869,246	$938,982	$100,589	$100,589	$101,826	$104,388	$107,670
Minimum recommended balance	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589	$100,589
Cumulative expenditures	$254,403	$1,130,403	$1,133,167	$1,133,167	$1,133,887	$2,042,737	$2,093,097	$2,095,141	$2,095,861	$2,095,861
Cumulative receipts	$1,791,043	$1,861,499	$1,931,956	$2,002,412	$2,072,869	$2,143,325	$2,193,685	$2,196,967	$2,200,249	$2,203,531
						First Peak Year	Second Peak Year			

CASH FLOW METHOD - INFLATION ADJUSTED FUNDING

The Miller + Dodson Model

General. The Cash Flow Method funding recommendations shown on pages A4 and A5 have been calculated in today's dollars with no adjustment for inflation. Recent swings in construction costs demonstrate the risk facing an Association that does not consider the effects of inflation when funding Replacement Reserves.

Cash Flow Method - Inflation Adjusted Funding. Below is an outline of the proprietary model developed by Miller + Dodson Associates to forecast the short-term consequences of inflation on Replacement Reserves.

- Study Year. The Unit Replacement Costs in the Study Year (listed in Section B Inventory) reflect current construction costs. Appropriate adjustments to account for any time lag between when the Study is conducted and the Study Year have been made by the Reserve Analyst.
- Year Two Inflation Adjusted Funding calculation. The Year Two Starting Balance is calculated assuming Association compliance with the Study Year funding and replacement data listed on Page A7.
  Next, the Projected Replacement Costs are adjusted using the Construction Cost Inflation Rate (see detailed information below).
  The adjusted data is then evaluated using the Cash Flow Method, calculating the Year Two Inflation Adjusted Minimum Annual Funding of Replacement Reserves.
- Year Three Inflation Adjusted Funding Calculation. The same methodology has been used to develop the Inflation Adjusted Cash Flow Method Minimum Annual Funding of Replacement Reserves in Year Three. Simple compounding has been used to calculate the Year Three Projected Replacement Costs.
- Year Four and Beyond. We have not calculated adjusted funding recommendations beyond the third year of the Study nor do we believe it is appropriate to do so. Inflation adjusted funding recommendations are not intended to be a substitute for the periodic evaluation of the common elements by an experienced Reserve Analyst. We recommend the common elements of the community be evaluated by a Reserve Analyst every 3 to 5 years and at the completion of each major replacement project.

Base Construction Cost Inflation Rate. We have utilized a 4.50 percent base rate of inflation in our calculation of second and third year inflation adjusted funding. The rate of inflation is based upon our review of the Producer Price Indexes for Construction Materials, Structure Types & Subcontractors as published by the Bureau of Labor Statistics and our experience with recent pricing trends in your area."

Assumptions. Cash Flow Method, Inflation Adjusted Funding in Year Two and Year Three is calculated based upon three assumptions discussed below and quantified on Page A7. Prior to approving a budget based upon the calculations, the Association should review the accuracy of the assumptions. If discrepancies are noted, contact Miller + Dodson Associates to arrange for a Replacement Reserve Study Update.

- Replacement Reserve Funding. We have assumed the Association will fund Replacement Reserves as recommended in the Study.
- Scheduled Replacements. We have assumed the Association will make Scheduled Replacements as discussed in the Study (listed on Page C2) and that the cost of these replacements is in substantial compliance with the estimated replacement costs. We have further assumed that no Replacement Reserves will be used to fund replacements other than those specifically listed in the Replacement Reserve Inventory.
- Construction Cost Inflation Rate evaluation. Prior to approving a budget based upon the Year Two and Year Three Adjusted Replacement Reserve Funding calculations, the 4.50 percent base rate of inflation used in our should be compared to rates published by the Bureau of Labor Statistics. If a significant discrepancy (over 1 percent) is noted, contact Miller Dodson Associates prior to using the funding calculations.

Interest. The recommended funding calculations above do not account for interest earned on Replacement Reserves. In 2015, based on a 1.50 percent interest rate, we estimate the Association will earn $5,200 on an average balance of $346,684, $6,286 on an average balance of $419,070 in 2016, and $7,426 on $495,091 in 2017.
Should the Association earn and choose to attribute 100 percent of the interest to Reserves, the 2015 the minimum funding could be reduced from $70,457 to $65,256 (a 7.38 percent reduction), $74,314 to $68,028 in 2016 (a 8.46 percent reduction), and $78,514 to $71,088 in 2017 (a 9.46 percent reduction).

CASH FLOW METHOD
THREE-YEAR FUNDING RECOMMENDATIONS WITH INFLATION ADJUSTMENT

2015 - STUDY YEAR

$70,457 MINIMUM ANNUAL FUNDING

$40.21 Per unit (average), minimum monthly funding of Replacement Reserves

The $70,457 funding of Replacement Reserves in the Study Year has been calculated using current construction costs (listed in Section B Inventory). The Analyst has adjusted the costs to account for any time lag between the preparation of the Study and the Study Year.

2016 - YEAR TWO

$74,314 INFLATION ADJUSTED MINIMUM ANNUAL FUNDING

$42.42 Per unit (average), minimum monthly funding of Replacement Reserves

The $74,314 inflation adjusted funding of Replacement Reserves in 2016 represents a 5.48 percent increase over the non-inflation adjusted funding recommendation of $70,457 in the Study Year.

The specific assumptions used to calculate the Year Two Inflation Adjusted Funding are listed below. If the assumptions are inaccurate, do not use the data and contact Miller Dodson Associates to arrange for a Replacement Reserve Study Update. The assumptions are:

- Replacement Reserves on Deposit totaling $381,913 on January 1, 2016.
- No Expenditures from Replacement Reserves.
- An average annual Construction Cost Inflation Rate of 4.50 percent over the previous 12 month period.

2017 - YEAR THREE

$78,514 INFLATION ADJUSTED MINIMUM ANNUAL FUNDING

$44.81 Per unit (average), minimum monthly funding of Replacement Reserves

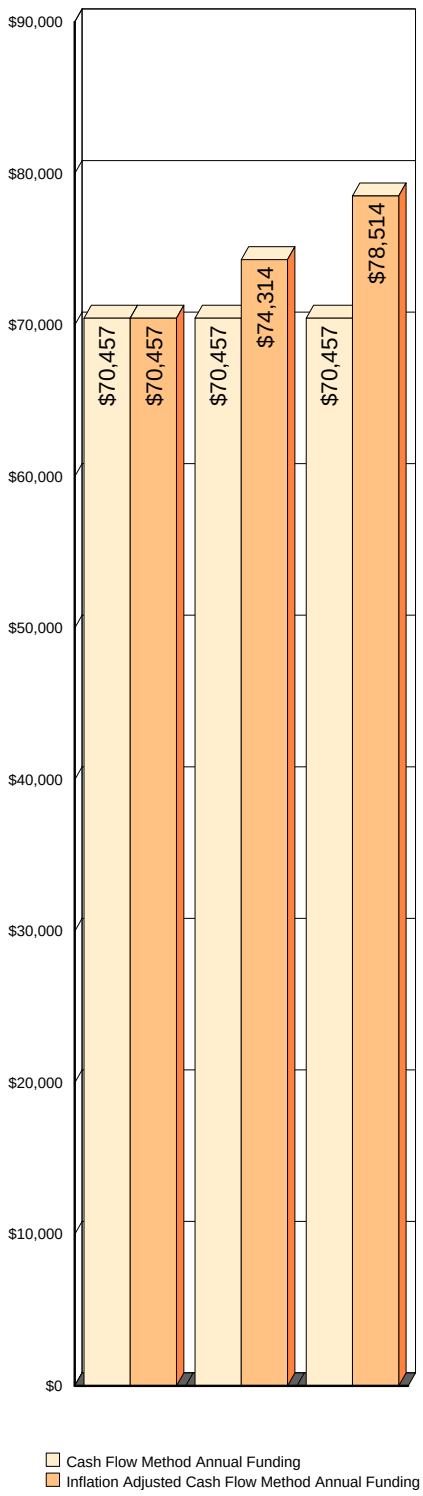
The $78,514 inflation adjusted funding of Replacement Reserves in 2017 represents a 11.44 percent increase over the non-inflation adjusted funding recommendation of $70,457 in the Study Year.

The specific assumptions used to calculate the Year Two Inflation Adjusted Funding are listed below. If the assumptions are inaccurate, do not use the data and contact Miller Dodson Associates to arrange for a Replacement Reserve Study Update. The assumptions are:

- Replacement Reserves on Deposit totaling $456,227 on January 1, 2016.
- No Expenditures from Replacement Reserves.
- An average annual Construction Cost Inflation Rate of 4.50 percent over the previous 24 month period.

ANNUAL FUNDING GRAPH

The bar graph below shows the Cash Flow Method Annual Funding calculated in today's dollars (lighter bars) and the Inflation Adjusted Cash Flow Method Annual Funding (dark bars)



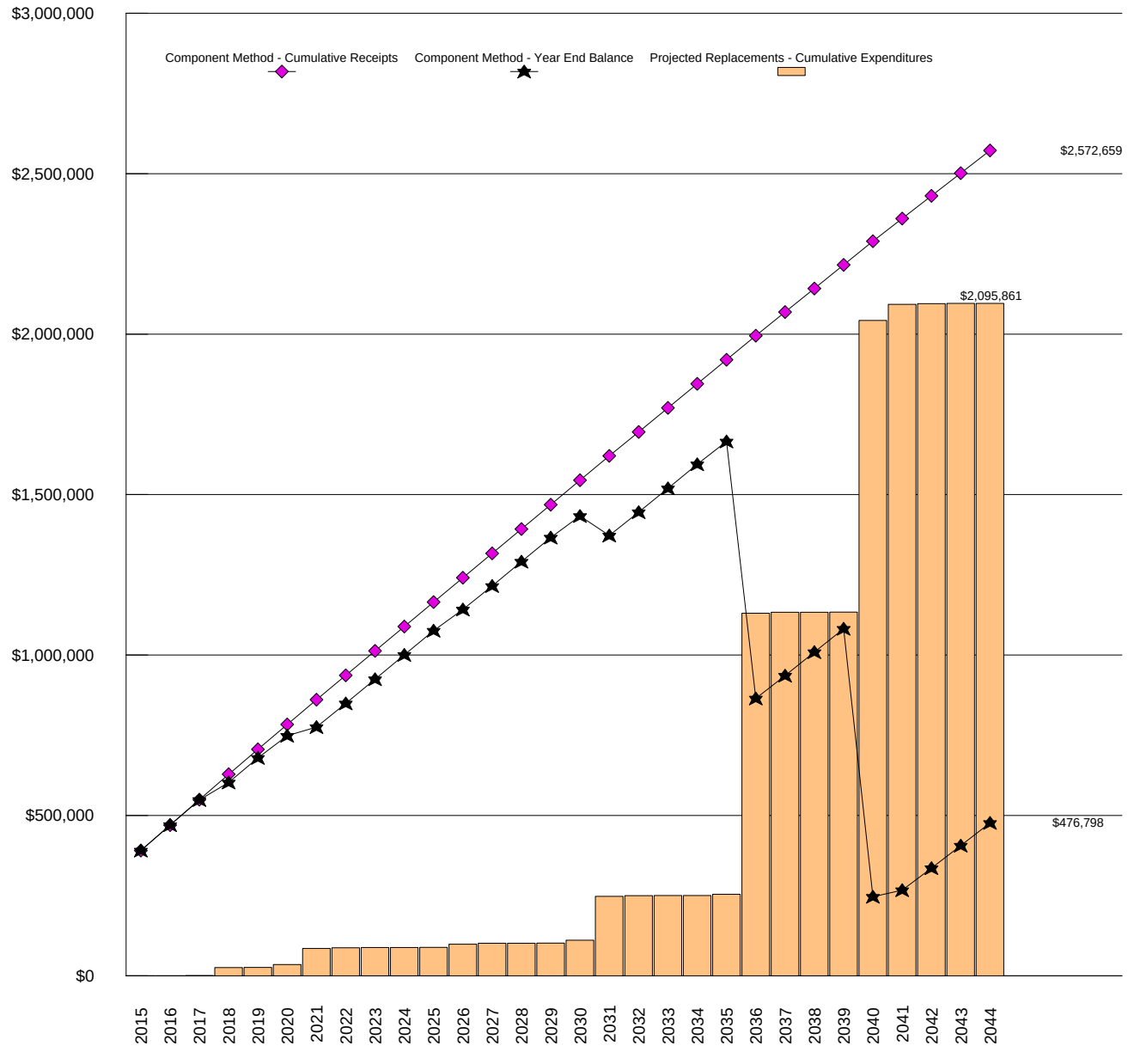
COMPONENT METHOD

$79,268 **COMPONENT METHOD RECOMMENDED ANNUAL FUNDING OF REPLACEMENT RESERVES IN THE STUDY YEAR, 2015.**

$45.24 Per unit (average), recommended monthly funding of Replacement Reserves

General. The Component Method (also referred to as the Full Funded Method) is a very conservative mathematical model developed by HUD in the early 1980s. Each of the 15 Projected Replacements listed in the Replacement Reserve Inventory is treated as a separate account. The Beginning Balance is allocated to each of the individual accounts, as is all subsequent funding of Replacement Reserves. These funds are "locked" in these individual accounts and are not available to fund other Projected Replacements. The calculation of Recommended Annual Funding of Replacement Reserves is a multi-step process outlined in more detail on Page A9.

Graph #4. Component Method - Cumulative Receipts and Expenditures Graph



COMPONENT METHOD (cont'd)

- Current Funding Objective. A Current Funding Objective is calculated for each of the Projected Replacements listed in the Replacement Reserve Inventory. Replacement Cost is divided by the Normal Economic Life to determine the nominal annual contribution. The Remaining Economic Life is then subtracted from the Normal Economic Life to calculate the number of years that the nominal annual contribution should have been made. The two values are then multiplied to determine the Current Funding Objective. This is repeated for each of the 15 Projected Replacements. The total, $454,370, is the Current Funding Objective.

  For an example, consider a very simple Replacement Reserve Inventory with one Projected Replacement, a fence with a $1,000 Replacement Cost, a Normal Economic Life of 10 years, and a Remaining Economic Life of 2 years. A contribution to Replacement Reserves of $100 ($1,000 / 10 years) should have been made in each of the previous 8 years (10 years - 2 years). The result is a Current Funding Objective of $800 (8 years x $100 per year).

- Funding Percentage. The Funding Percentage is calculated by dividing the Beginning Balance ($311,456) by the Current Funding Objective ($454,370). At Townhouses of Bayshore the Funding Percentage is 68.5%

- Allocation of the Beginning Balance. The Beginning Balance is divided among the 15 Projected Replacements in the Replacement Reserve Inventory. The Current Funding Objective for each Projected Replacement is multiplied by the Funding Percentage and these funds are then "locked" into the account of each item.

  If we relate this calculation back to our fence example, it means that the Association has not accumulated $800 in Reserves (the Funding Objective), but rather at 68.5 percent funded, there is $548 in the account for the fence.

- Annual Funding. The Recommended Annual Funding of Replacement Reserves is then calculated for each Projected Replacement. The funds allocated to the account of the Projected Replacement are subtracted from the Replacement Cost. The result is then divided by the number of years until replacement, and the result is the annual funding for each of the Projected Replacements. The sum of these is $79,268, the Component Method Recommended Annual Funding of Replacement Reserves in the Study Year (2015).

  In our fence example, the $548 in the account is subtracted from the $1,000 Total Replacement Cost and divided by the 2 years that remain before replacement, resulting in an annual deposit of $226. Next year, the deposit remains $226, but in the third year, the fence is replaced and the annual funding adjusts to $100.

- Adjustment to the Component Method for interest and inflation. The calculations in the Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, inflation, or a constant annual increase in Annual Funding of Replacement Reserves. The Component Method is a very conservative method and if the Analysis is updated regularly, adequate funding will be maintained without the need for adjustments.

Table #2. Component Method Data - Years 1 through 30

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning balance	$311,456									
Recommended annual funding	$79,268	$79,268	$79,268	$79,388	$77,501	$77,501	$77,316	$75,866	$76,019	$76,019
Expenditures			$720	$25,000	$720	$8,850	$50,360	$2,044	$720	
Year end balance	$390,724	$469,993	$548,541	$602,930	$679,711	$748,362	$775,318	$849,140	$924,439	$1,000,458
Cumulative Expenditures			$720	$25,720	$26,440	$35,290	$85,650	$87,694	$88,414	$88,414
Cumulative Receipts	$390,724	$469,993	$549,261	$628,650	$706,151	$783,652	$860,968	$936,834	$1,012,853	$1,088,872
Year	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Recommended annual funding	$76,019	$76,019	$75,917	$75,917	$75,917	$75,917	$75,916	$74,920	$74,920	$74,920
Expenditures	$720	$9,782	$2,764		$720	$8,960	$136,520	$2,044	$720	
Year end balance	$1,075,757	$1,141,994	$1,215,147	$1,291,063	$1,366,260	$1,433,216	$1,372,613	$1,445,488	$1,519,688	$1,594,608
Cumulative Expenditures	$89,134	$98,916	$101,680	$101,680	$102,400	$111,360	$247,880	$249,924	$250,644	$250,644
Cumulative Receipts	$1,164,891	$1,240,910	$1,316,827	$1,392,743	$1,468,660	$1,544,576	$1,620,493	$1,695,412	$1,770,332	$1,845,252
Year	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**
Recommended annual funding	$74,920	$75,079	$73,576	$73,576	$73,576	$73,576	$70,776	$70,776	$70,776	$70,776
Expenditures	$3,759	$876,000	$2,764		$720	$908,850	$50,360	$2,044	$720	
Year end balance	$1,665,768	$864,847	$935,659	$1,009,235	$1,082,091	$246,817	$267,233	$335,965	$406,022	$476,798
Cumulative Expenditures	$254,403	$1,130,403	$1,133,167	$1,133,167	$1,133,887	$2,042,737	$2,093,097	$2,095,141	$2,095,861	$2,095,861
Cumulative Receipts	$1,920,171	$1,995,250	$2,068,826	$2,142,402	$2,215,978	$2,289,554	$2,360,330	$2,431,106	$2,501,882	$2,572,659

CURRENT FUNDING

$56,472 **CURRENT ANNUAL FUNDING OF REPLACEMENT RESERVES (as reported by the Association).**

$32.23 Per unit (average), reported current monthly funding of Replacement Reserves

General. Our evaluation of the Current Association Funding assumes that the Association will continue to fund Replacement Reserves at the current level of $56,472 per year in each of the 30 years of the Study Period.

Our evaluation is based upon this Replacement Reserve Funding Level, a $311,456 Beginning Balance, the Projected Annual Replacement Expenditures shown in Graph #1 and listed in the Replacement Reserve Inventory, and any interest, inflation rate, or constant annual increase in annual contribution adjustments discussed below.

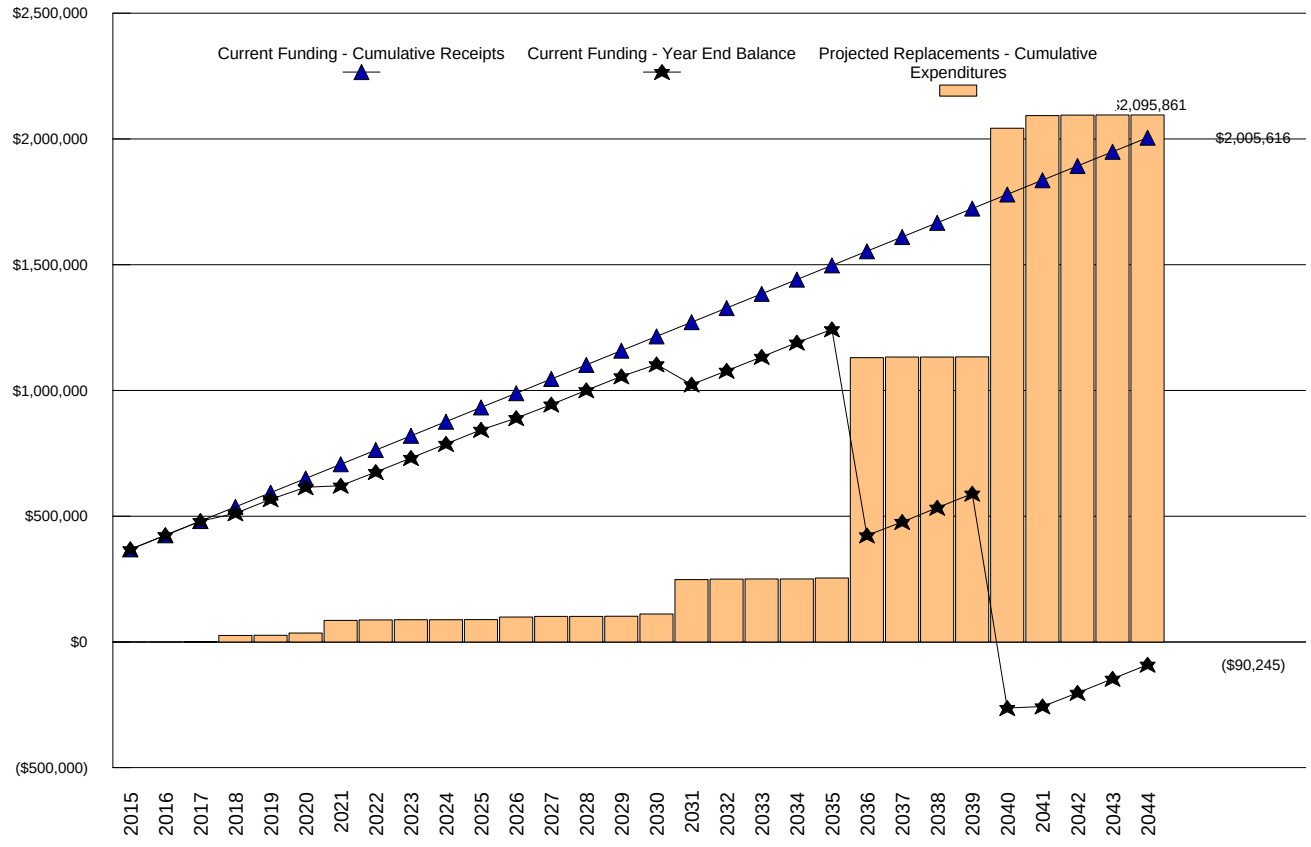
- Evaluation. Our calculations have determined that Current Annual Funding of Replacement Reserves, as reported by the Association, is inadequate to fund Projected Replacement beginning in 2040.

  The Current Annual Funding of Replacement Reserves results in insufficient funds to make Projected Replacements in 5 years of the 30-year Study Period, and a maximum shortfall of $-263,009 occurs in 2040.

- Adjustment to the Current Association Funding for interest and inflation. The Calculations in the Replacement Reserve Analysis do not account for interest earned on Replacement Reserves, the effects of inflation of the cost of Projected Replacements, or a constant annual increase in Annual Funding of Replacement Reserves.

- Comparison of Current Association Funding and Average Annual Expenditure. The average annual expenditure for Projected Replacements listed in the Reserve Inventory over the 30-year Study Period is $69,862 (see Graph #1). Current Association annual funding of Replacement Reserves is $56,472, or approximately 81 percent of the Average Annual Expenditure.

Graph #5. Current Association Funding - Cumulative Receipts and Expenditures Graph



CURRENT FUNDING (cont'd)

Table #3. Current Funding Data - Years 1 through 30

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning balance	$311,456									
Annual deposit	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472
Expenditures			$720	$25,000	$720	$8,850	$50,360	$2,044	$720	
Year end balance	$367,928	$424,400	$480,152	$511,624	$567,376	$614,998	$621,110	$675,538	$731,290	$787,762
Cumulative Expenditures			$720	$25,720	$26,440	$35,290	$85,650	$87,694	$88,414	$88,414
Cumulative Receipts	$367,928	$424,400	$480,872	$537,344	$593,816	$650,288	$706,760	$763,232	$819,704	$876,176

Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual deposit	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472
Expenditures	$720	$9,782	$2,764		$720	$8,960	$136,520	$2,044	$720	
Year end balance	$843,514	$890,204	$943,912	$1,000,384	$1,056,136	$1,103,648	$1,023,600	$1,078,028	$1,133,780	$1,190,252
Cumulative expenditures	$89,134	$98,916	$101,680	$101,680	$102,400	$111,360	$247,880	$249,924	$250,644	$250,644
Cumulative receipts	$932,648	$989,120	$1,045,592	$1,102,064	$1,158,536	$1,215,008	$1,271,480	$1,327,952	$1,384,424	$1,440,896

Year	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Annual deposit	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472	$56,472
Expenditures	$3,759	$876,000	$2,764		$720	$908,850	$50,360	$2,044	$720	
Year end balance	$1,242,965	$423,437	$477,145	$533,617	$589,369	($263,009)	($256,897)	($202,469)	($146,717)	($90,245)
Cumulative Expenditures	$254,403	$1,130,403	$1,133,167	$1,133,167	$1,133,887	$2,042,737	$2,093,097	$2,095,141	$2,095,861	$2,095,861
Cumulative Receipts	$1,497,368	$1,553,840	$1,610,312	$1,666,784	$1,723,256	$1,779,728	$1,836,200	$1,892,672	$1,949,144	$2,005,616

COMMENTS ON THE REPLACEMENT RESERVE ANALYSIS

- This Replacement Reserve Study has been developed in compliance with the Community Associations Institute, National Reserve Study Standards, for a Level Two - Update (with site visit and on-site review).
- Townhouses of Bayshore has 146 units. The type of property is a condominium association.
- Our calculations assume that Replacement Reserves are not subject to tax.

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REPLACEMENT RESERVE INVENTORY
GENERAL INFORMATION

Townhouses of Bayshore - Replacement Reserve Inventory identifies 51 items. Two types of items are identified, Projected Replacements and Excluded Items:

- PROJECTED REPLACEMENTS. 15 of the items are Projected Replacements and the periodic replacements of these items are scheduled for funding from Replacement Reserves. The Projected Replacements have an estimated one-time replacement cost of $2,011,772. Replacements totaling $2,095,861 are scheduled in the Replacement Reserve Inventory over the 30-year Study Period.

  Projected Replacements are the replacement of commonly owned physical assets that require periodic replacement and whose replacement is to be funded from Replacement Reserves.

- EXCLUDED ITEMS. 36 of the items are Excluded Items, and expenditures for these items are NOT scheduled for funding from Replacement Reserves. The accuracy of the calculations made in the Replacement Reserve Analysis is dependent on expenditures NOT being made for Excluded Items. The Excluded Items are listed in the Replacement Reserve Inventory to identify specific items and categories of items that are not to be funded from Replacement Reserves. There are multiple categories of items that are typically excluded from funding by Replacement Reserves, including but not limited to:

  Tax Code. The United States Tax Code grants very favorable tax status to Replacement Reserves, conditioned on expenditures being made within certain guidelines. These guidelines typically exclude maintenance activities, minor repairs and capital improvements.

  Value. Items with a replacement cost of less that $1,000 and/or a normal economic life of less than 3 years are typically excluded from funding from Replacement Reserves. This exclusion is made to accurately reflect how Replacement Reserves are administered. If the Association has selected an alternative levels, it will be noted in the Replacement Reserve Inventory - General Comments on Page B2.

  Long-lived Items. Items that when properly maintained, can be assumed to have a life equal to the property as a whole, are typically excluded from the Replacement Reserve Inventory.

  Unit improvements. Items located on property owned by a single unit and where the items serve a single unit are generally assumed to be the responsibility of that unit, not the Association.

  Other non-common improvements. Items owned by the local government, public and private utility companies, the United States Postal Service, Master Associations, state and local highway authorities, etc., may be installed on property that is owned by the Association. These types of items are generally not the responsibility of the Association and are excluded from the Replacement Reserve Inventory.

  The rationale for the exclusion of an item from funding by Replacement Reserves is discussed in more detail in the 'Comments' sections of the Section B - Replacement Reserve Inventory.

- CATEGORIES. The 51 items included in the Townhouses of Bayshore Replacement Reserve Inventory are divided into 9 major categories. Each category is printed on a separate page, Pages B3 to B10.

- LEVEL OF SERVICE. This Replacement Reserve Inventory has been developed in compliance with the standards established for a Level Two - Update (with site visit and on-site review), as defined by the National Reserve Study Standards, established in 1998 by Community Associations Institute, which states:

  Level II Studies are based entirely on the component inventory from a prior study. This information is adjusted to reflect changes to the inventory that are provided by the Association, and the quantities are adjusted accordingly from field measurement and/or quantity takeoffs from to-scale drawings that are made available to us. The condition of all components is ascertained from a site visit and the visual inspection of each component by the analyst. The Remaining Economic Life and replacement cost of components are provided based in part on these observations. The fund status and Funding Plan are derived from analysis of this data.

REPLACEMENT RESERVE INVENTORY - GENERAL INFORMATION (cont'd)

- INVENTORY DATA. Each of the 15 Projected Replacements listed in the Replacement Reserve Inventory includes the following data:

  Item Number. The Item Number is assigned sequentially and is intended for identification purposes only.

  Item Description. We have named each item included in the Inventory. Where the name of the item and the category are not sufficient to specifically identify the item, we have included additional information in the Comments section at the bottom of the page.

  Units. We have used standard abbreviations to identify the number of units including SF-square feet, LF-lineal feet, SY-square yard, LS-lump sum, EA-each, and PR-pair. Nonstandard abbreviations are noted in the Comments section on the page on which the abbreviation is used.

  Number of Units. The methods used to develop the quantities are discussed in "Level of Service" above.

  Unit Replacement Cost. We use three sources to develop the unit cost data shown in the Inventory; actual replacement cost data provided by the client, industry standard estimating manuals, and a cost database that we have developed based upon our detailed interviews with contractors and service providers who are specialists in their respective lines of work. In addition, trends in the Producers Price Index (PPI), labor rates, and transportation costs are monitored and considered. This cost database is reviewed and updated regularly by Miller Dodson and biannually by an independent professional cost estimating firm.

  Normal Economic Life (Yrs). The number of years that a new and properly installed item should be expected to remain in service.

  Remaining Economic Life (Yrs). The estimated number of years before an item will need to be replaced. In "normal" conditions, this could be calculated by subtracting the age of the item from the Normal Economic Life of the item, but only rarely do physical assets age "normally". Some items may have longer or shorter lives depending on many factors such as environment, initial quality of the item, maintenance, etc.

  Total Replacement Cost. This is calculated by multiplying the Unit Replacement Cost by the Number of Units.

  Each of the 36 Excluded Items includes the Item Description, Units, and Number of Units. Many of the Excluded Items are listed as a 'Lump Sum' with a quantity of 1. For the Excluded Items, this indicates that all of the items identified by the 'Item Description' are excluded from funding by Replacement Reserves.

- REVIEW OF EXPENDITURES. This Replacement Reserve Study should be reviewed by an accounting professional representing the Association prior to implementation.

- PARTIAL FUNDING. Items may have been included in the Replacement Reserve Inventory at less than 100 percent of their full quantity and/or replacement cost. This is done on items that will never be replaced in their entirety, but which may require periodic replacements over an extended period of time. The assumptions that provide the basis for any partial funding are noted on in the Comments section.

- REMAINING ECONOMIC LIFE GREATER THAN 40 YEARS. The calculations do not include funding for initial replacements beyond 40 years. These replacements are included in this Study for tracking and evaluation. They should be included for funding in future Studies, when they enter the 40-year window.

GENERAL SITE IMPROVEMENTS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
1	Pedestal mount mail boxes (aluminum)	ea	146	$67.00	20	11	$9,782
2	Segmental retaining wall (10%)	sf	63	$12.50	50	35	$788
3	Irrigation controller	ea	1	$1,050.00	10	5	$1,050
4	Irrigation heads (10%)	ea	9	$80.00	2	2	$720
5	Irrigation well	ea	1	$110.00	20	15	$110
6	Irrigation pump	ea	1	$300.00	10	5	$300
7	Irrigation wire	ft	5,000	$1.50	10	5	$7,500

GENERAL SITE IMPROVEMENTS - Replacement Costs - Subtotal $20,250

GENERAL SITE IMPROVEMENTS
COMMENTS

- 10/10/2017 rev: Irrigation items added.

TOWNHOUSE EXTERIORS
PROJECTED REPLACEMENTS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
8	Asphalt shingle roof	sf	253,100	$3.46	25	21	$876,000
9	Metal roof	sf	5,100	$8.00	40	16	$40,800
10	Gutter & downspout	ft	14,400	$6.60	25	16	$95,000
11	Vinyl siding and trim	sf	128,700	$6.99	35	25	$900,000
12	Brick tuckpointing (10%)	sf	1,105	$2.75	10	20	$3,039
13	Asphalt driveway pavement	sf	29,200	$1.70	20	6	$49,640
14	Asphalt driveway pavement (sealcoat)	sf	29,200	$0.07	5	7	$2,044
15	Grading	ls	1	$25,000.00	100	3	$25,000

TOWNHOUSE EXTERIORS - Replacement Costs - Subtotal $1,991,523

TOWNHOUSE EXTERIORS
COMMENTS

- The building's primary structural components appear to be in good condition. The performance of the foundation was assessed by examining the exterior perimeter of the building and visible portions of the foundation for signs of differential settlement. No significant misalignment of exterior walls or window/door frames indicating significant differential settlement was observed. Concrete foundations have a very long life expectancy and are not typically included in Reserve Studies.
- 11/21/14. Changed cost of downspouts and gutters and vinyl siding.

LONG-LIFE EXCLUSIONS
EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Building foundation(s)	ls	1				EXCLUDED
	Concrete floor slabs (interior)	ls	1				EXCLUDED
	Wall, floor, & roof structure	ls	1				EXCLUDED

LONG-LIFE EXCLUSIONS
COMMENTS

- Long Life Exclusions. Components that when properly maintained, can be assumed to have a life equal to the property as a whole, are normally excluded from the Replacement Reserve Inventory. Examples of items excluded from funding by Replacement Reserves by this standard are listed above.

- Exterior masonry is generally assumed to have an unlimited economic life but periodic repointing is required and we have included this for funding in the Replacement Reserve Inventory.

- The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

UNIT IMPROVEMENTS EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Domestic water pipes serving one unit	ls	1				EXCLUDED
	Sanitary sewers serving one unit	ls	1				EXCLUDED
	Electrical wiring serving one unit	ls	1				EXCLUDED
	Cable TV service serving one unit	ls	1				EXCLUDED
	Telephone service serving one unit	ls	1				EXCLUDED
	Gas service serving one unit	ls	1				EXCLUDED
	Fence on an individual lot	ls	1				EXCLUDED
	Unit interior	ls	1				EXCLUDED
	Unit doors	ls	1				EXCLUDED
	Unit windows	ls	1				EXCLUDED

UNIT IMPROVEMENTS EXCLUSIONS

COMMENTS

- Unit improvement Exclusions. We understand that the elements of the project that relate to a single unit are the responsibility of that unit owner. Examples of items excluded from funding by Replacement Reserves by this standard are listed above.

- The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

UTILITY EXCLUSIONS
EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Primary electric feeds	ls	1				EXCLUDED
	Electric transformers	ls	1				EXCLUDED
	Cable TV systems and structures	ls	1				EXCLUDED
	Telephone cables and structures	ls	1				EXCLUDED
	Gas mains and meters	ls	1				EXCLUDED
	Water mains and meters	ls	1				EXCLUDED
	Sanitary sewers	ls	1				EXCLUDED
	Sewage pumping stations	ls	1				EXCLUDED

UTILITY EXCLUSIONS
COMMENTS

- Utility Exclusions. Many improvements owned by utility companies are on property owned by the Association. We have assumed that repair, maintenance, and replacements of these components will be done at the expense of the appropriate utility company. Examples of items excluded from funding Replacement Reserves by this standard are listed above.

- The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

MAINTENANCE AND REPAIR EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Exterior painting	ls	1				EXCLUDED
	Interior painting	ls	1				EXCLUDED
	Janitorial service	ls	1				EXCLUDED
	Repair services	ls	1				EXCLUDED
	Partial replacements	ls	1				EXCLUDED
	Capital improvements	ls	1				EXCLUDED

MAINTENANCE AND REPAIR EXCLUSIONS

COMMENTS

- Maintenance activities, one-time-only repairs, and capital improvements. These activities are NOT appropriately funded from Replacement Reserves. The inclusion of such component in the Replacement Reserve Inventory could jeopardize the special tax status of ALL Replacement Reserves, exposing the Association to significant tax liabilities. We recommend that the Board of Directors discuss these exclusions and Revenue Ruling 75-370 with a Certified Public Accountant.
- Examples of items excluded from funding by Replacement Reserves by this standard are listed above.
- The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

GOVERNMENT EXCLUSIONS
EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Government, roadways & parking	ls	1				EXCLUDED
	Government, sidewalks & curbs	ls	1				EXCLUDED
	Government, lighting	ls	1				EXCLUDED
	Government, stormwater mgmt.	ls	1				EXCLUDED
	Government, ponds	ls	1				EXCLUDED
	Government, mailboxes	ls	1				EXCLUDED

GOVERNMENT EXCLUSIONS
COMMENTS

- Government Exclusions. We have assumed that some of the improvements installed on property owned by the Association will be maintained by the state, county, or local government, or other association or other responsible entity. Examples of items excluded from funding by Replacement Reserves by this standard are listed above.

- The list above exemplifies exclusions by the cited standard(s) and is not intended to be comprehensive.

IRRIGATION SYSTEM EXCLUSIONS

EXCLUDED ITEMS

ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST ($)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST ($)
	Subsurface irrigation pipe	ls	1				EXCLUDED
	Subsurface irrigation valve	ls	1				EXCLUDED
	Subsurface irrigation control wiring	ls	1				EXCLUDED

IRRIGATION SYSTEM EXCLUSIONS

COMMENTS

- Irrigation System Exclusions. We have not included funding for the maintenance, repair, and periodic replacement of the components of the irrigation systems. These systems should be inspected each spring when the systems are brought on line and each fall when they are winterized. Repairs/replacements should be made in conjunction with these inspections. However, we have provided an allowance for the replacement of the control system, electrical service and system enclosures.

PROJECTED ANNUAL REPLACEMENTS
GENERAL INFORMATION

CALENDAR OF ANNUAL REPLACEMENTS. The 15 Projected Replacements in the Townhouses of Bayshore Replacement Reserve Inventory whose replacement is scheduled to be funded from Replacement Reserves are broken down on a year-by-year basis, beginning on Page C2.

REPLACEMENT RESERVE ANALYSIS AND INVENTORY
POLICIES, PROCEDURES, AND ADMINISTRATION

- REVISIONS. Revisions will be made to the Replacement Reserve Analysis and Replacement Reserve Inventory in accordance with the written instructions of the Board of Directors. No additional charge is incurred for the first revision, if requested in writing within three months of the date of the Replacement Reserve Study. It is our policy to provide revisions in electronic (Adobe PDF) format only.
- TAX CODE. The United States Tax Code grants favorable tax status to a common interest development (CID) meeting certain guidelines for their Replacement Reserve. If a CID files their taxes as a 'Corporation' on Form 1120 (IRC Section 277), these guidelines typically require maintenance activities, partial replacements, minor replacements, capital improvements, and one-time only replacements to be excluded from Reserves. A CID cannot commingle planning for maintenance activities with capital replacement activities in the Reserves (Revenue Ruling 75-370). Funds for maintenance activities and capital replacements activities must be held in separate accounts. If a CID files taxes as an "Exempt Homeowners Association" using Form 1120H (IRC Section 528), the CID does not have to segregate these activities. However, because the CID may elect to change their method of filing from year to year within the Study Period, we advise using the more restrictive approach. We further recommend that the CID consult with their Accountant and consider creating separate and independent accounts and reserves for large maintenance items, such as painting.
- CONFLICT OF INTEREST. Neither Miller - Dodson Associates nor the Reserve Analyst has any prior or existing relationship with this Association which would represent a real or perceived conflict of interest.
- RELIANCE ON DATA PROVIDED BY THE CLIENT. Information provided by an official representative of the Association regarding financial, physical conditions, quality, or historical issues is deemed reliable.
- INTENT. This Replacement Reserve Study is a reflection of the information provided by the Association and the visual evaluations of the Analyst. It has been prepared for the sole use of the Association and is not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.
- PREVIOUS REPLACEMENTS. Information provided to Miller - Dodson Associates regarding prior replacements is considered to be accurate and reliable. Our visual evaluation is not a project audit or quality inspection.
- UPDATING. In the first two or possibly three years after the completion of a Level One Replacement Reserve Study, we recommend the Association review and revise the Replacement Reserve Analysis and Inventory annually to take into account replacements which have occurred and known changes in replacement costs. This can frequently be handled as a Level Two or Level Three Study (as defined by the Community Associations Institute), unless the Association has completed major replacement projects. A full analysis (Level One) based on a comprehensive visual evaluation of the site should be accomplished every three to five years or after each major replacement project.
- EXPERIENCE WITH FUTURE REPLACEMENTS. The Calendar of Annual Projected Replacements, lists replacements we have projected to occur over the next thirty years, begins on Page C2. Actual experience in replacing the items may differ significantly from the cost estimates and time frames shown because of conditions beyond our control. These differences may be caused by maintenance practices, inflation, variations in pricing and market conditions, future technological developments, regulatory actions, acts of God, and luck. Some items may function normally during our visual evaluation and then fail without notice.
- REVIEW OF THE REPLACEMENT RESERVE STUDY. For this study to be effective, it should be reviewed by the Townhouses of Bayshore Board of Directors, those responsible for the management of the items included in the Replacement Reserve Inventory, and the accounting professionals employed by the Association.

PROJECTED REPLACEMENTS - YEARS ONE TO FIFTEEN

Item	2015	$
	No Scheduled Replacements	

Item	2016	$
	No Scheduled Replacements	

Item	2017	$
4	Irrigation heads (10%)	$720
	Total Scheduled Replacements	$720

Item	2018	$
15	Grading	$25,000
	Total Scheduled Replacements	$25,000

Item	2019	$
4	Irrigation heads (10%)	$720
	Total Scheduled Replacements	$720

Item	2020	$
3	Irrigation controller	$1,050
6	Irrigation pump	$300
7	Irrigation wire	$7,500
	Total Scheduled Replacements	$8,850

Item	2021	$
4	Irrigation heads (10%)	$720
13	Asphalt driveway pavement	$49,640
	Total Scheduled Replacements	$50,360

Item	2022	$
14	Asphalt driveway pavement	$2,044
	Total Scheduled Replacements	$2,044

Item	2023	$
4	Irrigation heads (10%)	$720
	Total Scheduled Replacements	$720

Item	2024	$
	No Scheduled Replacements	

Item	2025	$
4	Irrigation heads (10%)	$720
	Total Scheduled Replacements	$720

Item	2026	$
1	Pedestal mount mail boxes (	$9,782
	Total Scheduled Replacements	$9,782

Item	2027	$
4	Irrigation heads (10%)	$720
14	Asphalt driveway pavement	$2,044
	Total Scheduled Replacements	$2,764

Item	2028	$
	No Scheduled Replacements	

Item	2029	$
4	Irrigation heads (10%)	$720
	Total Scheduled Replacements	$720

PROJECTED REPLACEMENTS - YEARS SIXTEEN TO THIRTY

Item	2030	$
3	Irrigation controller	$1,050
5	Irrigation well	$110
6	Irrigation pump	$300
7	Irrigation wire	$7,500
	Total Scheduled Replacements	$8,960

Item	2031	$
4	Irrigation heads (10%)	$720
9	Metal roof	$40,800
10	Gutter & downspout	$95,000
	Total Scheduled Replacements	$136,520

Item	2032	$
14	Asphalt driveway pavement	$2,044
	Total Scheduled Replacements	$2,044

Item	2033	$
4	Irrigation heads (10%)	$720
	Total Scheduled Replacements	$720

Item	2034	$
	No Scheduled Replacements	

Item	2035	$
4	Irrigation heads (10%)	$720
12	Brick tuckpointing (10%)	$3,039
	Total Scheduled Replacements	$3,759

Item	2036	$
8	Asphalt shingle roof	$876,000
	Total Scheduled Replacements	$876,000

Item	2037	$
4	Irrigation heads (10%)	$720
14	Asphalt driveway pavement	$2,044
	Total Scheduled Replacements	$2,764

Item	2038	$
	No Scheduled Replacements	

Item	2039	$
4	Irrigation heads (10%)	$720
	Total Scheduled Replacements	$720

Item	2040	$
3	Irrigation controller	$1,050
6	Irrigation pump	$300
7	Irrigation wire	$7,500
11	Vinyl siding and trim	$900,000
	Total Scheduled Replacements	$908,850

Item	2041	$
4	Irrigation heads (10%)	$720
13	Asphalt driveway pavement	$49,640
	Total Scheduled Replacements	$50,360

Item	2042	$
14	Asphalt driveway pavement	$2,044
	Total Scheduled Replacements	$2,044

Item	2043	$
4	Irrigation heads (10%)	$720
	Total Scheduled Replacements	$720

Item	2044	$
	No Scheduled Replacements	

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CASH FLOW METHOD ACCOUNTING SUMMARY

This Townhouses of Bayshore - Cash Flow Method Accounting Summary is an attachment to the Townhouses of Bayshore - Replacement Reserve Study dated Revised October 11, 2017 and is for use by accounting and reserve professionals experienced in Association funding and accounting principles. This Summary consists of four reports, the 2015, 2016, and 2017 Cash Flow Method Category Funding Reports (3) and a Three-Year Replacement Funding Report.

- CASH FLOW METHOD CATEGORY FUNDING REPORT, 2015, 2016, and 2017. Each of the 15 Projected Replacements listed in the Townhouses of Bayshore Replacement Reserve Inventory has been assigned to one of 2 categories. The following information is summarized by category in each report:
  - Normal Economic Life and Remaining Economic Life of the Projected Replacements.
  - Cost of all Scheduled Replacements in each category.
  - Replacement Reserves on Deposit allocated to the category at the beginning and end of the report period.
  - Cost of Projected Replacements in the report period.
  - Recommended Replacement Reserve Funding allocated to the category during the report period as calculated by the Cash Flow Method.

- THREE-YEAR REPLACEMENT FUNDING REPORT. This report details the allocation of the $311,456 Beginning Balance (at the start of the Study Year) and the $211,370 of additional Replacement Reserve Funding in 2015 through 2017 (as calculated in the Replacement Reserve Analysis) to each of the 15 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made using Chronological Allocation, a method developed by Miller Dodson Associates, Inc., and discussed below. The calculated data includes:
  - Identification and estimated cost of each Projected Replacement schedule in years 2015 through 2017.
  - Allocation of the $311,456 Beginning Balance to the Projected Replacements by Chronological Allocation.
  - Allocation of the $211,370 of additional Replacement Reserve Funding recommended in the Replacement Reserve Analysis in years 2015 through 2017, by Chronological Allocation.

- CHRONOLOGICAL ALLOCATION. Chronological Allocation assigns Replacement Reserves to Projected Replacements on a "first come, first serve" basis in keeping with the basic philosophy of the Cash Flow Method. The Chronological Allocation methodology is outlined below.
  - The first step is the allocation of the $311,456 Beginning Balance to the Projected Replacements in the Study Year. Remaining unallocated funds are next allocated to the Projected Replacements in subsequent years in chronological order until the total of Projected Replacements in the next year is greater than the unallocated funds. Projected Replacements in this year are partially funded with each replacement receiving percentage funding. The percentage of funding is calculated by dividing the unallocated funds by the total of Projected Replacements in the partially funded year.

    At Townhouses of Bayshore the Beginning Balance funds all Scheduled Replacements in the Study Year through 2035 and provides partial funding (7%) of replacements scheduled in 2036.
  - The next step is the allocation of the $70,457 of 2015 Cash Flow Method Reserve Funding calculated in the Replacement Reserve Analysis. These funds are first allocated to fund the partially funded Projected Replacements and then to subsequent years in chronological order as outlined above.

    At Townhouses of Bayshore the Beginning Balance and the 2015 Replacement Reserve Funding, funds replacements through 2035 and partial funds (14.6%) replacements in 2036.
  - Allocations of the 2016 and 2017 Reserve Funding are done using the same methodology.
  - The Three-Year Replacement Funding Report details component by component allocations made by Chronological Allocation.

2015 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 15 Projected Replacements included in the Townhouses of Bayshore Replacement Reserve Inventory has been assigned to one of the 2 categories listed in TABLE CF-1 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- A Beginning Balance of $311,456 as of the first day of the Study Year, January 1, 2015.
- Total reserve funding (including the Beginning Balance) of $381,913 in the Study Year.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2015 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF-1

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2015 BEGINNING BALANCE	2015 RESERVE FUNDING	2015 PROJECTED REPLACEMENTS	2015 END OF YEAR BALANCE
GENERAL SITE IMPROVEMENTS	2 to 50 years	2 to 35 years	$20,250	$34,792			$34,792
TOWNHOUSE EXTERIORS	5 to 100 years	3 to 25 years	$1,991,523	$276,664	$70,457		$347,121

2016 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 15 Projected Replacements included in the Townhouses of Bayshore Replacement Reserve Inventory has been assigned to one of the 2 categories listed in TABLE CF-2 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $381,913 on January 1, 2016.
- Total reserve funding (including the Beginning Balance) of $452,369 in 2015 through 2016.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2016 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF-2

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2016 BEGINNING BALANCE	2016 RESERVE FUNDING	2016 PROJECTED REPLACEMENTS	2016 END OF YEAR BALANCE
GENERAL SITE IMPROVEMENTS	2 to 50 years	1 to 34 years	$20,250	$34,792			$34,792
TOWNHOUSE EXTERIORS	5 to 100 years	2 to 24 years	$1,991,523	$347,121	$70,457		$417,577

2017 - CASH FLOW METHOD CATEGORY FUNDING REPORT

Each of the 15 Projected Replacements included in the Townhouses of Bayshore Replacement Reserve Inventory has been assigned to one of the 2 categories listed in TABLE CF-3 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $452,369 on January 1, 2017.
- Total Replacement Reserve funding (including the Beginning Balance) of $522,826 in 2015 to 2017.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2017 being accomplished in 2017 at a cost of $720.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2017 - CASH FLOW METHOD CATEGORY FUNDING - TABLE CF-3

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2017 BEGINNING BALANCE	2017 RESERVE FUNDING	2017 PROJECTED REPLACEMENTS	2017 END OF YEAR BALANCE
GENERAL SITE IMPROVEMENTS	2 to 50 years	0 to 33 years	$20,250	$34,792		($720)	$34,072
TOWNHOUSE EXTERIORS	5 to 100 years	1 to 23 years	$1,991,523	$417,577	$70,457		$488,034

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING REPORT

TABLE 4 below details the allocation of the $311,456 Beginning Balance, as reported by the Association and the $211,370 of Replacement Reserve Funding calculated by the Cash Flow Method in 2015 to 2017, to the 15 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made by Chronological Allocation, a method developed by Miller Dodson Associates, Inc., and outlined on Page CF-1. The accuracy of the allocations is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $311,456 on January 1, 2015.
- Replacement Reserves on Deposit totaling $381,913 on January 1, 2016.
- Replacement Reserves on Deposit totaling $452,369 on January 1, 2017.
- Total Replacement Reserve funding (including the Beginning Balance) of $522,826 in 2015 to 2017.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2015 to 2017 being accomplished as scheduled in the Replacement Reserve Inventory at a cost of $720.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates, Inc., to arrange for an update of the Replacement Reserve Study.

CASH FLOW METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CF-4

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2015 Reserve Funding	2015 Projected Replacements	2015 End of Year Balance	2016 Reserve Funding	2016 Projected Replacements	2016 End of Year Balance	2017 Reserve Funding	2017 Projected Replacements	2017 End of Year Balance
	GENERAL SITE IMPROVEMENTS											
1	Pedestal mount mail boxes (aluminum)	9,782	9,782			9,782			9,782			9,782
2	Segmental retaining wall (10%)	788										
3	Irrigation controller	1,050	2,100			2,100			2,100			2,100
4	Irrigation heads (10%)	720	7,200			7,200			7,200		(720)	6,480
5	Irrigation well	110	110			110			110			110
6	Irrigation pump	300	600			600			600			600
7	Irrigation wire	7,500	15,000			15,000			15,000			15,000
	TOWNHOUSE EXTERIORS											
8	Asphalt shingle roof	876,000	57,053	70,457		127,510	70,457		197,966	70,457		268,423
9	Metal roof	40,800	40,800			40,800			40,800			40,800
10	Gutter & downspout	95,000	95,000			95,000			95,000			95,000
11	Vinyl siding and trim	900,000										
12	Brick tuckpointing (10%)	3,039	3,039			3,039			3,039			3,039
13	Asphalt driveway pavement	49,640	49,640			49,640			49,640			49,640
14	Asphalt driveway pavement (sealcoat)	2,044	6,132			6,132			6,132			6,132
15	Grading	25,000	25,000			25,000			25,000			25,000

COMPONENT METHOD ACCOUNTING SUMMARY

This Townhouses of Bayshore - Component Method Accounting Summary is an attachment to the Townhouses of Bayshore - Replacement Reserve Study dated Revised October 11, 2017 and is for use by accounting and reserve professionals experienced in Association funding and accounting principals. This Summary consists of four reports, the 2015, 2016, and 2017 Cash Flow Method Category Funding Reports (3) and a Three-Year Replacement Funding Report.

- COMPONENT METHOD CATEGORY FUNDING REPORT, 2015, 2016, and 2017. Each of the 15 Projected Replacements listed in the Townhouses of Bayshore Replacement Reserve Inventory has been assigned to one of 2 categories. The following information is summarized by category in each report:
  - Normal Economic Life and Remaining Economic Life of the Projected Replacements.
  - Cost of all Scheduled Replacements in each category.
  - Replacement Reserves on Deposit allocated to the category at the beginning and end of the report period.
  - Cost of Projected Replacements in the report period.
  - Recommended Replacement Reserve Funding allocated to the category during the report period as calculated by the Component Method.
- THREE-YEAR REPLACEMENT FUNDING REPORT. This report details the allocation of the $311,456 Beginning Balance (at the start of the Study Year) and the $237,805 of additional Replacement Reserve funding in 2015 through 2017 (as calculated in the Replacement Reserve Analysis) to each of the 15 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made using the Component Method as outlined in the Replacement Reserve Analysis.
  The calculated data includes:
  - Identification and estimated cost of each Projected Replacement schedule in years 2015 through 2017.
  - Allocation of the $311,456 Beginning Balance to the Projected Replacements by the Component Method.
  - Allocation of the $237,805 of additional Replacement Reserve Funding recommended in the Replacement Reserve Analysis in years 2015 through 2017, by the Component Method.

2015 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 15 Projected Replacements included in the Townhouses of Bayshore Replacement Reserve Inventory has been assigned to one of the 2 categories listed in TABLE CM-1 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- A Beginning Balance of $311,456 as of the first day of the Study Year, January 1, 2015.
- Total reserve funding (including the Beginning Balance) of $390,724 in the Study Year.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2015 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM-1

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2015 BEGINNING BALANCE	2015 RESERVE FUNDING	2015 PROJECTED REPLACEMENTS	2015 END OF YEAR BALANCE
GENERAL SITE IMPROVEMENTS	2 to 50 years	2 to 35 years	$20,250	$5,275	$1,926		$7,201
TOWNHOUSE EXTERIORS	5 to 100 years	3 to 25 years	$1,991,523	$306,181	$77,343		$383,524

2016 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 15 Projected Replacements included in the Townhouses of Bayshore Replacement Reserve Inventory has been assigned to one of the 2 categories listed in TABLE CM-2 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $390,724 on January 1, 2016.
- Total reserve funding (including the Beginning Balance) of $469,993 in 2015 through 2016.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2016 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM-2

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2016 BEGINNING BALANCE	2016 RESERVE FUNDING	2016 PROJECTED REPLACEMENTS	2016 END OF YEAR BALANCE
GENERAL SITE IMPROVEMENTS	2 to 50 years	1 to 34 years	$20,250	$7,201	$1,926		$9,127
TOWNHOUSE EXTERIORS	5 to 100 years	2 to 24 years	$1,991,523	$383,524	$77,343		$460,866

2017 - COMPONENT METHOD CATEGORY FUNDING REPORT

Each of the 15 Projected Replacements included in the Townhouses of Bayshore Replacement Reserve Inventory has been assigned to one of the 2 categories listed in TABLE CM-3 below. This calculated data is a summary of data provided in the Three-Year Replacement Funding Report and Replacement Reserve Inventory. The accuracy of this data is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $469,993 on January 1, 2017.
- Total Replacement Reserve funding (including the Beginning Balance) of $549,261 in 2015 to 2017.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2017 being accomplished in 2017 at a cost of $720.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates to arrange for an update of the Replacement Reserve Study.

2017 - COMPONENT METHOD CATEGORY FUNDING - TABLE CM-3

CATEGORY	NORMAL ECONOMIC LIFE	REMAINING ECONOMIC LIFE	ESTIMATED REPLACEMENT COST	2017 BEGINNING BALANCE	2017 RESERVE FUNDING	2017 PROJECTED REPLACEMENTS	2017 END OF YEAR BALANCE
GENERAL SITE IMPROVEMENTS	2 to 50 years	0 to 33 years	$20,250	$9,127	$1,926	$720	$10,332
TOWNHOUSE EXTERIORS	5 to 100 years	1 to 23 years	$1,991,523	$460,866	$77,343		$538,209

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING REPORT

TABLE CM-4 below details the allocation of the $311,456 Beginning Balance, as reported by the Association and the $237,805 of Replacement Reserve Funding calculated by the Cash Flow Method in 2015 to 2017, to the 15 Projected Replacements listed in the Replacement Reserve Inventory. These allocations have been made by Chronological Allocation, a method developed by Miller Dodson Associates, Inc., and outlined on Page CF-1. The accuracy of the allocations is dependent upon many factors including the following critical financial data:

- Replacement Reserves on Deposit totaling $311,456 on January 1, 2015.
- Replacement Reserves on Deposit totaling $390,724 on January 1, 2016.
- Replacement Reserves on Deposit totaling $469,993 on January 1, 2017.
- Total Replacement Reserve funding (including the Beginning Balance) of $549,261 in 2015 to 2017.
- No expenditures from Replacement Reserves other than those specifically listed in the Replacement Reserve Inventory.
- All Projected Replacements scheduled in the Replacement Reserve Inventory in 2015 to 2017 being accomplished as scheduled in the Replacement Reserve Inventory at a cost of $720.

If any of these critical factors are inaccurate, do not use the data and please contact Miller Dodson Associates, Inc., to arrange for an update of the Replacement Reserve Study.

COMPONENT METHOD - THREE-YEAR REPLACEMENT FUNDING - TABLE CM-4

Item #	Description of Projected Replacement	Estimated Replacement Costs	Allocation of Beginning Balance	2015 Reserve Funding	2015 Projected Replacements	2015 End of Year Balance	2016 Reserve Funding	2016 Projected Replacements	2016 End of Year Balance	2017 Reserve Funding	2017 Projected Replacements	2017 End of Year Balance
	GENERAL SITE IMPROVEMENTS											
1	Pedestal mount mail boxes (aluminum)	9,782	2,682	592		3,274	592		3,865	592		4,457
2	Segmental retaining wall (10%)	788	151	18		169	18		186	18		204
3	Irrigation controller	1,050	288	127		415	127		542	127		669
4	Irrigation heads (10%)	720		240		240	240		480	240	(720)	
5	Irrigation well	110	15	6		21	6		27	6		33
6	Irrigation pump	300	82	36		119	36		155	36		191
7	Irrigation wire	7,500	2,056	907		2,964	907		3,871	907		4,778
	TOWNHOUSE EXTERIORS											
8	Asphalt shingle roof	876,000	72,056	36,543		108,599	36,543		145,142	36,543		181,685
9	Metal roof	40,800	16,081	1,454		17,535	1,454		18,989	1,454		20,443
10	Gutter & downspout	95,000	20,838	4,362		25,201	4,362		29,563	4,362		33,926
11	Vinyl siding and trim	900,000	158,637	28,514		187,151	28,514		215,665	28,514		244,179
12	Brick tuckpointing (10%)	3,039		145		145	145		289	145		434
13	Asphalt driveway pavement	49,640	22,117	3,932		26,049	3,932		29,981	3,932		33,913
14	Asphalt driveway pavement (sealcoat)	2,044		256		256	256		511	256		767
15	Grading	25,000	16,451	2,137		18,588	2,137		20,726	2,137		22,863