

**LODGES AT CANNON BEACH FRACTIONAL**  
**OWNERSHIP PROGRAM – PHASE I**  
**MAINTENANCE PLAN UPDATE**  
**RESERVE STUDY**  
**LEVEL III: UPDATE WITH NO VISUAL SITE INSPECTION**  
**2011**





## LODGES AT CANNON BEACH FRACTIONAL

### OWNERSHIP PROGRAM – PHASE I

#### Executive Summary

**Year of Report:**

January 1, 2011 to December 31, 2011

**Number of Units:**

4 Units

**Parameters:**

Beginning Balance: \$26,992.59

Year 2011 Suggested Contribution: \$12,000

Inflation: 2%

Annual Increase to Suggested Contribution: 2%

Lowest Cash Balance over 30 years (Threshold): \$39,027

Average Reserve Assessment per Unit: \$250

**Page References:**

- Maintenance Plan
- Cash Flow Method – Parameters Summary Page
- Cash Flow Method – 30 Year Cash Flow Projection
- Expenditures By Years
- Component Detail Summary

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Prior Year's Actual Contribution: \$12,000

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**Lodges at Cannon Beach Fractional Ownership Program Phase I  
Maintenance Plan - Update  
Reserve Study - Update  
Disclosure Information  
2011**

We have conducted an offsite Reserve Study update and Maintenance Plan update for the Lodges at Cannon Beach Fractional Ownership Program Phase I for the year beginning January 1, 2011 in accordance with guidelines established by Community Associations Institute and the American Institute of Certified Public Accountants.

This Reserve Study and Maintenance Plan are in compliance with the legislative changes made in 2007 to ORS Chapters 94 and 100.

The threshold method assumes that the threshold method is funded with a positive threshold balance, therefore, "fully reserved."

We have no other involvement with the Association other than providing the Operating Budget, Reserve Study and Maintenance Plan.

Schwindt & Company believes that every Association should have a complete building envelope inspection within 12 months of completion of all construction. This inspection must be performed by a licensed building envelope inspector. Ongoing inspections of the property should be performed by a licensed inspector, with the exception of a roof inspection which may be performed by a licensed roofing contractor.

Assumptions used for inflation, interest and other factors are detailed in PAGE 1-2. This reserve study incorporates a provision for income taxes by reducing the net amount of interest earned.

David T. Schwindt, the representative in charge of this report is a designated Reserve Study Specialist, Professional Reserve Analyst, and Certified Public Accountant licensed in the State of Oregon, Washington California and Arizona.

The property is currently under construction; no onsite visit was performed. All information regarding the useful lives and costs of reserve components were derived by the developer, Schwindt & Company, and various construction pricing and scheduling manuals.

**According to Section 1.5 of the Declaration, "Common Furnishings' means the furnishings and appliances listed on the inventory schedule attached as Exhibit C to the Declaration or attached to any Annexation Declaration, together with any other additional personal property acquired by the Association in accordance with Section 4.1 of the Declaration."**

**According to Section 4.1 of the Declaration, "Furnishings. The Common Furnishings of each Unit will be owned by the Association. The Manager, on behalf of the Association, is hereby authorized to repair or replace Common Furnishings within a Unit as needed to maintain the uniform quality of the Units."**

**According to Section Exhibit A, Section 3.8, "Maid Service. The Manager will arrange for the weekly cleaning of the Units and or Furnishings in such Units. As part of the Assessment, each owner is entitled to receive maid service once a week for each Regular Use Period he or she utilizes."**



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The terms RS Means and National Construction Estimator refer to construction industry estimating databases that are used throughout the industry to establish cost estimates and useful life estimates for common building components and products. We suggest that the Association obtain firm bids for these services.

We are not aware of any material issues which, if not disclosed, would cause a material distortion of this report.

Certain information such as the beginning balance of reserve funds and other information as detailed on the component detail reports were provided by Association representatives and are deemed to be reliable by us. This reserve study is a reflection of the information provided to us and cannot be used for the purpose of performing an audit, quality/forensic analysis, or background checks of historical records.

Onsite inspections should not be considered a project audit or quality inspection of Association property.

Please note that the Association has not had a complete building envelope inspection. The effects of not having information relating to this inspection are not known. The amounts used in this report are solely the representations of the developer.

Certain costs outlined in the reserve study are subjective and as a result are for planning purposes only. All work should be bid out at the time of work. Actual costs will depend upon the scope of work as defined at the time the repair, replacement or restoration is performed. All estimates relating to future work are good faith estimates and projections are based on the estimated inflation rate, which may or may not prove accurate. All future costs and life expectancies should be reviewed and adjusted annually.

This reserve study, unless specifically stated in the report, assumes no fungi, mold, asbestos, lead paint, urea-formaldehyde foam insulation, termite control substances other chemicals, toxic wastes, radon gas, electro-magnetic radiation or other potentially hazardous materials (on the surface or sub-surface), or termites on the property. The existence of any of these substances may adversely affect the accuracy of this reserve study. Schwindt and Company assumes no responsibility regarding such conditions, as we are not qualified to detect substances, determine the impact or develop remediation plans/costs.

Since destructive testing was not performed, this reserve study does not attempt to address latent and/or patent defects, nor does it address useful life expectancies that are abnormally short due either to improper design or installation, or to subsequent improper maintenance. This reserve study assumes all components will be reasonably maintained for the remainder of their life expectancy.

#### Physical Analysis:

New Projects generally include information provided by developers and/or refer to drawings.

Full onsite reserve studies generally include field measurements and do not include destructive testing. Drawings are usually not available for existing projects.

Onsite updates generally include observations of physical characteristics but do not include field measurements.

The client is considered to have deemed previously developed component quantities as accurate and reliable. The current work is reliant on the validity of prior Reserve Studies.

This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component.

**LODGES AT CANNON BEACH FRACTIONAL**  
**OWNERSHIP PROGRAM – PHASE I**  
**MAINTENANCE PLAN UPDATE**  
**2011**

## **Executive Summary of Maintenance Plan**

Regular maintenance of common elements is necessary to insure the maximum useful life and optimum performance of components. Of particular concern are items that may present a safety hazard to residents or guests if they are not maintained in a timely manner and components that perform a water-proofing function.

This maintenance plan is a cyclical plan that calls for maintenance at regular intervals. The frequency of the maintenance activity and the cost of the activity at the first instance follow a short descriptive narrative. This maintenance plan should be reviewed on an annual basis when preparing the annual operating budget for the Association

Checklists, developed by Reed Construction Data, Inc., can be photocopied or accessed from the RS Means web site:

<http://www.rsmeans.com/supplement/67346.asp>

They can be used to assess and document the existing condition of an association's common elements and to track the carrying out of planned maintenance activities.

**Lodges at Cannon Beach Fractional Ownership Program Phase I  
Maintenance Plan  
2011**

**Pursuant to Oregon State Statutes Chapters 94 and 100 requiring a maintenance plan as an integral part of the reserve study, the maintenance procedures are as follows:**

**The Board of Directors should refer to this maintenance plan each year when preparing the annual operating budget for the Association to ensure that annual maintenance costs are included in the budget for the years that they are scheduled.**

**Property Inspection**

Schwindt & Co. recommends that a provision for the annual inspection of common area components be included in the maintenance plan for all Associations. This valuable management tool will help to ensure that all components achieve a maximum useful life expectancy and that they are functioning as intended throughout their lifespan.

The inspection should be performed by a qualified professional and should include a written summary of conclusions with specific recommendations for any needed repairs or maintenance.

This cost is an estimated amount. We suggest that the Association obtain firm bids for this service.

This expense is assumed to be included in the annual operating budget for the Association.

Cost: TBD

Frequency: Annually

**Attics and Crawl Spaces**

Attic should be inspected annually to make sure all vents are free of obstructions and exhaust ducts are tight lined to the exterior. Owners should consult a professional if mold is detected.

Crawl spaces should be checked annually to make sure all vents are free of obstructions. Owners should make sure that finish grade is below the height of the vents and vents are clear of debris. Crawl space should be checked for signs of water intrusion or moisture damage to the building structure.

Owners should consult a professional if water related damage is discovered.

This expense is assumed to be included in the annual operating budget for the Association.

Cost: Included in Interior Building Maintenance

Frequency: Annually

**Windows and Doors**

Exterior window and door casings, sashes and frames should be inspected annually for twisting, cracking, deterioration or other signs of distress. Hardware and weather stripping should be checked for proper operation and fit. Gaskets and seals should be reviewed for signs of moisture intrusion. Weep holes should be cleaned. These building envelope components should be repaired and replaced as necessary

This expense is assumed to be included in the annual operating budget for the Association.

Cost: Included in Interior Building Maintenance

Frequency: Annually

### **Hot Water Heater Maintenance**

Maintenance of the hot water heater includes regularly scheduled inspections and maintenance.

The water heater and related components should be checked for water leaks and fuel supply leaks. The water heater and related components should also be checked for proper operation and settings. Filters should be changed and all components serviced as required. The surrounding area should be cleaned at the time of servicing.

Inspections and maintenance should be performed by a qualified, licensed service provider.

This expense is assumed to be included in the annual operating budget for the Association.

Cost: Included in Interior Building Maintenance      Frequency: Annually

### **Interior Carpet Maintenance**

The interior carpet will be vacuumed every week per the legal documents. Every 1 to 3 years a major cleaning of the carpets will take place. Major cleaning will include washing the carpets.

This work should be performed by a professional carpet cleaner.

This expense is assumed to be included in the annual operating budget for the Association.

Cost: Included in Cleaning Services      Frequency: Weekly to Annually

### **Interior – Painting**

Maintenance of the interior walls includes painting all walls, handrails, architectural wood work of the buildings, and inspection for cracks and holes.

This expense is included in the reserve study for the Association.

Cost: \$45,090      Frequency: Every 5 years, starting in 2013.

### **Elevator – Inspection**

The elevator should be inspected annually for any signs of aging or damages. The inspection should be performed by a qualified professional. Strum Elevators, the installer, estimates the cost to inspect the elevator to be \$125 per year.

This expense is assumed to be included in the annual operating budget for the Association.

Cost: TBD      Frequency: Annually.

**This maintenance plan is designed to preserve and extend the useful life of assets and is dependent upon proper inspection and follow up procedures.**

**LODGES AT CANNON BEACH FRACTIONAL**  
**OWNERSHIP PROGRAM – PHASE I**  
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**Lodges at Cannon Beach Fractional Program - Phase I  
Category Detail Index**

Asset ID	Description	Replacement	Page
<b>Painting</b>			
1018	Interior - Painting	2018	1-12
<b>Equipment</b>			
1005	Dishwasher - Replacement	2018	1-13
1011	Disposal - Replacement	2020	1-13
1007	Gas Furnace - Replacement	2028	1-14
1006	Range - Replacement	2023	1-14
1012	Refrigerator/Freezer - Replacement	2023	1-15
1020	Smoke Detectors - Replacement	2020	1-15
1003	Washer/Dryer - Replacement	2021	1-16
1004	Water Heater - Replacement	2018	1-16
<b>Building Components</b>			
1022	Bathroom Sinks - Replacement	2028	1-18
1026	Elevator	unfunded	1-18
1021	Kitchen Sinks - Replacement	2028	1-19
1025	Windows - Replacement	2038	1-19
<b>Railings</b>			
1024	Interior Handrails - Replacement	unfunded	1-21
<b>Furniture</b>			
1001	King Size Mattress - Replacement	2018	1-22
1010	Queen Sofa Sleeper - Replacement	2028	1-22
<b>Carpet</b>			
1019	Interior Carpet - Replacement	2018	1-23
<b>Entertainment</b>			
1002	37 Inch Flat Screen TV - Replacement	2023	1-24
1013	Audio Components - Replacement	2028	1-24
	Total Funded Assets	17	
	Total Unfunded Assets	<u>2</u>	
	Total Assets	19	

# **Lodges at Cannon Beach Fractional Ownership Program**

## **Property Description**

Lodges at Cannon Beach Fractional Ownership Program Phase I consists of 4 buildings with 8 units located in Cannon Beach, Oregon. The Association shall provide interior maintenance upon each unit, such as paint, maintenance, repair and replacement common furnishing and carpet repair.

This study uses information supplied by the developer, and various construction pricing and scheduling manuals to determine useful lives and replacement costs. Schwindt and Company has not performed a site visit.

Funds will be accumulated in the replacement fund based on estimates of future need for repairs and replacement of common property components. Actual expenditures, investment income and provisions for income taxes however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future funding needs.

**Lodges at Cannon Beach Fractional Program - Phase I**  
 Cannon Beach, OR  
**Cash Flow Method - Threshold Funding Model Summary**

Report Date	February 23, 2011
Account Number	21dcnf
Budget Year Beginning	January 01, 2011
Budget Year Ending	December 31, 2011
Total Units	4

<i>Report Parameters</i>	
Inflation	2.00%
Interest Rate on Reserve Deposit	0.10%
Tax Rate on Interest	0.00%
Contingency	0.00%
2011 Beginning Balance	\$26,993.00

**Threshold Funding**  
**Fully Reserved Model Summary**

- This study utilizes the fully funded threshold funding method, which establishes a reserve funding goal that keeps the reserve balance above a specified dollar or percent funded amount. The threshold method assumes that the threshold method is funded with a positive threshold balance, therefore, “fully reserved.”
- The following items were not included in the analysis because they have useful lives greater than 30 years: Telephone, cable, and Internet lines, Interior Doors, Night Stands, Dressers, Artwork, Stools, Counter Tops, Wood Floors, and Toilets.
- This reserve study incorporates a provision for income taxes by reducing the net amount of interest earned.
- This funding scenario begins with an initial contribution of **\$12,500** in **2011** and increases **2%** each year for the remaining years of the study. A minimum balance of **\$39,027** is maintained.
- The purpose of this study is to insure that adequate replacement funds are available when components reach the end of their useful life. Components will be replaced as required, not necessarily in their expected replacement year. This analysis should be updated annually.

<i>Cash Flow Method - Threshold Funding Model Summary of Calculations</i>	
Required Monthly Contribution	\$1,000.00
<i>\$250.00 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$2.79</u>
Total Monthly Allocation to Reserves	\$1,002.79
<i>\$250.70 per unit monthly</i>	

**Lodges at Cannon Beach Fractional Program - Phase I**  
**Cannon Beach, OR**  
**Cash Flow Method - Threshold Funding Model Projection**

Beginning Balance: \$26,993

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves
2011	12,000	34		39,027
2012	12,240	46		51,312
2013	12,485	58		63,855
2014	12,734	71		76,660
2015	12,989	84		89,733
2016	13,249	97		103,079
2017	13,514	110		116,704
2018	13,784	45	78,969	51,565
2019	14,060	59		65,684
2020	14,341	71	2,042	78,054
2021	14,628	80	5,631	87,132
2022	14,920	95		102,147
2023	15,219	77	33,650	83,793
2024	15,523	92		99,409
2025	15,834	108		115,351
2026	16,150	124		131,625
2027	16,473	141		148,239
2028	16,803	28	129,378	35,692
2029	17,139	45		52,876
2030	17,482	62		70,420
2031	17,831	80		88,332
2032	18,188	96	2,590	104,026
2033	18,552	114		122,692
2034	18,923	126	7,284	134,456
2035	19,301	145		153,902
2036	19,687	165		173,754
2037	20,081	185		194,020
2038	20,483	35	170,090	44,448
2039	20,892	56		65,396
2040	21,310	77		86,783

**Lodges at Cannon Beach Fractional Program - Phase I  
Component Summary By Group**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost	
<b>Capital</b>									
37 Inch Flat Screen TV - Replacement	2008	2023	15	0	12	8 Units	742.63	5,941	
Audio Components - Replacement	2008	2028	20	0	17	4 Units	1,353.71	5,415	
Bathroom Sinks - Replacement	2008	2028	20	0	17	14 Each	209.12	2,928	
Dishwasher - Replacement	2008	2018	10	0	7	8 Units	1,112.19	8,898	
Disposal - Replacement	2008	2020	12	0	9	4 Units	102.07	408	
Elevator	<i>unfunded</i>								
Gas Furnace - Replacement	2008	2028	20	0	17	4 Units	1,144.44	4,578	
Interior Carpet - Replacement	2008	2018	10	0	7	2,095 SF	5.41	11,334	
Interior Handrails - Replacement	<i>unfunded</i>								
King Size Mattress - Replacement	2008	2018	10	0	7	8 Units	689.58	5,517	
Kitchen Sinks - Replacement	2008	2028	20	0	17	4 Each	454.55	1,818	
Queen Sofa Sleeper - Replacement	2008	2028	20	0	17	6 Units	1,485.26	8,912	
Range - Replacement	2008	2023	15	0	12	4 Units	2,495.92	9,984	
Refrigerator/Freezer - Replacement	2008	2023	15	0	12	4 Total	2,651.98	10,608	
Smoke Detectors - Replacement	2008	2020	12	0	9	24 Each	54.18	1,300	
Washer/Dryer - Replacement	2008	2021	13	0	10	4 Units	1,154.82	4,619	
Water Heater - Replacement	2008	2018	10	0	7	4 Units	936.36	3,745	
Windows - Replacement	2008	2038	30	0	27	8 Each	520.20	4,370	
Capital - Total									<u>\$90,374</u>
<b>Non - Capital</b>									
Interior - Painting	2008	2018	10	0	7	22,177 SF	1.77	<u>39,253</u>	
Non - Capital - Total									<u>\$39,253</u>
Total Asset Summary									<u>\$129,627</u>

**Lodges at Cannon Beach Fractional Program - Phase I  
Component Summary By Category**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<b>Painting</b>								
Interior - Painting	2008	2018	10	0	7	22,177 SF	1.77	<u>39,253</u>
Painting - Total								\$39,253
<b>Equipment</b>								
Dishwasher - Replacement	2008	2018	10	0	7	8 Units	1,112.19	8,898
Disposal - Replacement	2008	2020	12	0	9	4 Units	102.07	408
Gas Furnace - Replacement	2008	2028	20	0	17	4 Units	1,144.44	4,578
Range - Replacement	2008	2023	15	0	12	4 Units	2,495.92	9,984
Refrigerator/Freezer - Replacement	2008	2023	15	0	12	4 Total	2,651.98	10,608
Smoke Detectors - Replacement	2008	2020	12	0	9	24 Each	54.18	1,300
Washer/Dryer - Replacement	2008	2021	13	0	10	4 Units	1,154.82	4,619
Water Heater - Replacement	2008	2018	10	0	7	4 Units	936.36	<u>3,745</u>
Equipment - Total								\$44,140
<b>Building Components</b>								
Bathroom Sinks - Replacement	2008	2028	20	0	17	14 Each	209.12	2,928
Elevator		<i>unfunded</i>						
Kitchen Sinks - Replacement	2008	2028	20	0	17	4 Each	454.55	1,818
Windows - Replacement	2008	2038	30	0	27	8 Each	520.20	<u>4,370</u>
Building Components - Total								\$9,116
<b>Railings</b>								
Interior Handrails - Replacement		<i>unfunded</i>						
<b>Furniture</b>								
King Size Mattress - Replacement	2008	2018	10	0	7	8 Units	689.58	5,517
Queen Sofa Sleeper - Replacement	2008	2028	20	0	17	6 Units	1,485.26	<u>8,912</u>
Furniture - Total								\$14,428
<b>Carpet</b>								
Interior Carpet - Replacement	2008	2018	10	0	7	2,095 SF	5.41	<u>11,334</u>
Carpet - Total								\$11,334
<b>Entertainment</b>								
37 Inch Flat Screen TV - Replacement	2008	2023	15	0	12	8 Units	742.63	5,941
Audio Components - Replacement	2008	2028	20	0	17	4 Units	1,353.71	<u>5,415</u>
Entertainment - Total								\$11,356

**Lodges at Cannon Beach Fractional Program - Phase I  
Component Summary By Category**

Description	<i>Date in Service</i>	<i>Replacement Year</i>	<i>Useful Adjustment</i>	<i>Remaining</i>	Units	Unit Cost	Current Cost
Total Asset Summary							\$129,627

**Lodges at Cannon Beach Fractional Program - Phase I**  
**Distribution by Percentage of Ideally Funded**

Description	Remaining Life	Beginning Balance	Assessment Distributed	Interest Distributed	Expenditures	Ending Balance
<b>Painting</b>						
Interior - Painting	7	<u>10,121</u>	<u>4,499</u>	<u>13</u>		<u>14,632</u>
Painting - Total		\$10,121	\$4,499	\$13		\$14,632
<b>Equipment</b>						
Dishwasher - Replacement	7	2,294	1,020	3		3,317
Disposal - Replacement	9	88	39			127
Gas Furnace - Replacement	17	590	262	1		853
Range - Replacement	12	1,716	763	2		2,481
Refrigerator/Freezer - Replacement	12	1,823	811	2		2,636
Smoke Detectors - Replacement	9	279	124			404
Washer/Dryer - Replacement	10	916	407	1		1,325
Water Heater - Replacement	7	<u>966</u>	<u>429</u>	<u>1</u>		<u>1,396</u>
Equipment - Total		\$8,672	\$3,855	\$11		\$12,539
<b>Building Components</b>						
Bathroom Sinks - Replacement	17	377	168			546
Elevator		<i>Unfunded</i>				
Kitchen Sinks - Replacement	17	234	104			339
Windows - Replacement	27	<u>376</u>	<u>167</u>	<u>1</u>		<u>543</u>
Building Components - Total		\$987	\$439	\$1		\$1,428
<b>Railings</b>						
Interior Handrails - Replacement		<i>Unfunded</i>				
Railings - Total						
<b>Furniture</b>						
King Size Mattress - Replacement	7	1,422	632	2		2,056
Queen Sofa Sleeper - Replacement	17	<u>1,149</u>	<u>511</u>	<u>1</u>		<u>1,661</u>
Furniture - Total		\$2,571	\$1,143	\$3		\$3,717
<b>Carpet</b>						
Interior Carpet - Replacement	7	<u>2,922</u>	<u>1,299</u>	<u>4</u>		<u>4,225</u>
Carpet - Total		\$2,922	\$1,299	\$4		\$4,225
<b>Entertainment</b>						
37 Inch Flat Screen TV - Replacement	12	1,021	454	1		1,476
Audio Components - Replacement	17	<u>698</u>	<u>310</u>	<u>1</u>		<u>1,009</u>
Entertainment - Total		\$1,719	\$764	\$2		\$2,486

**Lodges at Cannon Beach Fractional Program - Phase I  
Distribution by Percentage of Ideally Funded**

Description	<i>Remaining Life</i>	<i>Beginning Balance</i>	<i>Assessment Distributed</i>	<i>Interest Distributed</i>	<i>Expenditures</i>	<i>Ending Balance</i>
Grand - Total		<u>\$26,993</u>	<u>\$12,000</u>	<u>\$34</u>		<u>\$39,027</u>

**Lodges at Cannon Beach Fractional Program - Phase I  
Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2011</i>	
<i>No Replacement in 2012</i>	
<i>No Replacement in 2013</i>	
<i>No Replacement in 2014</i>	
<i>No Replacement in 2015</i>	
<i>No Replacement in 2016</i>	
<i>No Replacement in 2017</i>	
<b>Replacement Year 2018</b>	
Dishwasher - Replacement	10,220
Interior - Painting	45,090
Interior Carpet - Replacement	13,019
King Size Mattress - Replacement	6,337
Water Heater - Replacement	4,302
<b>Total for 2018</b>	<b><u>\$78,969</u></b>
<i>No Replacement in 2019</i>	
<b>Replacement Year 2020</b>	
Disposal - Replacement	488
Smoke Detectors - Replacement	1,554
<b>Total for 2020</b>	<b><u>\$2,042</u></b>
<b>Replacement Year 2021</b>	
Washer/Dryer - Replacement	5,631
<b>Total for 2021</b>	<b><u>\$5,631</u></b>
<i>No Replacement in 2022</i>	
<b>Replacement Year 2023</b>	
37 Inch Flat Screen TV - Replacement	7,535
Range - Replacement	12,662
Refrigerator/Freezer - Replacement	13,453
<b>Total for 2023</b>	<b><u>\$33,650</u></b>
<i>No Replacement in 2024</i>	
<i>No Replacement in 2025</i>	

**Lodges at Cannon Beach Fractional Program - Phase I  
Annual Expenditure Detail**

Description	Expenditures
<i>No Replacement in 2026</i>	
<i>No Replacement in 2027</i>	
<b>Replacement Year 2028</b>	
Audio Components - Replacement	7,582
Bathroom Sinks - Replacement	4,099
Dishwasher - Replacement	12,459
Gas Furnace - Replacement	6,410
Interior - Painting	54,964
Interior Carpet - Replacement	15,870
King Size Mattress - Replacement	7,725
Kitchen Sinks - Replacement	2,546
Queen Sofa Sleeper - Replacement	12,478
Water Heater - Replacement	5,245
<b>Total for 2028</b>	<b><u>\$129,378</u></b>
<i>No Replacement in 2029</i>	
<i>No Replacement in 2030</i>	
<i>No Replacement in 2031</i>	
<b>Replacement Year 2032</b>	
Disposal - Replacement	619
Smoke Detectors - Replacement	1,971
<b>Total for 2032</b>	<b><u>\$2,590</u></b>
<i>No Replacement in 2033</i>	
<b>Replacement Year 2034</b>	
Washer/Dryer - Replacement	7,284
<b>Total for 2034</b>	<b><u>\$7,284</u></b>
<i>No Replacement in 2035</i>	
<i>No Replacement in 2036</i>	
<i>No Replacement in 2037</i>	
<b>Replacement Year 2038</b>	
37 Inch Flat Screen TV - Replacement	10,141

**Lodges at Cannon Beach Fractional Program - Phase I  
Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2038 continued...</i>	
Dishwasher - Replacement	15,187
Interior - Painting	67,001
Interior Carpet - Replacement	19,346
King Size Mattress - Replacement	9,416
Range - Replacement	17,041
Refrigerator/Freezer - Replacement	18,107
Water Heater - Replacement	6,393
Windows - Replacement	7,459
<b>Total for 2038</b>	<b>\$170,090</b>



**Lodges at Cannon Beach Fractional Program - Phase I  
Detail Report by Category**

<b>Dishwasher - Replacement</b>		8 Units	@ \$1,112.19
Asset ID	1005	Asset Cost	\$8,897.52
	Capital Equipment	Percent Replacement	100%
Placed in Service	January 2008	Future Cost	\$10,220.45
Useful Life	10		
Replacement Year	2018		
Remaining Life	7		

This provision is for the replacement of the dishwashers. The dishwashers are Jenn Air Pro-Style (model number JDB1250AWP). The MSRP of the dishwasher is \$899.00 on August 6th, 2008.

Additional amounts for installation and shipping have been added to the cost of the dishwasher.

\$170.00 for installation and \$0.00 for shipping per recent information from Sears 08/06/08.

Estimated cost per Developer.

Estimated useful life per Fannie Mae.

<b>Disposal - Replacement</b>		4 Units	@ \$102.07
Asset ID	1011	Asset Cost	\$408.28
	Capital Equipment	Percent Replacement	100%
Placed in Service	January 2008	Future Cost	\$487.93
Useful Life	12		
Replacement Year	2020		
Remaining Life	9		

This provision is for the replacement of the disposals. The disposals are made by InSinkErator (model Badger 5).

Estimated cost of \$83.99 per The Home Depot 08/06/08.

An additional cost of \$14.12 has been added for shipping per The Home Depot 08/06/08.

Estimated useful life per RS Means.

**Lodges at Cannon Beach Fractional Program - Phase I  
Detail Report by Category**

**Gas Furnace - Replacement**

		4 Units	@ \$1,144.44
Asset ID	1007	Asset Cost	\$4,577.76
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$6,409.97
Placed in Service	January 2008		
Useful Life	20		
Replacement Year	2028		
Remaining Life	17		

This provision is for the replacement of the Gas Furnace. The Furnace is made by Amana (model GMH95 Distinctions).

Estimated cost per Developer.

Estimated useful life per Fannie Mae.

**Range - Replacement**

		4 Units	@ \$2,495.92
Asset ID	1006	Asset Cost	\$9,983.68
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$12,661.72
Placed in Service	January 2008		
Useful Life	15		
Replacement Year	2023		
Remaining Life	12		

This provision is for the replacement of the ranges. The ranges are Jenn-Air Pro-Style Dual Fuel Downdraft Slide in Ranges (model number JDS9865BDP).

Estimated cost per US Appliance 08/06/08.

Estimated useful life per Fannie Mae.

**Lodges at Cannon Beach Fractional Program - Phase I**  
**Detail Report by Category**

<b>Refrigerator/Freezer - Replacement</b>		4 Total	@ \$2,651.98
Asset ID	1012	Asset Cost	\$10,607.92
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$13,453.41
Placed in Service	January 2008		
Useful Life	15		
Replacement Year	2023		
Remaining Life	12		

This provision is for the replacement of the Refrigerators/Freezers. The Refrigerators/Freezers are Jenn-Air 20 cu. ft. Cabinet Depth French Door Refrigerators (model number JFC2089HEP).

Estimated cost per US Appliance 08/06/08. This cost includes shipping.

Estimated useful life per Fannie Mae.

<b>Smoke Detectors - Replacement</b>		24 Each	@ \$54.18
Asset ID	1020	Asset Cost	\$1,300.32
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$1,554.00
Placed in Service	January 2008		
Useful Life	12		
Replacement Year	2020		
Remaining Life	9		

This provision is for the replacement of the smoke detectors.

There are approximately 6 smoke detectors per unit per the Developer.

Estimated cost per Developer.

Estimated useful life per Fannie Mae.

**Lodges at Cannon Beach Fractional Program - Phase I  
Detail Report by Category**

<b>Washer/Dryer - Replacement</b>		4 Units	@ \$1,154.82
Asset ID	1003	Asset Cost	\$4,619.28
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$5,630.88
Placed in Service	January 2008		
Useful Life	13		
Replacement Year	2021		
Remaining Life	10		

This provision is for the replacement of the washer/dryer. The washers are Frigidaire 5 Cycle Front Load Washers (model number FTF530F) and the dryers are 5.7 Cu. Ft. Capacity Dryers (model number FEQ332E).

Estimated useful life per Fannie Mae.

Estimated cost for the washers are \$629.99 based on recent information from Sears as of 08/06/08. This cost includes shipping.

Estimated cost for the dryers are \$479.99 based on recent information from Sears as of 08/06/08. This cost includes shipping.

<b>Water Heater - Replacement</b>		4 Units	@ \$936.36
Asset ID	1004	Asset Cost	\$3,745.44
	Capital	Percent Replacement	100%
	Equipment	Future Cost	\$4,302.33
Placed in Service	January 2008		
Useful Life	10		
Replacement Year	2018		
Remaining Life	7		

This provision is for the replacement of the water heaters. The water heaters are Bradford 75 gallon gas water heaters (model number MI-5036FBN).

Estimated cost per Developer. This cost includes installation.

Estimated useful life per RS Means.

**Lodges at Cannon Beach Fractional Program - Phase I  
Detail Report by Category**

<b>Equipment - Total Current Cost</b>	<b>\$44,140</b>
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**Lodges at Cannon Beach Fractional Program - Phase I  
Detail Report by Category**

<b>Bathroom Sinks - Replacement</b>		14 Each	@ \$209.12
Asset ID	1022	Asset Cost	\$2,927.68
	Capital	Percent Replacement	100%
	Building Components	Future Cost	\$4,099.46
Placed in Service	January 2008		
Useful Life	20		
Replacement Year	2028		
Remaining Life	17		

This provision is for the replacement of the bathroom sinks. The sinks are American Standard Piazza Countertop Sink made from vitreous china (model number 0478.803).

Estimated cost is \$191.00 per American Standard 08/06/08.

Estimated cost of \$10.00 for shipping is added to the cost of the sink per NexTag 08/06/08.

Estimated useful life per Fannie Mae.

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<b>Elevator</b>	
Asset ID	1026
	Capital
	Building Components

**This elevator is expected to have a useful life of greater than 30 years. It is in the study for inventory purposes only.**

There is an elevator located in unit C-1.

The elevator was installed by Larry Strum of Strum Elevators Inc. Larry stated on August 18, 2008, that there are no major repairs or replacements of the elevator or any of the elevator components within 30 years.

**Lodges at Cannon Beach Fractional Program - Phase I  
Detail Report by Category**

<b>Kitchen Sinks - Replacement</b>		4 Each	@ \$454.55
Asset ID	1021	Asset Cost	\$1,818.20
	Capital	Percent Replacement	100%
	Building Components	Future Cost	\$2,545.92
Placed in Service	January 2008		
Useful Life	20		
Replacement Year	2028		
Remaining Life	17		

This provision is for the replacement of the 8 kitchen sinks. The sinks are Lustertone Undermount Single Bowl Sink made by Elkay (model number ELU2115) and have a MSRP of \$425.

Additional installation and shipping costs have been added to the cost of replacing each sink.

Estimated installation cost is \$0.00 and the estimated shipping cost is \$11.90 per percent information from Sears on 08/06/08.

Estimated cost per NexTag.com 08/06/08.

Estimated useful life per Fannie Mae.

<b>Windows - Replacement</b>		84 Each	@ \$520.20
Asset ID	1025	Asset Cost	\$4,369.68
	Capital	Percent Replacement	10%
	Building Components	Future Cost	\$7,458.55
Placed in Service	January 2008		
Useful Life	30		
Replacement Year	2038		
Remaining Life	27		

This provision is for the replacement of the windows and skylights. Since the estimated useful life of windows and skylights is generally greater than 30 years, this provision will only be partially funded for to repair any damages that may have occurred.

An estimate of \$500 per window is used.

NOTE: This is a provision for an anticipated expense. Should the association find that the cost of this item is greater than or less than the amount provided for herein, this study should be updated to reflect the actual component cost.











## Additional Disclosures

### Levels of Service

The following three categories describe the various types of Reserve Studies, from exhaustive to minimal.

**I. Full:** A Reserve Study in which the following five Reserve Study tasks are performed:

- Component Inventory
- Condition Assessment (based upon on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

**II. Update, With-Site-Visit/On-Site Review:** A Reserve Study update in which the following five Reserve Study tasks are performed:

- Component Inventory (verification only, not quantification)
- Condition Assessment (based on on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

**III. Update, No-Site-Visit/Off Site Review:** A Reserve Study update with no on-site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Fund Status
- Funding Plan

### Terms and Definitions

**CASH FLOW METHOD:** A method of developing a Reserve Funding Plan 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:** The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

**COMPONENT INVENTORY:** The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s) of the association or cooperative.

**COMPONENT METHOD:** A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See “Cash Flow Method.”

**CONDITION ASSESSMENT:** The task of evaluating the current condition of the component based on observed or reported

characteristics.

CURRENT REPLACEMENT COST: See "Replacement Cost."

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

$FFB = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$

or

$FFB = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate})^{\text{Remaining Life}}] - [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate})^{\text{Remaining Life}}]$

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

The percent funded as of January 1, 2009 is 54%.

The Association appears to be adequately/inadequately funded as the threshold method.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

Baseline Funding: Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

Full Funding: Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

Statutory Funding: Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

FUNDING PLAN: An association's plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

**LIFE AND VALUATION ESTIMATES:** The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

**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.

**PHYSICAL ANALYSIS:** The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

**REMAINING USEFUL LIFE (RUL):** Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have “zero” Remaining Useful Life.

**REPLACEMENT COST:** The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

**RESERVE BALANCE:** Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based upon information provided and not audited.

**RESERVE PROVIDER:** An individual that prepares Reserve Studies.

**RESERVE STUDY:** A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. “Our budget and finance committee is soliciting proposals to update our Reserve Study for next year’s budget.”

**RESPONSIBLE CHARGE:** A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

**SPECIAL ASSESSMENT:** An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

**SURPLUS:** An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See “Deficit.”

**USEFUL LIFE (UL):** Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve

component can be expected to serve its intended function if properly constructed in its present application or installation.