

**Hollywood Sands Resort
Replacement Reserve Budget
For the Year: January 1 - December 31, 2018**

	Estimated Useful Life	Estimated Replacement Cost	Estimated Remaining Life	12/31/2017 Estimated Funds Existing	2018 Funding Calculation
RESERVE CALCULATIONS					
Structural/Building	20	240,000	8	(4,519)	30,565
FF&E	7	460,000	4	105,154	88,699
Painting	7	37,500	6	33,956	6,124
Paving	10	14,000	2	12,046	977
Roof	25	175,000	24	3,828	7,132
Windows/Doors	10	140,000	6	42,821	16,197
Spa/Hot tub	10	20,000	10	16,189	381
TOTAL RESERVE FUNDING		1,086,500		209,475	150,074

NOTE - will ask Board to approve reallocation of funds between categories to remove negative number(s) at year end

It is the policy of your Board of Directors and a requirement of Florida Statute 718.112(2)(f)2 to set aside funds each year for the future replacement of major items that are part of the project and that will wear out during the useful life of the facilities. These funds are commonly referred to as 'replacement reserves'. Major items include all tangible property that will be replaced during the project's estimated useful life. Therefore, replacement reserves do not provide for tearing down and rebuilding structures, but do provide, for example, for recovering roofs as many times as may be necessary while the buildings last.

Funds to be set aside each year are included in each owners annual assessment. Therefore, your full and prompt payment of assessments each year will help to insure the future condition and value of your property.

Each year, the Board must determine the amount of replacement reserves to be assessed for the following year. In order to make this estimate, a calculation of the current replacement cost of the reserve items is made. Then, using a formula based on these figures, the estimated useful life, the estimated remaining life, and the amount currently set aside, a calculation is made to determine the amount which should be added to reserves annually based on the facts and assumptions at the time the calculations are made. Interest is assumed to equal inflation and will therefore remain in the reserve account as earned.

Recommendations made by Vacation Resorts International have been incorporated into the calculations so as to make them a useful management tool as well. The above summarizes those calculations.