Associa®
Association Services of Florida

October 27, 2009

Two Mid-Town Miami
3470 East Coast Ave
Miami Beach, FL 33137
Attention: Alina Cruz, Association Manager 305-335-7345

Dear Alina:

Enclosed please find the FY 2010 updated reserve study for the above property. You should find the information to be self-explanatory; however, if there are any questions let me know.

We thank the Board for the opportunity to serve the association in this project. Please continue to call upon us for your reserve study needs.

Sincerely,

Paul Orr

Paul H. Orr, PE – FL #64898
Enclosures: Reserve Study

FY2010
REPAIR AND REPLACEMENT RESERVE STUDY UPDATE

October 27, 2009

For:

Property Name:	TWO MIDTOWN MIAMI
Property Location:	3470 East Coast Ave Miami Beach, FL 33137
Property Type:	**Condominium Association**
Total Units:	**456**
OCCUPIED	**2007**
Association manager:	
Alina Cruz	
305-335-7345	

Paul H. Orr, PE – FL #64898

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Executive Summary

This is a Level II Update, With Site Visit/On-Site Review as defined by CAI's National Reserve Study Standards. The on-site visit of the property was performed on October 13, 2009.

The association's FY begins January 1st.

The Association is projected to have $-0- Reserve Amount On Hand at the start of the fiscal year. The tables were calculated using this amount.

In this study we provide a scenario of reserve tables. Please see component description section of this report for additional comments on the replacement of the fire control systems.

Our analysis of the Reserve Study program is attached.

• We recommend an annual reserve contribution to the Reserves contribution of $328,300 beginning in FY10 with annual increases of 3% per year. (See 20 Year Cash Flow Chart) We take this approach which allows the association to gradually increase the annual contribution and still be financially prepared for projected future work.

There are two methods of determining the required Reserve Contribution: The Cash Flow Method and the Component Method.

The Component Method develops the Reserve Funding Plan based on the sum of contributions for individual components. This method of funding usually results in relatively high annual contributions and fund balances.

This study was calculated using the Cash Flow method - This method develops a reserve funding plan where annual contributions to the reserves are designed to offset the variable annual expenditures from the reserves. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

The funding goal used in this study is: Threshold Funding — this method is designed to keep the reserve balance above a specific dollar amount or percent funded amount. In this reserve study the threshold is set to keep the reserve balance above $150,000 which this does for the next 20 years..

All costs in this study are expressed in constant dollars.

Introduction

The purpose of this study is to design a Table of Repair/Replacement Reserves for the common and limited common elements of the property to establish an annual reserve contribution to fund predictable future expenditures for the repair and replacement of these property components.

Typically associations fund capital repairs and replacements in one of three ways:

1) Special assessments collected from the owners when major work is needed.

2) Acquiring a loan using borrowed capital for major repair and replacement projects.

3) A level monthly reserve contribution to fund expected future repair and replacement projects.

Our goal is to establish a reasonable reserve contribution that would avoid the need for special assessments and acquiring loans. This will also ensure that every owner pays their fair share for the time that they own their property. Loans and special assessments only penalize the owners that are present at the time the work is needed.

Example:

> If a component has a replacement cost of $1,000 and an average useful life of 10 years, by straight calculations a contribution of $100 per year should be made to the reserves.
>
> If the contribution level is suppressed and only $50 per year is contributed to the reserves, the result would be a $500 short fall. Additionally if one owner owns his or her property for the first 8 years and then sells their unit, that owner should have paid their share of $800, but at the suppressed contribution level they only paid their share of $400. In the 10th year when the component is due for replacement the new owner has to pay their share of the $200 for the two years that they owned as well as the share of the previous owners $400 short fall.

It is important to note that a reserve study is a valuable budget management tool not a work plan. The remaining useful life of each component is based on averages and is the point at which the association should be financially prepared to replace repair that component. This does not suggest that if the component has reached its average useful life that the component should be repaired/replaced if is not failing.

In developing the table we consider items that have a predictable life cycle as well as those that will most likely need annual repairs to extend the useful life of the component. Although we use generally accepted techniques and the best information available, it is possible actual costs and useful life can vary from our estimates.

Current cost estimates are based on similar work recently performed on other local properties, estimating publications and software, information provided by local contractors and other reliable sources.

This study does not consider correcting hazardous or defective conditions associated with asbestos, radon, lead, mold, etc. unless otherwise noted in this report

Different Levels of Work

There are three levels of work necessary to properly care for equipment and property components.

1) Maintenance — typically this is the least expensive and most important task that is performed on property components. Good maintenance extends the useful life of property components and keeps them in good working order.

2) Repair - replacing a portion of an item to keep the component as a whole in good working order. Repair is usually more expensive than maintenance but less expensive than total replacement. If repairs are excessively expensive a cost analysis should be performed to determine if replacement of the item is more economical.

3) Replacement - involves the entire replacement of the item.

DEFINITION OF ABBREVIATIONS

AN — An annual allowance for components without a predictable useful life.
AOH — Reserve fund Amount-On-hand at the start of the fiscal year.

EA - Each HP - Horsepower
CY - Cubic Yards SF - Square Feet
LF - Linear Feet SY - Square Yards
LS - Lump Sum TN - Tons

Definition of Terms

These definitions pertain to the categories shown in the Repair & Replacement Reserves Tables and Chart.

Property Component - The components on the property we believe the community should include in the reserves. If we have omitted or added any items that are not common or limited common area responsibility, please inform us so we can provide a revised table

Quantity — The approximate quantity and unit of measure of each component.

Average Useful Life — The average of how long a component should be expected to last before replacement is needed. Leading publications on useful life data, information from local contractors, our own experiences and historical trends are used to determine the average useful life.

Remaining Useful Life — The time remaining before we believe the associations should be financially prepared to replace a component. This is determined by the age and existing condition of the component. Providing good maintenance to a component can extend the remaining useful life beyond the average useful life of the component.

Replacement Cost — The amount we believe the association should set aside in today's dollars for the replacement of each component. These are budget numbers and could vary from actual bids to do the work. This assumes the association will competitively seek bids and obtain a fair price in today's market

Recommended Contribution - The contribution needed to achieve the funding goal of this study.

Projected Annual Expenses — A table of expected expenditure for each component and the annual expenses from the reserves over the life of the study.

20 Year Cash Flow Chart — A chart showing the anticipated annual reserve balance based on the projected annual expenses and the recommended reserve contributions over the life of the study.

Component Description

In general, each item has been reviewed for current cost and remaining useful life. In future Studies, where appropriate, changes should be made to reflect current conditions.

One of the larger cost, Painting, has been approached by separating the painting into three years, each building painted in a different year in order to keep the required cash more stable.

Also in our approach, we show an "Annual Reserve – Allowance" expenditure for the minor items during the time frame when we feel the association should be financially prepared to repair these components. This Annual Reserve Allowance expenditure is also used for some of the items of great quantity which would be very costly if they need fully replaces – so annual reserve money is allocated to keep these components in good repair.

These are:

WATERPROOFING ALLOW.
BALCONIES & RAILINGS (30,570')
OFFICE EQUIP. & FURNISHINGS
GARAGE REPAIRS
PLUMBING/ELECT. ALLOW.
MISC. EQUIPMENT ALLOW.
PAVEMENT, SIDEWALKS, CURBS
DECK & TILE ALLOW.
FURNITURE ALLOW.
MISC. SITE ITEMS

WATERPROOFING ALLOW.

For instance - we show an "Annual" Reserve expenditure for Waterproofing Allowance during the time frame when we feel the association should be financially prepared to repair/replace each component i.e. roofing; however we recognize that in the interim, periodic isolated repairs may be needed to keep these components as a whole in good serviceable condition until total repair replacement is needed. This "Annual" line item allows the association to make such repairs on an as needed basis. We also recognize that these types of expenditures will vary from year to year; therefore this average annual allowance should also be viewed as an allowance to spend over an extended year to year period.

BALCONIES & RAILINGS (30,570')

Balconies & railings are of great quantity and should be watched yearly.

OFFICE EQUIP. & FURNISHINGS

We show an "Annual" Reserve expenditure to realistically address those expenses.

GARAGE REPAIRS

Another item of great quantity and should be watched yearly.

PLUMBING/ELECT. ALLOW.
MISC. EQUIPMENT ALLOW.

Mechanical/Electrical Equipment and Misc Equipment - we show an "Annual" Reserve expenditure to realistically address those expenses of plumbing and electric items as well as a separate line item for small equipment and other controls. This average annual allowance is intended to be a 'catch all" line item to allow the association to make repairs on an as needed basis. Again we recognize that these types of expenditures will vary from year to year.

PAVEMENT, SIDEWALKS, CURBS

Pavements & Sidewalks - we show an "Annual" Reserve expenditure to realistically address those expenses.

DECK & TILE ALLOW.
FURNITURE ALLOW.

Recreation Areas – we show an "Annual" expense to reserves separating deck & tile from a furniture allowance.

MISC. SITE ITEMS

Site Items – we show an "Annual" expense to reserves for the various miscellaneous items to Reserves.

Appendix

EXECUTIVE SUMMARY
Budget Year – 01/01/2010 - 2011

10/21/2009 P.Orr, PE

PROPERTY DATA

Property Name:	TWO MIDTOWN MIAMI
Property Location:	3470 East Coast Ave Miami Beach, FL 33137
Property Type:	**Condominium Association**
Total Units:	**456**
OCCUPIED	**2007**

Association manager:
Alina Cruz
305-335-7345

PROJECTED COMPONENT CATEGORIES AND PARAMETERS - CASH FLOW METHOD

Component Categories in Reserve Analysis	2010 Funding
BUILDING EXTERIOR	$ 163,450
BUILDING INTERIOR	$ 96,520
GARAGES	$ 8,430
MECHANICAL EQUIPMENT	$ 43,080
PAVEMENTS & SIDEWALKS	$ 2,740
RECREATION AREAS	$ 7,630
SITE ITEMS	$ 6,430
GENERAL RESERVE	NA
RESERVES TOTALS	**$ 328,280**

Total replacement cost of all reserve components in reserve analysis:	$ 6,698,840
Estimated beginning reserve fund balance for reserve analysis:	$ -
Total number of components scheduled for replacement in the 2010 budget year:	10
Total cost of components scheduled for replacement in the 2010 budget year:	$ 28,500

ANALYSIS RESULTS

	Analysis 1 Expanded Line Items, Cash Flow Method	Analysis 2 Expanded Line Items, Component Method
Annual Current reserve funding contributions amount (2009 Budget):	$ -	$ -
Annual Recommended 2010 reserve funding contribution amount:	$ 328,320	$ 538,639
Annual Increase between current and recommended contribution amounts:	NA	NA
% Increase		
Avg $ per Unit/YR	$ 720	$ 1,181

Future yr # ==>	1	2	3	4	5	6	7	8	9	10	11
FISCAL YEAR	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ANNUAL EXPENSE	$28,500	$29,925	$52,644	$536,420	$836,390	$36,374	$38,193	$341,785	$42,107	$1,904,100	$46,423
CONTRIBUTION - POOLED METHOD	$328,300	$344,715	$361,951	$380,048	$399,051	$419,003	$439,953	$461,951	$485,049	$509,301	$534,766
YEAR END BALANCE	$299,800	$614,600	$923,900	$767,500	$330,200	$712,800	$1,114,600	$1,234,800	$1,677,700	$282,900	$771,200
UNIT CONTRIBUTION/YR	$720	$756	$794	$833	$875	$919	$965	$1,013	$1,064	$1,117	$1,173
UNIT CONTRIBUTION per MONTH (AVG)	$60	$63	$66	$69	$73	$77	$80	$84	$89	$93	$98

We have identified the Reserve Line items from lists and conversation supplied by the Property Manager's office.
We recommend using the Pooled Method for the Reserve Account.
Design criteria for this Reserve Study is:

Maintain Reserves for 20 years above	$150,000	
Inflation Rate	1.05	
2010 Reserve Contribution is:	$328,300	
Lowest Reserves in Year od 20 yr	$164,400	2021

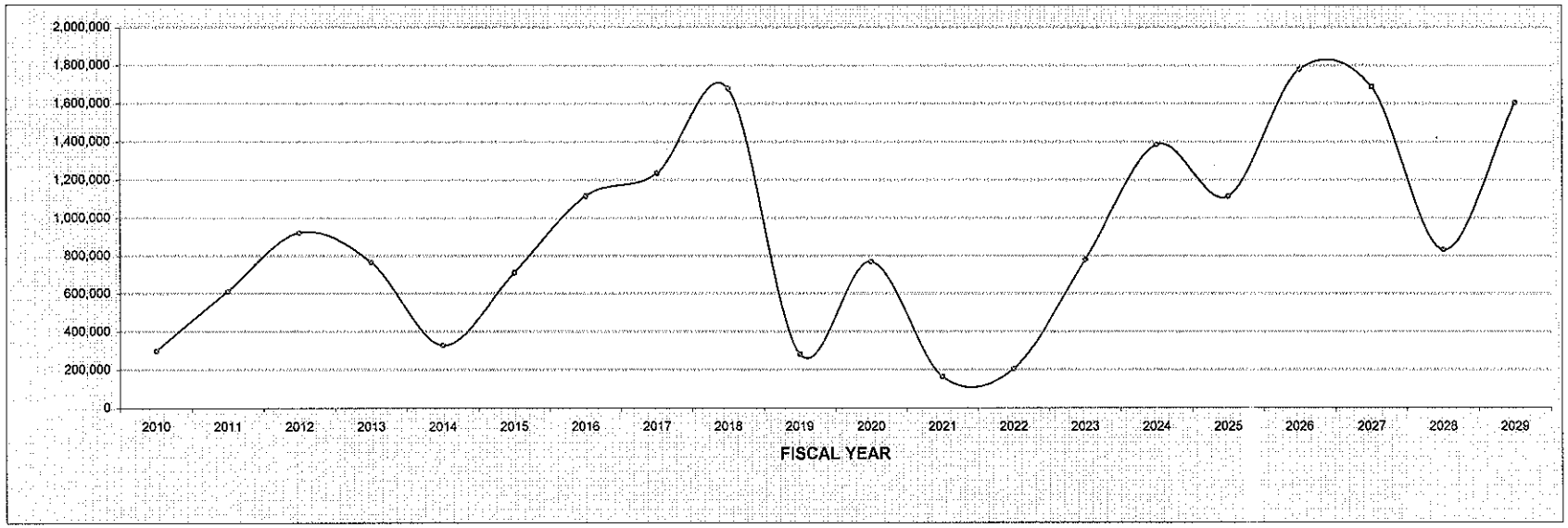
TWO MIDTOWN MIAMI --- REPAIR AND REPLACEMENT RESERVE CALCULATIONS

PROPERTY	QUANTITY		USEFUL LIFE (YRS.)		REPLACEMENT			RECOMMENDED	CONTRIBUTION	
COMPONENTS	SIZE	UNITS	AVERAGE	REMAINING	COST	distribution of the on hand $	replacement - dist = needed contib	CONTRIBUTION	TOTALS	
BUILDING EXTERIORS										
32S- ROOFING FLAT-A	25,600	SF	12	9	327,680	0	327,680	19,970		32,768
10S-ROOFING FLAT-B	20,800	SF	12	9	266,240	0	266,240	16,230		26,624
6S-ROOFING FLAT-C	12,000	SF	12	9	153,600	0	153,600	9,360		15,360
GUTTERS & DOWNSPOUTS	9,120	LF	30	27	54,720	0	54,720	1,190		1,954
WINDOWS	1,104	EA	35	32	606,940	0	606,940	11,210		18,392
ENTRANCE DOORS/GLASS	1	LS	30	27	3,000	0	3,000	70		107
STORE FRONT	2,530	SF	35	32	80,960	0	80,960	1,500		2,453
BALCONY/PATIO DOORS	1,249	LS	35	32	1,874,160	0	1,874,160	34,620		56,793
PAINTING- EXTERIOR	0	SF	6	3	0	0	0	0		0
PAINT 32 STORY @ 50% OPENINGS	256,000	SF	6	3	307,200	0	307,200	46,810		76,800
PAINT 10 STORY @ 60% OPENINGS	68,000	SF	6	3	81,600	0	81,600	12,430		20,400
PAINT 6 STORY AT 50% OPENINGS	38,400	SF	6	3	46,080	0	46,080	7,020		11,520
WATERPROOFING ALLOW.	1	AN	1	0	3,500	0	3,500	2,130		3,500
BALCONIES & RAILINGS (30,570')	1	AN	1	0	1,500	0	1,500	910		1,500
163,450										
BUILDING INTERIOR										
REDECORATIONS	5	LS	7	4	250,000	0	250,000	30,480		50,000
CARPET/FLOORING	4,560	SY	7	4	159,600	0	159,600	19,460		31,920
INTERIOR PAINTING	5	LS	7	4	250,000	0	250,000	30,480		50,000
STAIRWAY PAINTING	5	EA	10	7	20,000	0	20,000	1,520		2,500
EXERCISE EQUIPMENT	46	EA	10	7	161,000	0	161,000	12,270		20,125
MAIL BOXES	456	EA	30	27	36,480	0	36,480	790		1,303
OFFICE EQUIP. & FURNISHINGS	1	AN	1	0	2,500	0	2,500	1,520		2,500
$96,520										
GARAGES										
GARAGE REPAIRS	106,704	SF	50	47	533,520	0	533,520	6,770		11,115
GARAGE DOORS	6	EA	15	12	3,000	0	3,000	140		231
GARAGE REPAIRS	1	AN	1	0	2,500	0	2,500	1,520		2,500
$8,430										
$268,400										
TOTAL BUILDINGS									**$268,400**	
MECHANICAL EQUIPMENT										
COOLING TOWER	2	EA	20	17	130,000	0	130,000	4,400		7,222
ENERGY MANAGEMENT SYSTEM	1	LS	12	9	16,500	0	16,500	1,010		1,650
ELEVATORS - TRACTION	7	EA	25	22	840,000	0	840,000	22,260		36,522
EMERGENCY GENERATOR	1	EA	25	22	25,000	0	25,000	660		1,087
AC PACKAGE UNIT W/ AIR HANDLEF	30	EA	15	12	180,000	0	180,000	8,440		13,846
WATER HEATERS	3	LS	15	12	1,500	0	1,500	70		115
RISER REPLACEMENT	3	LS	40	37	10,500	0	10,500	170		276
TRASH COMPACTORS	2	EA	15	12	32,000	0	32,000	1,500		2,462
PLUMBING/ELECT. ALLOW.	1	AN	1	0	5,000	0	5,000	3,050		5,000
MISC. EQUIPMENT ALLOW.	1	AN	1	0	2,500	0	2,500	1,520		2,500
HEATERS, FIRE CONTROLS, VALVES, PUMPS, MOTORS, SECURITY, EXHAUST FANS, ETC.										
$43,080										
TOTAL MECHANICAL									**$43,080**	
PAVEMENTS & SIDEWALKS										
PAVEMENT, SIDEWALKS, CURBS		AN	1	0	4,500	0	4,500	2,740		4,500

$2,740										
TOTAL PAVEMENTS & SIDEWALKS									**$2,740**	
RECREATION AREAS										
SWIMMING POOL										
WHITE COAT	3,500	SF	5	2	19,250	0	19,250	3,910		6,417
POOL COVER - ADULT	3,500	SF	10	7	8,750	0	8,750	670		1,094
POOL COVER - BABY	900	SF	10	7	5,400	0	5,400	410		675
FILTERS/PUMPS	1	LS	15	12	9,000	0	9,000	420		692
WATER HEATERS	1	EA	15	12	1,500	0	1,500	70		115
METAL FENCING	400	LF	35	32	18,000	0	18,000	330		545
DECK & TILE ALLOW.	1	AN	1	0	1,500	0	1,500	910		1,500
FURNITURE ALLOW.	1	AN	1	0	1,500	0	1,500	910		1,500
$7,630										
TOTAL RECREATION AREAS									**$7,630**	
SITE ITEMS										
POLE LIGHTS	40	EA	30	27	72,000	0	72,000	1,570		2,571
MAIL BOXES	456	EA	30	27	50,160	0	50,160	1,090		1,791
SWM PONDS	1	LS	15	12	35,000	0	35,000	1,640		2,692
MISC. SITE ITEMS	1	AN	1	0	3,500	0	3,500	2,130		3,500
ENTRANCE FEATURES, SIGNS, DRAINAGE, FOUNTAIN, MINOR LANDSCAPING, IRRIGATION, RAILINGS, RETAINING WALLS, WALKWAYS, PAVERS, TRASH RECEPTICLES, ETC.										
$6,430										
TOTAL SITE ITEMS									**$6,430**	
#REF!										
RESERVES TOTALS					**$6,698,840**	**$0**	**$6,698,840**	**$328,280**	**$328,280**	**$538,639**
					REPLACEMENT COST	distribution of the on hand $	replacement - dist = needed contib	**POOLED CONTRIBUTION METHOD**		**COMPONENT METHOD CONTRIBUTION**

TWO MIDTOWN MIAMI --- 20 YEAR CASH FLOW CHART

BEGINNING BALANCE	$0	INTEREST	0.0%
PERCENT FUNDED	0%	INFLATION	5.0%



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
FISCAL YEAR	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
ANNUAL EXPENSE	28,500	29,925	52,644	536,420	635,350	36,374	38,193	341,785	42,107	1,904,100	46,423	1,168,333	547,287	44,313	46,528	952,939	51,298	843,234	1,643,962	59,383
CONTRIBUTION	328,300	344,715	361,951	380,048	399,051	419,003	439,953	461,951	485,049	509,301	534,766	561,504	589,580	619,059	650,012	682,512	716,638	752,470	790,093	829,598
YEAR END BALANCE	299,800	614,600	923,900	767,500	330,200	712,800	1,114,600	1,234,800	1,677,700	282,900	771,200	164,400	206,700	781,400	1,384,900	1,114,500	1,779,800	1,689,000	835,100	1,605,300
PER YR	$720	$756	$794	$833	$875	$919	$965	$1,013	$1,064	$1,117	$1,173	$1,231	$1,293	$1,358	$1,425	$1,497	$1,572	$1,650	$1,733	$1,819
PER MO (AVG)	$60	$63	$66	$69	$73	$77	$80	$84	$89	$93	$98	$103	$108	$113	$119	$125	$131	$138	$144	$152