Loan vs. Fully Funded Reserve – Detailed Presentation

The Patrician Condominium Association, Inc.
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Understanding the Reserve Study

The reserve study provides a 30-year funding plan for major repairs and replacements of common elements.

It identifies each component, estimates its useful life, current condition, and the future cost of replacement.

Pages 1.2 and 1.3 specifically break down each asset with:

- Description of each component (e.g., Roof, Elevators, Painting, Plumbing, etc.)

- Estimated Remaining Life (in years)

- Estimated Useful Life (total life expectancy)

- Current Replacement Cost (estimated cost to replace today)

This allows the Association to calculate the annual funding needed to avoid special assessments.

Fully Funded Reserves – Definition and Implications

A Fully Funded Reserve means the Association has 100% of the funds needed to replace each component as it wears out.

Key Benefits:

- Avoids unexpected special assessments.

- Protects property values and supports mortgage lending approval.

- Ensures fair distribution of costs across current and future owners.

Drawbacks:

- Requires higher monthly assessments or dues.

- May be resisted by owners focused on short-term expenses.

Page 1.2 shows the current reserve balance and recommended annual contributions to maintain full funding.

Structural Integrity

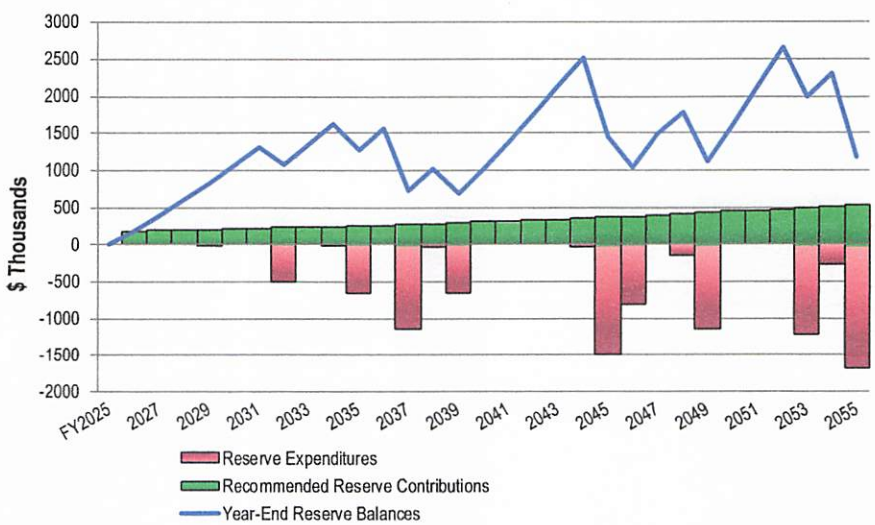
Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold funding year in 2037 due to the replacement of the thermoplastic roof. In addition, the Reserve Funding Plan recommends 2055 year end accumulated reserves of approximately $1,177,100. We judge this amount of accumulated reserves in 2055 necessary to fund the likely subsequent replacement of the thermoplastic roof after 2055. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2055 year end reserves.

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

- Allocate $0 of the Anticipated 2025 Year End Reserve balance to the Structural Integrity Reserve Fund.
- Increase Reserve Contributions to $186,000 in 2026
- Inflationary increases thereafter through 2055, the limit of this study's Cash Flow Analysis
- 2026 Reserve Contribution of $186,000 is equivalent to an average monthly contribution of $122.05 per owner.
- Florida Statute 718.112 prohibits waiving or reducing reserves for Structural Integrity items for budgets adopted after December 31, 2024.

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2026	186,000	188,511	2036	267,600	1,569,405	2046	384,700	1,046,619
2027	192,900	389,105	2037	277,500	735,137	2047	398,900	1,479,163
2028	200,000	602,311	2038	287,800	1,022,291	2048	413,700	1,787,622
2029	207,400	817,053	2039	298,400	682,507	2049	429,000	1,116,299
2030	215,100	1,057,117	2040	309,400	1,014,512	2050	444,900	1,597,345
2031	223,100	1,311,771	2041	320,800	1,367,035	2051	461,400	2,108,102
2032	231,400	1,081,132	2042	332,700	1,741,136	2052	478,500	2,649,981
2033	240,000	1,353,563	2043	345,000	2,137,804	2053	496,200	1,991,093
2034	248,900	1,621,288	2044	357,800	2,527,836	2054	514,600	2,294,618
2035	258,100	1,264,063	2045	371,000	1,450,059	2055	533,600	1,177,115



RESERVE ADVISORS

Non-Structural

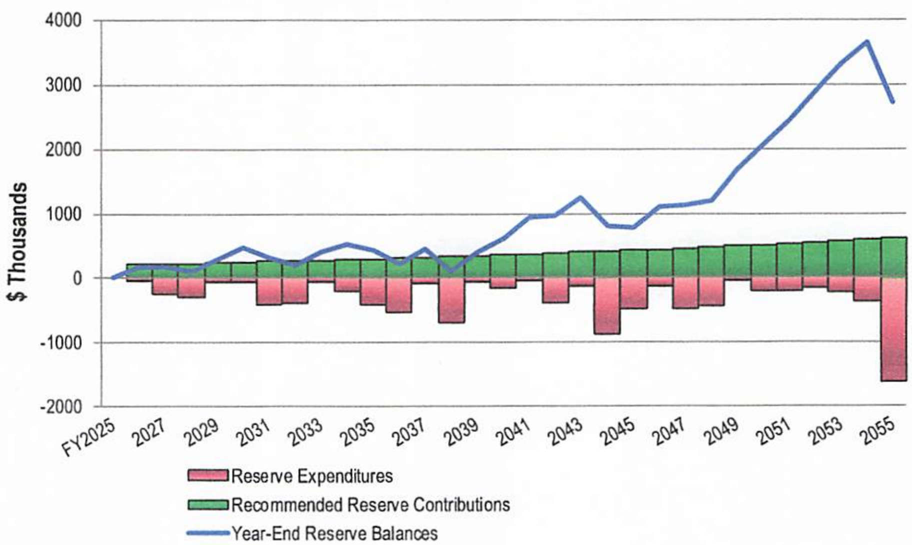
Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold funding year in 2038 due to the renovation of the hallways. In addition, the Reserve Funding Plan recommends 2055 year end accumulated reserves of approximately $2,724,000. We judge this amount of accumulated reserves in 2055 necessary to fund the likely modernization of the elevators after 2055. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2055 year end reserves.

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

- Allocate $0 of the Anticipated 2025 Year End Reserve balance to the Non-Structural Reserve Fund.
- Increase Reserve Contributions to $213,000 in 2026
- Inflationary increases thereafter through 2055, the limit of this study's Cash Flow Analysis
- 2026 Reserve Contribution of $213,000 is equivalent to an average monthly contribution of $139.76 per owner.
- Florida Statute 718.112 provides for a majority of the voting interest to waive or reduce reserve for Non-Structural items. Consult legal counsel or your property management company for further guidance.

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2026	213,000	182,227	2036	306,400	210,906	2046	440,600	1,117,924
2027	220,900	171,527	2037	317,700	461,742	2047	456,900	1,120,928
2028	229,100	100,676	2038	329,500	105,228	2048	473,800	1,202,175
2029	237,600	279,740	2039	341,700	404,618	2049	491,300	1,698,632
2030	246,400	473,819	2040	354,300	608,579	2050	509,500	2,066,071
2031	255,500	322,170	2041	367,400	949,596	2051	528,400	2,451,656
2032	265,000	198,290	2042	381,000	956,600	2052	548,000	2,905,580
2033	274,800	415,741	2043	395,100	1,249,737	2053	568,300	3,339,894
2034	285,000	518,862	2044	409,700	808,091	2054	589,300	3,660,704
2035	295,500	424,987	2045	424,900	779,506	2055	611,100	2,724,042



Loan Option –

Overview and Mechanics

The Association may finance its reserve obligations through a loan.

This spreads the cost over time and reduces immediate dues impact.

Truist Loan Terms (summary):

- Loan is to the Association, not individual owners.
- No prepayment penalty if paid from Association funds (not refinancing).
- Interest accrues only on drawn funds.
- Owners may prepay their share through the Association; not directly to Truist.
- Re-amortization available upon principal payments (fee applies).
- Monthly dues remain constant unless restructured.

The loan allows for project funding while giving owners the option to opt out by prepaying.

Loan Terms and Financing Overview

A. Loan amount: $1,560,799

B. Interest rate: 5.99% (secured due to strong credit and reserve history with Truist)

C. Loan length: 8 months interest-only, followed by 52 months principal & interest

D. Loan origination fee: $3,902

E. Collateral: Assignment of all accounts receivable, lien rights including maintenance fees and special assessments (excluded)

Prepayment Methodology and Timing

A. Truist does not manage individual prepayments, the Association handles collection and payment.

B. Key considerations for the Board:

1. A minimum of $250,000 in prepayments must be collected before Truist processes any early principal payment.

2. Three payment windows are available:

   a. Window #1 – No cost if paid within 15 days of loan approval.

   b. Window #2 – No cost at the end of the 8-month interest-only period (recommended). Interim interest may apply.

   c. Window #3 – Any other time with a $250 processing fee.

3. The Association must collect and track prepayments and submit them to Truist. Truist will adjust amortization and credit loan balances.

When Do Prepayment Funds Need to Be Collected?

To take advantage of no-fee prepayment windows, funds must be collected and pooled to exceed $250,000 total.

Owners wishing to prepay must coordinate with the Association early, especially before the 15-day or 8-month windows.

Timing of collection affects eligibility for fee waivers.

Line of Credit – Current Status

Truist currently does not offer a Reserve Line of Credit due to ongoing legislative constraints in Florida.

However, they are monitoring the situation and may make this option available in the future.

If the product becomes available, The Patrician Condominium Association will be eligible to apply.

Fully Funded Reserves – Legislative Update

There is a proposed amendment that would delay the reserve funding mandate by two (2) years.

Current effective date: January 1, 2026.

If the Governor signs the new bill, implementation may be postponed, reducing the short-term funding pressure.

If delayed, future collection amounts may increase due to compounding needs.

The Board is actively monitoring this issue and will provide updates to all owners as new information becomes available.