

September 3, 2010

The Colony Beach & Tennis Resort Association
C/O Jay Yablon
Board President
1620 Gulf of Mexico Drive
Longboat Key, FL 34228

RE: Colony Beach and Tennis Resort
KEG File # 10RS-0362
Observations and Project Feasibility

INTRODUCTION

As requested, the undersigned from Karins Engineering Group, Inc. (KEG) visited the Colony Beach and Tennis Resort on August 19, 2010 and August 24, 2010 to observe the interior and exterior condition of Villa buildings 6 and 12. These buildings were out of service for at least the past year, and are representative of the "worst case" insofar as their present condition is concerned. We observed accessible building exterior components and interiors of each unit within the two buildings. We observed the current condition of structural components, exterior and interior finishes, HVAC system components, plumbing components, kitchen and bathroom, fixtures, equipment, and furniture. The purpose of our observation was to gather information that would enable us to provide an opinion of probable construction costs for use in determining the feasibility of repairing, restoring and/or upgrading or replacing the existing facility.

Our observations and review were visual and limited to exposed surfaces of the building that were visible and readily accessible from the ground at the time of our visit. Neither our observations nor this report is intended to cover hidden defects, mechanical, electrical, architectural features, code compliance or any other items not specifically referenced herein. We did not verify operation of equipment. We did not use any special tools or instruments; nor did we perform any testing, remove any enclosures, finishes, etc. Due to the limited scope of this investigation, we cannot attest to the structures' compliance with building codes or accepted construction techniques, except as noted herein. This report is prepared for the sole benefit of the client. Any unauthorized use without our permission shall result in no liability or legal exposure to Karins Engineering Group, Inc.

Florida Certificate of Authorization Number 8371

EXECUTIVE SUMMARY

Buildings 6 and 12 were observed as representative examples of the condition of Villa units at the Colony. The buildings were observed to be in a state of disrepair. Deterioration and insect-related damaged were observed to have progressed since KEG previous visit in 2009. Interior furniture, fixtures and equipment were observed to be intact and in similar condition as prior to the closure of the resort, with the notable exception that no televisions were present.

The feasibility of reconstruction projects was considered. Work minimally necessary to re-open the 237 units at the resort to owners and/or guests is technically feasible. KEG's opinion of probable construction cost for this work based on extrapolating from past property inspections and past repair projects combined with the most recent inspections of buildings 6 and 12 is \$600,500. Work necessary to restore the existing residential buildings, correct structural deficiencies and achieve a continued long life is technically feasible. KEG's opinion of probable construction cost is \$19,600,000 for restoration of all 237 residential units. Phasing would be required to manage triggering of code requirements that might render a restoration project technically infeasible.

For comparison purposes, KEG's opinion of probable construction costs for demolition of all existing buildings and construction of a new fully code conforming resort including amenities with 282 (45 more than the existing 237 units) is \$54,390,000.00 plus soft costs of approximately 15%. For new residential buildings with 75 comparable units (50 2-bedroom and 25 3-bedroom) were to be added, our opinion of the additional cost is \$11,500,000, for a total of \$31,100,000 for a hybrid restoration/addition of capacity yielding 312 units in total.

OBSERVATIONS

Structure:

Deterioration of the structures has progressed. Some structural items are in a state of failure and are in imminent danger of collapse. Deterioration is comprised of rotting wood structural components, corrosion of steel and reinforced concrete foundation components, and ultraviolet damage at decking boards. Insect damage has progressed. Infestation is active. Evidence of infestation is visible at numerous structural components including roof beams, floor framing, wall framing, doors and



stairways. Immediate appropriate treatment is required. Paint and sealants are well beyond serviceable lives.

Heating Ventilation and Air Conditioning

Mechanical closets were observed at all units but one. Air handlers generally appear serviceable, though evidence of recent work indicates that selective repair/replacement is necessary. Because air handlers and water heaters share a mechanical closet and many water heaters exhibited evidence of standing water, contamination of ductwork is possible. Compressing units were observed at unit exteriors and exhibited various ages and conditions. Several appeared to have been recently replaced.

Plumbing Systems

As noted above, water heaters are located in the mechanical closet in each unit. Several water heating units appear to have been recently replaced. Evidence of an electrical fire was noted at one unit. Evidence of standing water in overflow pans at numerous units indicate leaking water heaters and/or plugged drainage lines. Waste piping under the villas was in seriously deteriorated condition and is likely leaking at numerous locations. Selective replacement is immediately necessary and total replacement recommended.

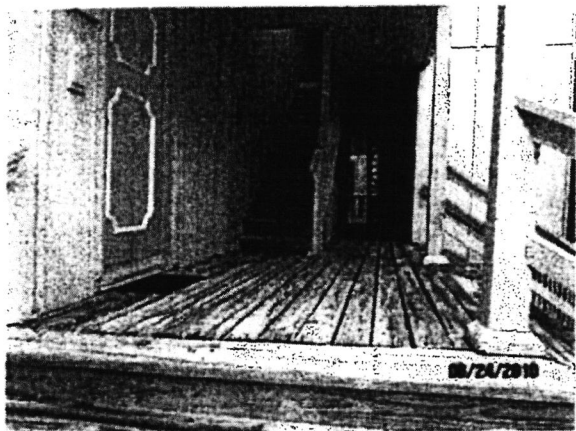
Finishes, Fittings and Equipment

Interiors of all units were observed. We noted that all furniture appeared to be intact. Carpets, drywall, paint, interior trim and doors appeared to be serviceable and in a condition similar to when the resort recently closed. Kitchen appliances, cabinets, sinks and faucets were intact. Bathroom fixtures were intact. No televisions were noted in living rooms or bedrooms.

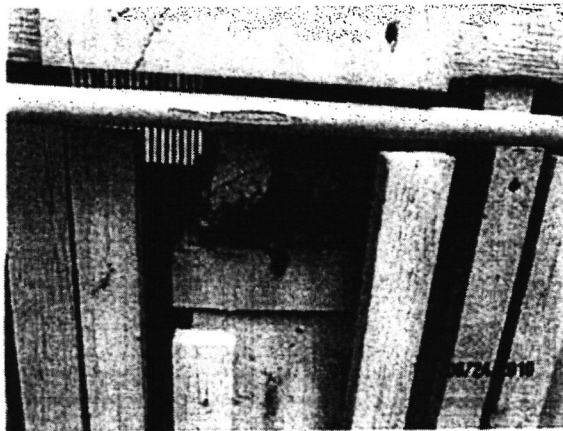
-End This Page-



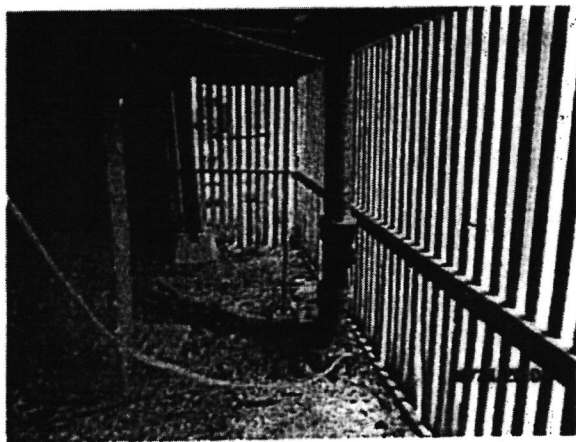
REPRESENTATIVE PHOTOS



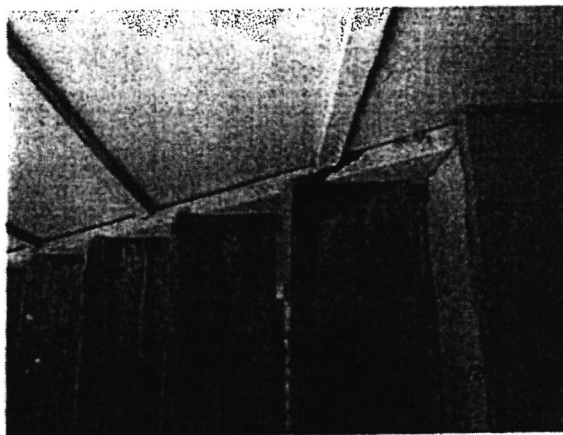
Typical Entry Decking



Typical Deteriorated Post Connection



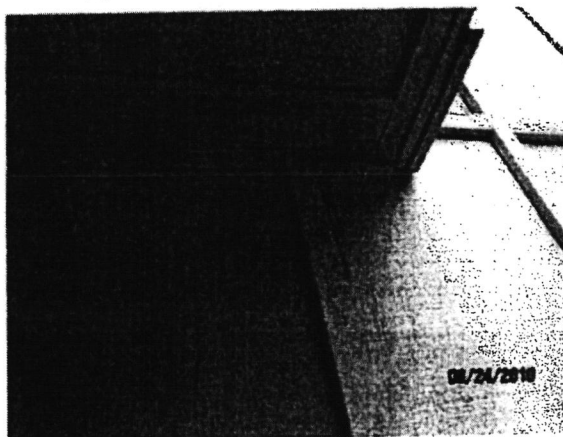
Typical Waste Piping



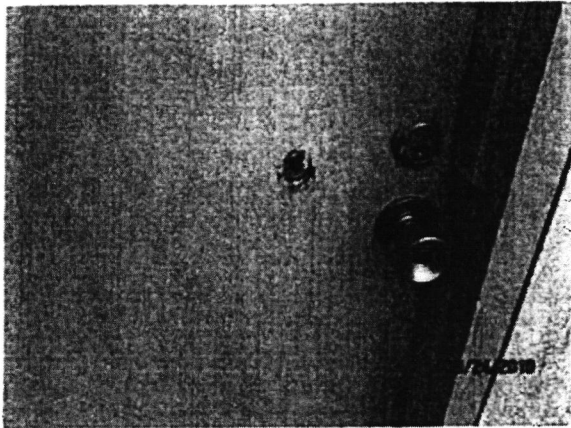
Typical Termite Infestation Evidence



Typical Deteriorated Pipe Hanger



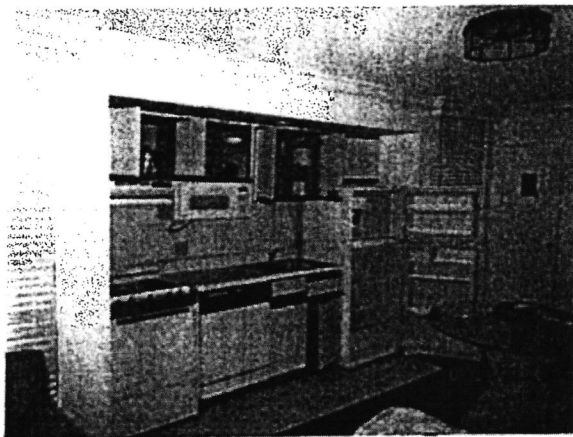
Collapsing Walkway



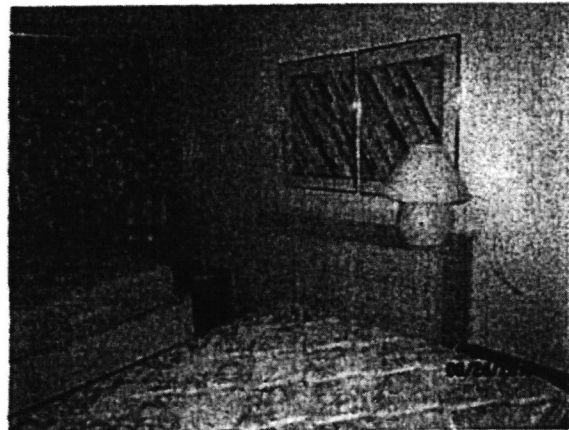
Deterioration at Entry Door



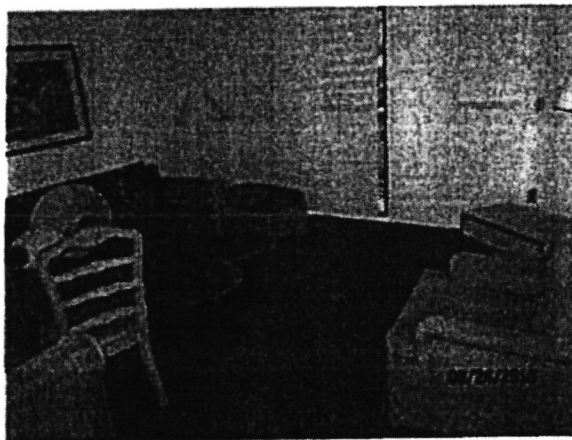
Typical Living Room Furniture



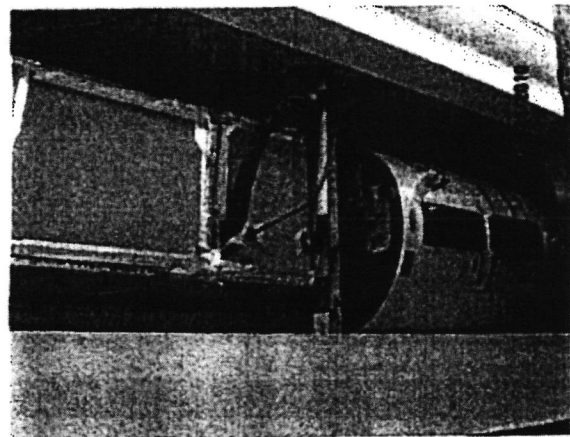
Typical Kitchenette



Typical Bedroom Furniture



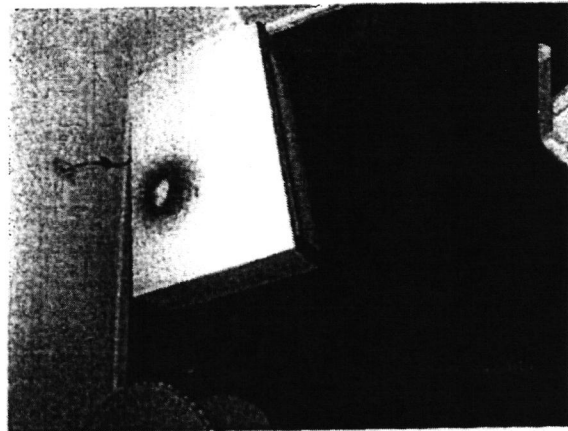
Typical Living Room Furniture



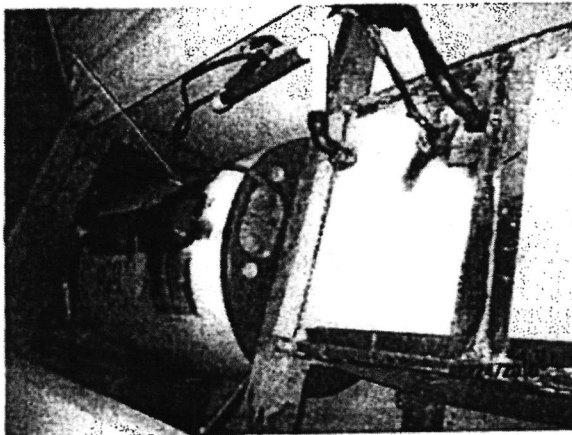
Typical Mechanical Closet



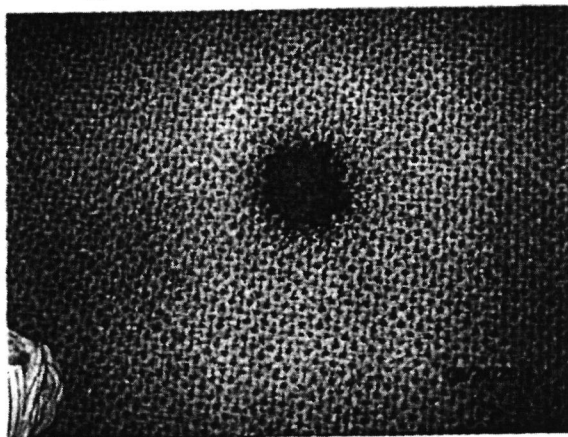
Evidence of Standing Water in WH Pan



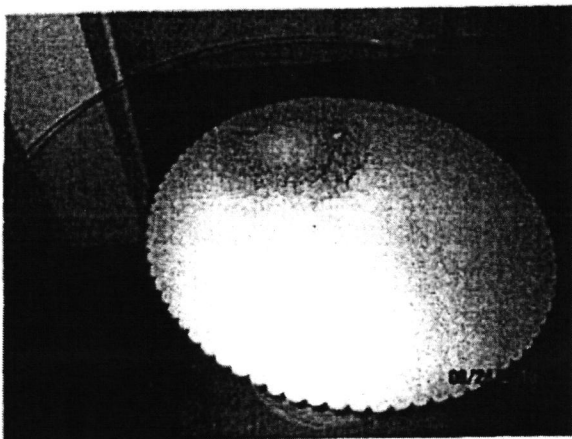
Typical Termite Infestation Evidence



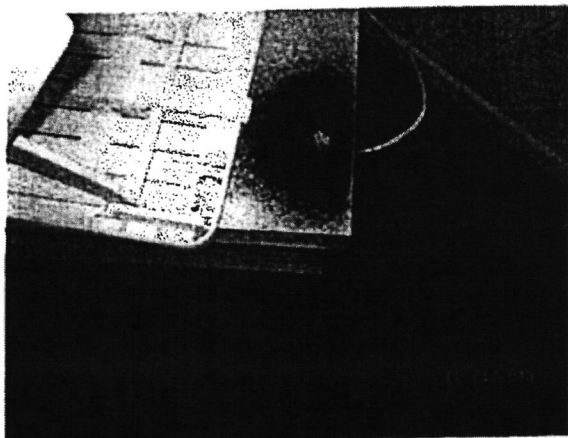
Evidence of Fire at Water Heater



Typical Termite Infestation Evidence



Typical Termite Infestation Evidence



Typical Termite Infestation Evidence

PROJECT FEASIBILITY

Four scenarios were considered in evaluating the overall feasibility of projects at the property. KEG recommends comparing the various alternatives and making a business decision based on the preferences and opinions of the owners. The following costs are opinions of probable construction cost for budgetary purposes and may differ from actual bid prices depending on current market conditions and actual scopes of work, which have not been finalized. Alternatives that include new buildings require site, zoning and building entitlements that may impact feasibility. Evaluation of entitlements is beyond the scope of this report.

1. \$600,500 - Repair/correct those items minimally required for building occupancy and for all units to pass Town of Longboat Key building inspections. Additional and ongoing repair/maintenance work would be necessary after one to two years following the completion of the project. The immediate work includes insect treatment, structural repairs, economy level painting, and isolated repair of plumbing and HVAC systems. The total cost breaks down as follows:
 - a. Termite Treatment: \$60,000
 - b. Structural Repairs: \$450,000
 - c. Plumbing Repairs: \$40,500
 - d. HVAC Repair/Replacement: \$50,000
2. \$19,600,000 - Repair/upgrade building components to achieve an extended life span of existing buildings – 20 to 40 years – including the general work items listed below. Projects may require phasing to avoid triggering Code required upgrades. Work to interiors must be limited to avoid triggering Code/FEMA required upgrades that are not achievable. The total cost of this approach is greater than the cost of the project put out to bid by KEG in 2005 due to the progression of structural deterioration and insect attack, the addition of plumbing and HVAC work, and the replacement of interior furniture, fixtures and equipment such as carpet, paint, toilets, sinks, and cabinets which was not included in the 2005 project. The total cost could be reduced by as much as 20% by selecting less durable economy-level roofing, windows and siding.



- a. Repair of items in Scenario 1 above, the benefit of which would largely carry over to the present Scenario 2 and thus is included.
 - b. Replace windows with impact resistant, premium quality new windows at all buildings
 - c. Upgrade Villa and beachfront building structures to correct design deficiencies in original structures and enhance resistance to wind loads
 - i. Bump-out framing enhancement at villas
 - ii. Wall sheathing/siding replacement – new siding to be cement composite
 - iii. Roof/wall and wall/foundation connection enhancement
 - iv. Foundation repair
 - v. Wall flashing and weatherproofing enhancement
 - d. Replace roofing with new metal roof at Villas and beachfront buildings, Enhance roof sheathing and roof framing attachment
 - e. Replace HVAC components including all air handlers and compressor units.
 - f. Cleaning of duct work
 - g. Replace water heaters
 - h. Replace waste plumbing piping
 - i. Repair supply plumbing piping
 - j. Interior and exterior painting
 - k. Replace FFE (Fixtures, Finishes, Equipment)
3. \$54,390,000 - Demolish all buildings and replace with new 282 new units. New units include 186 2-bedroom/2-bathroom @ 1000 square feet (+/-) and 96 3-bedroom/2-bathroom @ 1300 square feet (+/-). Budget pricing is based on actual costs for recently constructed condo resort projects in Florida. Budget pricing includes fully code conforming buildings with residential units, welcome center, guest meeting rooms, administration offices, guest business center, pools, fitness room, café with bar and kitchen and required site work and landscaping. Buildings are reinforced concrete shell construction with masonry infill on pile foundations.
4. \$11,550,000 In addition to either Scenario 1 or Scenario 2, construct 75 new residential units (50 2-bedroom, 25 3-bedroom) comparable to those in Scenario 3. No accessory buildings are considered in this figure.



10RS-0362 The Colony Beach and Tennis Resort
September 3, 2010
Page 9 of 9

KEG is available to assist in continuing the project and we look forward to a vibrant Colony Resort. We trust this information is helpful and thank you for the opportunity to be of service. Should questions arise, please do not hesitate to call.

Sincerely,
Karins Engineering Group, Inc.

David G. Karins, P.E.
President
Florida Registration # 52677

