



THE FALCON GROUP

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June 12, 2014

Arbor Terrace Condominium Association
C/o Ms. Rose Clayton
The Regency Management Group, LLC
605 Candlewood Commons
Howell, NJ 07731

VIA ELECTRONIC MAIL (rclayton@regencymanagementgroup.biz) and REGULAR MAIL

RE: Arbor Terrace Condominium Association
Capital Reserve Replacement Funding Analysis
Y:\Clients\Falcon2007\07-219\Docs\2014 Reserve\L140612-Reserve Cover.doc

Dear Ms. Clayton:

Attached please find three (3) bound copies of the Capital Reserve Funding Analysis for the Arbor Terrace Condominium Association. In addition, we have attached an unbound copy for the Association's convenience in making copies of the report as necessary for its internal use.

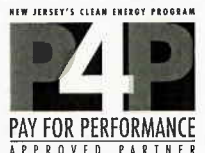
The ongoing investigation and design of the steel stairs will impact this analysis (see report note 9).

Please note that modifications to the threshold funding methodologies were required due to the reported initial fund balance being lower than expected and expenditures scheduled. This makes larger contributions necessary during the first few years, after which the contributions reduce to more manageable levels. Falcon recommends that the Association increase its annual contribution to meet the minimum funding recommendations in this analysis. Please refer to sheets C-14 for more information.

It is important to note that the Capital Reserve Funding Analysis is a guide to be used as a budgetary tool for the Association to put adequate monies aside for future major capital replacements. Minor replacements or expenses are typically handled through the annual operating budget and, as such, are not included in this analysis. The analysis is not meant to be an exact schedule of timeframes or costs for these replacements, but as a budgetary tool and, as such, it is recommended that the study be revisited every two (2) to three (3) years to update the schedule based upon changes in conditions, the construction industry, prices, return on invested monies and/or to incorporate major projects or expenses that have taken place.

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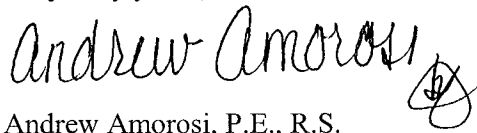


Any major replacement project should be performed using proper designs, methods, and materials to allow for a proper end product.

We recommend that the Association review the attached analysis with their accounting professionals in order to ensure that a proper funding plan is established.

We wish to thank you for your timely assistance and cooperation in providing us with the information needed for our analysis. If you have any questions, please do not hesitate to contact our office.

Very truly yours,

Handwritten signature of Andrew Amorosi in cursive script, with a circled initial 'A' at the end.

Andrew Amorosi, P.E., R.S.
Principal

AA/bf

Enclosures