

**THE TOWERS OF KEY BISCAIYNE, INC.**

Financial Statements  
and  
Additional and Supplementary Information

December 31, 2010 and 2009

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
The Towers of Key Biscayne, Inc.  
Key Biscayne, Florida

We have audited the accompanying balance sheet of The Towers of Key Biscayne, Inc. as of December 31, 2010, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have previously audited and reported on the financial statements presented in total for the preceding year.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Towers of Key Biscayne, Inc. as of December 31, 2010 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The schedule of expenses (Schedule 1) on pages 14, 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have previously audited and reported on the financial statements presented by fund for the preceding year. In our opinion, the schedule of expenses for the year ended December 31, 2009 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

The supplementary information on future major repairs and replacements (Schedule 2) on page 17 includes an analysis of the activity in the replacement and deferred maintenance fund for the year ended December 31, 2010. Such information, which is presented for purposes of additional analysis and is not a required part of the basic financial statements, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schedule 2 also presents other information that is not a required part of the basic financial statements. The information about the estimated remaining useful lives and the estimated replacement costs of the components of common property is supplementary information required by accounting principles generally accepted in the United States of America. The information about the amount of annual funding required to fully fund the pool of accounts of the replacement and deferred maintenance fund is supplementary information required by the Florida Administrative Code. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement, basis and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

(Continued)

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS (Continued)**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

**KANE & COMPANY, P.A.**  
Certified Public Accountants

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THE TOWERS OF KEY BISCAWAYNE, INC.

Balance Sheet

December 31, 2010

(With Comparative Totals for 2009)

	2010		2009	
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
<b>Assets:</b>				
Cash	\$ 1,216,289	\$ 875,452	\$ 2,091,741	\$ 1,786,803
Certificate of deposit	-	252,892	252,892	250,000
Unit owner receivables:				
Maintenance assessments, net	186,867	-	186,867	62,771
Special assessments, net	12,724	-	12,724	19,210
Other receivables	7,935	-	7,935	4,490
Prepaid expenses, principally insurance	341,482	-	341,482	333,503
Supplies inventory	14,975	-	14,975	14,975
Furniture and equipment, net	-	-	-	-
Utility deposits	1,035	-	1,035	1,035
Due from (to) other fund	(105,346)	105,346	-	-
	<u>\$ 1,675,961</u>	<u>\$ 1,233,690</u>	<u>\$ 2,909,651</u>	<u>\$ 2,472,787</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Insurance financing note payable	\$ 232,883	\$ -	\$ 232,883	\$ 208,446
Accounts payable and accrued expenses	245,004	111,727	356,731	222,467
Assessments collected in advance	571,840	-	571,840	401,112
Holiday fund	25,089	-	25,089	-
Security deposits	183,335	-	183,335	151,759
Deferred revenue	68,750	-	68,750	-
	1,326,901	111,727	1,438,628	983,784
<b>Commitments and Contingency</b>				
<b>Fund Balances</b>	349,060	1,121,963	1,471,023	1,489,003
	<u>\$ 1,675,961</u>	<u>\$ 1,233,690</u>	<u>\$ 2,909,651</u>	<u>\$ 2,472,787</u>

The accompanying notes are an integral part of these financial statements.

THE TOWERS OF KEY BISCAWAYNE, INC.

Statement of Revenues and Expenses and Changes in Fund Balances

Year ended December 31, 2010

(With Comparative Totals for 2009)

	2010		2009	
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
<b>Revenues:</b>				
Member assessments	\$ 5,253,954	\$ 1,471,000	\$ 6,724,954	\$ 6,748,724
Insurance proceeds	31,129	-	31,129	-
Interest	956	5,984	6,940	14,436
Late fees and screening	35,046	-	35,046	34,301
Laundry	11,521	-	11,521	9,931
Miscellaneous	25,880	-	25,880	21,960
Rental	21,812	-	21,812	21,419
Repair	8,483	-	8,483	9,722
Restaurant	25,693	-	25,693	29,707
	<u>5,414,474</u>	<u>1,476,984</u>	<u>6,891,458</u>	<u>6,890,200</u>
<b>Expenses:</b>				
Administrative and general (Schedule 1)	306,334	-	306,334	347,900
Balcony repairs	104,910	-	104,910	248,172
Insurance	867,658	-	867,658	909,866
Maintenance and repairs (Schedule 1)	824,485	1,679,117	2,503,602	1,764,157
Payroll and related costs (Schedule 1)	1,744,503	-	1,744,503	1,688,393
Utilities (Schedule 1)	1,382,431	-	1,382,431	1,311,507
	<u>5,230,321</u>	<u>1,679,117</u>	<u>6,909,438</u>	<u>6,269,995</u>
<b>Excess (Deficiency) of Revenues over Expenses</b>	184,153	(202,133)	(17,980)	620,205
<b>Fund Balances - Beginning of Year</b>	164,907	1,324,096	1,489,003	868,798
<b>Fund Balances - End of Year</b>	<u>\$ 349,060</u>	<u>\$ 1,121,963</u>	<u>\$ 1,471,023</u>	<u>\$ 1,489,003</u>

The accompanying notes are an integral part of these financial statements.

THE TOWERS OF KEY BISCAYNE, INC.

Statement of Cash Flows

Year ended December 31, 2010

(With Comparative Totals for 2009)

	2010		2009	
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
<b>Cash Flows from Operating Activities:</b>				
Excess (Deficiency) of Revenues over Expenses	\$ 184,153	\$ (202,133)	\$ (17,980)	\$ 620,205
<b>Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities:</b>				
(Increase) decrease in interfund balances	24,236	(24,236)	-	-
Provision for losses on assessments receivable	117,713	-	117,713	166,284
(Increase) decrease in:				
Maintenance assessments receivable	(241,809)	-	(241,809)	(174,487)
Special assessments receivable	6,486	-	6,486	-
Other receivables	(3,445)	-	(3,445)	(736)
Prepaid expenses	768,297	-	768,297	644,187
Increase (decrease) in:				
Accounts payable and accrued expenses	71,957	62,307	134,264	37,424
Accrued project expenses	-	-	-	(13,570)
Assessments collected in advance	170,728	-	170,728	(52,832)
Holiday fund	25,089	-	25,089	-
Security deposits	31,576	-	31,576	35,288
Deferred revenue	68,750	-	68,750	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,223,731</b>	<b>(164,062)</b>	<b>1,059,669</b>	<b>1,261,763</b>
<b>Cash Flows from Investing Activities:</b>				
Certificate of deposit:				
Purchase	-	(252,892)	(252,892)	(250,000)
Redemption	-	250,000	250,000	-
	-	(2,892)	(2,892)	(250,000)

(Continued)

The accompanying notes are an integral part of these financial statements.

THE TOWERS OF KEY BISCAWAYNE, INC.

Statement of Cash Flows (Continued)

Year ended December 31, 2010

(With Comparative Totals for 2009)

	2010		2009	
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
<b>Cash Flows from Financing Activities:</b>				
Repayments on insurance financing notes	(751,839)	-	(751,839)	(621,435)
<b>Net Increase (Decrease) in Cash</b>	471,892	(166,954)	304,938	390,328
<b>Cash - Beginning of Year</b>	744,397	1,042,406	1,786,803	1,396,475
<b>Cash - End of Year</b>	<u>\$ 1,216,289</u>	<u>\$ 875,452</u>	<u>\$ 2,091,741</u>	<u>\$ 1,786,803</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>				
Cash paid during the year for interest	\$ 16,239			\$ 13,454
<b>Supplemental Disclosure of Noncash Financing Activity:</b>				
Financing obligation incurred for purchase of insurance	\$ 776,276			

The accompanying notes are an integral part of these financial statements.

THE TOWERS OF KEY BISCAWAYNE, INC.

**Notes to Financial Statements**

December 31, 2010

(With Comparative Totals for 2009)

**(1) Summary of Significant Accounting Policies and General Matters**

**Organization**

The Towers of Key Biscayne, Inc. (the "Association") was organized in 1971 as a Florida not-for-profit corporation pursuant to the Florida Condominium Act, for the purpose of maintaining and preserving the common property of The Towers of Key Biscayne Condominium, consisting of 538 residential and 2 commercial units in two 12-story buildings, located in Key Biscayne, Florida.

**Fund Accounting**

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements and for other special purposes, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the replacement and deferred maintenance fund and from any future special purpose fund may be made only for their designated purposes.

**Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Member Assessments**

Maintenance assessments, which are based upon a budget established by the Board of Directors, are levied against the members for their proportionate share of common expenses and, unless waived by an annual vote of the members, for funds for future major repairs and replacements. Maintenance assessments are due in quarterly installments on the first day of each quarter, during which period revenue is recognized monthly. Special assessments may also be imposed from time to time as deemed appropriate by the Board of Directors, subject to provisions of the Florida Statutes and the Association's governing documents. The Association recognizes interest and late fees on delinquent assessments as provided for in the Association's governing documents.

THE TOWERS OF KEY BISCAWAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2010

(With Comparative Totals for 2009)

(1) *Summary of Significant Accounting Policies and General Matters (Continued)*

**Recognition of Assets and Depreciation Policy**

Real property, common areas and related improvements which are maintained by the Association, are not recorded in the Association's financial statements because these properties are deemed to be owned by the individual unit owners in common and not by the Association. The Association capitalizes, at cost, personal property which it acquires with Association funds. Depreciation is computed based on the related estimated useful lives using a declining balance method.

**Income Taxes**

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenses is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments. The other method enables the Association to elect to exclude from taxation exempt function income, which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different tax rates. Tax years, including the year ended December 31, 2008 and later, are subject to examination by federal and state tax authorities.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform to the current year's presentation.

**Subsequent Events**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through [REDACTED], 2011, the date the financial statements were available to be issued.

(2) *Certificate of Deposit and Subsequent Event*

At December 31, 2010, the Association has an investment in a certificate of deposit ("certificate"), aggregating approximately \$253,000 (\$250,000 at December 31, 2009), bearing interest at 0.35% per annum. The certificate matured in May 2011 and was reinvested in another certificate, bearing interest at 0.05% per annum, maturing in February 2012.

THE TOWERS OF KEY BISCAWAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2010

(With Comparative Totals for 2009)

(3) *Concentration of Credit Risk from Cash Deposits in Excess of Insured Limits*

At December 31, 2010, the Association's deposit account balances exceeded the Federal Deposit Insurance Corporation coverage limits by approximately \$82,000 (approximately \$6,000 at December 31, 2009).

(4) *Assessments Receivable*

The Association considers assessments delinquent if they are more than twenty-five days in arrears. The Association will retain legal counsel and place a lien on the property of any unit owner whose assessments are at least sixty days or more past due. In determining the collectibility of specific unit owner balances, management considers the age of the balance (measured in number of days delinquent), the owner's payment history and current economic trends. Accordingly, based on management's judgment, the Association provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. Balances that remain outstanding after the Association has made reasonable collection efforts are written off via a charge to the valuation allowance and a credit to assessments receivable. As of December 31, 2010, assessments receivable balances past due at least ninety days aggregated approximately \$574,000 (approximately \$402,000 at December 31, 2009). Assessments receivable, as reflected in the accompanying financial statements, are stated net of an allowance for doubtful accounts of approximately \$375,000 (approximately \$320,000 at December 31, 2009).

(5) *Future Major Repairs and Replacements*

Chapter 718 of the Florida Statutes and the Association's governing documents require that the Association's budget include assessments for future major repairs and replacements, unless waived by an annual vote of the unit owners. Such assessments shall be for items including, but not limited to, roof replacement, building painting, pavement resurfacing, and for any other item for which the deferred maintenance expense or replacement cost exceeds \$10,000.

In December 2010, the Association engaged an independent specialist to update a study to estimate the remaining useful lives and the current replacement costs of the components of common property. Accordingly, the funding requirements of \$1,471,000 and \$1,337,100, based on the pooled funding method, are included in the 2010 and 2011 budgets, respectively.

THE TOWERS OF KEY BISCAWAYNE, INC.

**Notes to Financial Statements (Continued)**

December 31, 2010

(With Comparative Totals for 2009)

**(5) Future Major Repairs and Replacements (Continued)**

Funds are being accumulated in the replacement and deferred maintenance fund based on estimates of future needs for major repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement and deferred maintenance fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors has the right to increase regular assessments subject to the provisions of the Association bylaws, pass special assessments or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.

At December 31, 2010, the operating fund was indebted to the replacement and deferred maintenance fund in the amount of \$105,346 (\$81,110 at December 31, 2009). Such amounts were repaid during 2011 and 2010, respectively.

An analysis of the activity in the replacement and deferred maintenance fund for the year ended December 31, 2010 is included in Schedule 2.

**(6) Furniture and Equipment**

At December 31, 2010 and 2009, furniture and equipment consisted of office furniture and equipment (with an aggregate cost of approximately \$244,000), which was in use by the Association and had been fully depreciated.

**(7) Insurance Financing Note Payable**

Insurance financing note payable is due in monthly installments of approximately \$78,000, including interest at 3.99% per annum, through March 2011. Finance charges aggregate approximately \$14,000 over the term of the note. The note is collateralized by the lender's security interest in the unearned premiums of the related insurance policies.

THE TOWERS OF KEY BISCAWAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2010

(With Comparative Totals for 2009)

(8) *Loan Agreement and Line of Credit*

The Association has a loan agreement in the amount of \$750,000 with Branch Banking and Trust Company ("BB&T") for the purpose of providing funding for a line of credit facility. Monthly payments of interest only will be due on the amount of funds drawn on the line of credit. The interest rate is variable, and is based on the BB&T's Base Rate which, at December 31, 2010, was 3.50%. The loan is due and payable in full immediately on BB&T's demand. As of December 31, 2010 and 2009, no funds had been drawn against the line of credit.

(9) *Deferred Revenue - Cable Television*

In July 2010, the Association entered into a bulk cable television service agreement. As consideration for the Association entering into the agreement, the service provider paid the Association a one-time fee aggregating \$75,000 which is being amortized over the six-year term of the agreement as a reduction of cable television expense. The unamortized portion of the fee, aggregating \$68,750, is included in deferred revenue in the operating fund in the accompanying financial statements.

(10) *Insurance Proceeds*

In January 2010, the Association received insurance proceeds, aggregating approximately \$31,000, to cover flood damages sustained by certain units and common areas of the condominium building. The entire amount of the proceeds is reflected as revenue in the accompanying financial statements.

(11) *Leases and Subsequent Event*

**Beauty Salon**

The Association leases commercial space within the condominium building to a beauty salon on a rent-free basis. The lease expired in December 2010 and is currently on a month-to-month basis.

THE TOWERS OF KEY BISCAWAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2010

(With Comparative Totals for 2009)

(11) *Leases and Subsequent Event (Continued)*

**Restaurant**

Through May 2011, the Association leased commercial space within the condominium building to a restaurant operator (the "lessee"), for the benefit of the members of the Association and their guests. The lease provided for a monthly rental of \$2,000, which the Association had agreed to abate during the term of the lease, provided that the lessee was not in default of any provisions of the lease. The lessee was responsible for payment of all utility charges for the restaurant premises. The Association is currently in discussions with a new operator for the lease of this space.

**Rooftop Space – Antenna**

The Association rents a portion of its roof to BellSouth Cellular Corp. for cellular telephone antennas under a lease expiring in December 2014. The Association receives a base rental fee of approximately \$22,000 annually, which is subject to annual cost of living adjustments, using the November 1989 CPI as the base period index.

(12) *Agreements*

**Service Providers**

The Association has various agreements for the maintenance of the common property and for other services. Generally, the agreements may be cancelled with advance notice by either party with the exception of the agreements for elevator maintenance and for cable television services, expiring in 2015 and 2016, respectively.

**Manager**

The Association has an agreement with an individual (the "manager") for administrative and operational management of the Association. The manager received a base salary of approximately \$103,000, plus customary benefits, in 2010. Any bonus payments to the manager for 2011 shall be at the sole discretion of the Board of Directors. The agreement extends through December 2013, unless terminated earlier by either party or renewed for an additional period, as provided for in the agreement.

THE TOWERS OF KEY BISCAIYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2010

(With Comparative Totals for 2009)

(13) *Windstorm Contingency*

The Association maintains insurance coverage for damage sustained by the condominium buildings from a "named" windstorm. The maximum deductible for which the Association could be responsible is approximately \$6,831,000. The Association has not set aside funds to cover the deductible. Accordingly, if such funds are needed, the Association has the right to assess its members or seek bank financing.

In addition, inasmuch as certain other expenses may be incurred by the Association in the event of a windstorm, the ultimate extent of any such loss in excess of the aforementioned maximum deductible cannot be determined.

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**ADDITIONAL AND SUPPLEMENTARY INFORMATION**

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THE TOWERS OF KEY BISCAWAYNE, INC.

Schedule of Expenses

Year ended December 31, 2010

(With Comparative Totals for 2009)

	2010			2009
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
<b>Administrative and General:</b>				
Condominium fees	\$ -	\$ -	\$ -	\$ 2,152
Holiday function	2,266	-	2,266	-
Interest and bank charges	24,362	-	24,362	22,703
Lockbox charges	3,596	-	3,596	2,948
Office	19,142	-	19,142	13,322
Payroll processing	4,679	-	4,679	4,738
Postage and printing	22,062	-	22,062	17,540
Professional fees:				
Accounting and bookkeeping services	33,770	-	33,770	34,079
Legal	37,117	-	37,117	62,030
Provision for losses				
on assessments receivable	117,713	-	117,713	166,284
Taxes and licenses	15,975	-	15,975	1,996
Telephone	25,652	-	25,652	20,108
	<u>\$ 306,334</u>	<u>\$ -</u>	<u>\$ 306,334</u>	<u>\$ 347,900</u>
<b>Maintenance and Repairs:</b>				
Air conditioning	\$ 37,518	\$ -	\$ 37,518	\$ 91,867
Computer	12,163	-	12,163	4,980
Contingency	37,284	-	37,284	51,102
Electrical	23,027	-	23,027	33,359
Elevator	58,159	-	58,159	62,550
Entry system	9,887	8,461	18,348	-
Fire alarm	24,030	-	24,030	22,154
General building	294,410	-	294,410	280,491
Housekeeping	6,195	-	6,195	12,761
Interior	-	-	-	121,739
Landscaping	49,397	-	49,397	27,464
Lighting	-	40,205	40,205	-

(Continued)

THE TOWERS OF KEY BISCAYNE, INC.

**Schedule of Expenses (Continued)**

Year ended December 31, 2010

(With Comparative Totals for 2009)

	2010		2009	
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
<b>Maintenance and Repairs (Continued):</b>				
Lobby	-	924,344	924,344	-
Mechanical equipment	-	35,215	35,215	-
Painting and waterproofing	-	167,819	167,819	371,202
Paving	-	4,500	4,500	-
Pest control	11,650	-	11,650	13,850
Plumbing	106,773	24,900	131,673	158,695
Pond	13,162	35,240	48,402	15,440
Pool	11,004	9,766	20,770	19,914
Restaurant equipment	10,004	17,047	27,051	10,949
Restoration and structural	-	101,154	101,154	260,621
Roof	-	4,800	4,800	24,900
Sliding glass doors	-	290,475	290,475	-
Security systems	-	15,191	15,191	67,041
Shutters	57,409	-	57,409	40,623
Uniforms	7,681	-	7,681	4,485
Waste removal	43,393	-	43,393	55,808
Water treatment	11,339	-	11,339	12,162
	<u>\$ 824,485</u>	<u>\$ 1,681,127</u>	<u>\$ 2,503,602</u>	<u>\$ 1,766,166</u>
<b>Payroll and Related Costs:</b>				
Administrative	\$ 290,993	\$ -	\$ 290,993	\$ 284,071
Concierge and access control	558,452	-	558,452	562,631
Engineering	363,872	-	363,872	334,055
Housekeeping	283,941	-	283,941	273,263
Landscaping	131,096	-	131,096	117,011
Pool	73,246	-	73,246	76,093
Premium pay	12,306	-	12,306	7,871
Receiving	30,597	-	30,597	33,398
	<u>\$ 1,744,503</u>	<u>\$ -</u>	<u>\$ 1,744,503</u>	<u>\$ 1,688,393</u>

(Continued)

THE TOWERS OF KEY BISCAYNE, INC.

Schedule of Expenses (Continued)

Year ended December 31, 2010

(With Comparative Totals for 2009)

	2010		2009
	Operating Fund	Replacement and Deferred Maintenance Fund	Total
<b>Utilities:</b>			
Cable television	189,047	\$ -	\$ 189,047
Electricity	525,022	-	624,365
Gas	106,793	-	56,262
Oil	272,704	-	190,673
Water and sewer	288,865	-	253,333
	<u>\$ 1,382,431</u>	<u>\$ -</u>	<u>\$ 1,382,431</u>
			<u>\$ 1,311,507</u>

THE TOWERS OF KEY BISCAWAYNE, INC.

**Supplementary Information on  
Future Major Repairs and Replacements**

December 31, 2010

In December 2010, an independent specialist conducted an update of a study to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the updated study. Estimated current replacement costs do not take into account the effects of inflation between the date of the study and the dates that the components are anticipated to require repair or replacement.

The following schedule presents (a) significant information about the components of common property based on the updated study (unaudited); (b) an analysis of the activity in the replacement and deferred maintenance fund for the year ended December 31, 2010; and (c) the amount of annual funding required to fully fund the pool of accounts of the replacement and deferred maintenance fund over the remaining useful lives of the group of assets (unaudited).

Components	Estimated Remaining Useful Lives (Years) (Unaudited)	Estimated Current Replacement Costs (Unaudited)	Beginning Balance	Additions, including interest	Charges	Ending Balance	2011 Full Funding (Unaudited)
Elevators	5 - 25	\$ 2,411,000	\$ -	\$ -	\$ -	\$ -	\$ -
Fire safety systems	1 - 16	641,800	-	-	-	-	-
Hurricane shutters	13 - 21	2,711,100	-	-	-	-	-
HVAC systems	11 - 25	1,983,960	-	-	-	-	-
Interior renovation and décor	1 - 22	5,717,400	-	-	-	-	-
Landscaping	5	100,000	-	-	-	-	-
Mechanical equipment	1 - 24	876,926	-	-	-	-	-
Painting and waterproofing	8 - 19	615,340	-	-	-	-	-
Pavement	1 - 27	204,599	-	-	-	-	-
Pools and equipment	2 - 13	1,209,323	-	-	-	-	-
Restoration/structural	1 - 23	4,664,452	-	-	-	-	-
Roofing	2 - 22	1,954,662	-	-	-	-	-
Security systems	1 - 9	270,000	-	-	-	-	-
Site improvements	1 - 4	50,650	-	-	-	-	-
Tennis courts	2 - 6	30,945	-	-	-	-	-
Unallocated, including interest	-	-	1,324,096	1,476,984	1,679,117	1,121,963	1,337,100
		<u>\$ 23,442,157</u>	<u>\$ 1,324,096</u>	<u>\$ 1,476,984</u>	<u>\$ 1,679,117</u>	<u>\$ 1,121,963</u>	<u>\$ 1,337,100</u>

Schedule 2