

To: The Board of Directors Key Largo Ocean Resort
From: The Construction Committee
Date: May 18th, 2016

We have grown continuously concerned over the funds available to finalize the initial infrastructure portion of the redevelopment of KLOR, but we are determined not to stop the progress of any of the work that remains to be done so that we are able to obtain a TCO (temporary certificate of occupancy) and an eventual CO. As you all know there has been major overruns on many of the projects, costly corrections, lack of coordination, lack of management, lack of supervision, lack of inspections, wasteful change orders, and monumental errors.

We need to stress the fact that we are referring ONLY to work that remains to be done as the phase to finalize the initial infrastructure portion of the redevelopment of KLOR. And that - that was included in the special assessment passed by the past Board in a letter dated August 8th, 2012. Due to all the major overruns those moneys collected are insufficient to finish the initial phase of the infrastructure as outlined in the Special Assessment Letter date August 8th 2012.

We realize that we are preaching to the choir. Regretfully, we all realize that we have no other option. The work needs to be completed, and KLOR needs the funds to do so. This letter is addressed to The Board of Directors with the recommendation that you forward this to the Owners, and immediately follow-up with a proper notification of a Special Assessment and the details of same. This Special Assessment is to be considered and voted upon at a meeting of the Board of Directors, with notice to all Owners. It is our recommendation that the Board needs to meet with the Owners as soon as possible to address the Special Assessment issues.

Careful consideration and analysis have been given to all of the aforementioned. Some of the notable issues are more specifically identified below:

The Paving and Drainage: The alignment and elevations of the roadways, catch basins, hydrants and electric boxes need extensive and costly corrections. There have been many road elevation issues throughout the entire project; paved and unpaved roads. We have contracted surveyors, engineers and solicited the opinion and valuable expertise of members of the Board, our project manager and construction committee members. Solutions to remedy these situation(s) have been designed and are being developed and implemented at this time. To give you a specific example of this: Some roads are not draining properly; therefore the catch basins are being raised or lowered and the roads are being leveled again by adding or removing lime rock material and compacting it in order allow these roads to have the proper slopes and subsequently drain properly. Some of the cost directly involved in this include but are not limited to Bill Hinckley as a Land Surveyor, Robayna and Associates as a Land Surveyor, Florida Paving as contractor of record, Page Excavating as contractor of record and Ballbe Engineering as engineer of record.

It needs to be noted that during the paving of the roads portion of the work, Carlos Ballbe, the engineer of record was not called for periodic inspections to monitor the progress and quality of the work, hence we have most of the above noted problems.

The Office Building: The office has significant defects that must be cured to close the permit and to provide safe conditions to office staff, visitors and homeowners. The tile was installed improperly and it is now being removed and replaced. The side walk was designed and installed improperly and a solution to prevent the current water intrusion issue is being reviewed. A plan for a code compliant handicap ramp is being designed and will need to be installed. A handicap ramp was formed up but was never permitted. This work will need to be removed and the

permitted work will be completed. Additional minor defects are also being addressed. The open permits and failed inspections are being corrected and closed.

Entrance and Exit to KLOR at the Guardhouse area ; It appears that there were no revised plans showing the correct grade elevations at both, the entrance and exit to KLOR. Furthermore, there was no coordination between the builder and the “project manager” and/or “owner rep.” when this area and the guardhouse were being built. This has resulted in a major issue with the existing elevations of the paving and drainage and how it will tie in with the access into KLOR. Ballbe and associates have been working on redeveloping the entrance to KLOR. The new plans involve removing the pavement in the area leading up to the guard house, raising the elevation of the existing catch basins and adding additional catch basins, adding lime rock fill to increase the elevations to meet the guard house and paving the area again. Additionally a code compliant accessible route is being developed to connect the handicap parking area with the handicap ramp to the guard house and to the walking path along overseas highway. This is a requirement to be code compliant. The pedestrian entrance is either with a 2% max slope or ramped as per ADA rules. This was never planned and/or coordinated. Another item of concern in this area is the south wall next to the guardhouse. This wall is too close to the guardhouse. Two lanes are required in the plans and the current “as-built” space is inadequate for 2 lanes. A study is being made to see if it is possible to move this wall further south in order to achieve an adequate distance for 2 vehicle lanes. We have 2 options that have been significantly discussed. Our two options are remedy the existing or demo the guardhouse and build a new one at a proper elevation. Moreover, while considering the dollar value of these 2 options we will put considerable analysis on the time factor of both options.

Marina and Slips: The marina and its slips need to be built. This includes a new seawall cap that was never considered as well as new pilings. The east road next to the marina needs to be re-paved and will possibly need to be raised a foot or so. The existing sidewalk at the marina needs to be redone since it is completely destroyed. A new retaining wall will need to be added between the marina seawall and the new road to the north since the elevations are different. The fishing pier needs to be removed and replaced with a new pier, plus other issues that may arise. This marina, even though it was informed to us that was already permitted, never had a permit. Permits are now being obtained along with revised plans that have been completed.

Thereby in order to finalize the infrastructure we recommend an emergency meeting in order to address a special assessment to cover project shortfalls and a continuation of same without interruption. **It is imperative that the owners understand that this is only for issues specified and items as detailed herein and that were part of the special assessment of August 8th, 2012. The remaining funds from said 2012 assessment DO NOT COVER the funds necessary to finalize said work.**

An outline of some of the significant cost are as follows:

- Asphalt related as noted above - change orders and work needed redone with associated professional fees that include but not limited to Survey(s), Elevation(s) and Engineer(s)
- Electric for change orders and corrections work needed redone with associated professional fees that include but not limited to Survey(s), Elevation(s) and Engineer(s)

- Page Excavating change orders and corrections work needed redone with associated professional fees that include but not limited to Survey(s), Elevation(s) and Engineer(s)
- Office pending items and corrections
- Mailroom building, plans, permits, professional fees and construction cost
- Landscaping
- Irrigation
- Low Voltage installation
- Architecture, Engineering, plans, permits, Survey(s)
- Construction Management and Supervision
- Demo – pool, courts correction and fill, gas pumps and ramps as needed
- Marina: supervision, consultant/management, architecture, engineering, plans, permits, survey(s) and ecological and environmental studies as needed

At this time we recommend a Special Assessment of \$1,556,500.00 and we recommend that proper notification be sent to the Owners at once. You have our permission as the Construction Committee to forward this letter to the owners and look for your official Special Assessment notice.

Regards,

The Construction Committee