RESERVE FUND LETTER

COASTAL PROPERTIES
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September 17, 2009

Mr. James Turlington
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Subject: Queen's Landing Observations, Comments and Recommendations Pre1iminary Report for Review and Discussion

At the request of Turlington Valuation Associates, Inc., Coastal Properties Management, Inc. (CPM) conducted a visual inspection of the docks and bulkhead on September 14. The focus of the inspection, from an independent operational point of view, was to identify any visual areas of concern that may require repair.

CPM is a property management company specializing in marinas, boatyards and other water dependent facilities in the Chesapeake Bay area. CPM has been in the property management business for over 30 years and currently manages ten marine properties. CPM is not an engineering firm. The visual inspection of Queen's Landing did not include any structural testing such as pick insertion or core sampling. In addition, this inspection took place during mid-tide and the deepest area of the inter-tidal zone of the bulkhead sheeting could not be seen.

Overall, the docks appear to be in very good condition. It is obvious there is a continuing, proactive replacement of dock boards. The piles are either capped or coated to prevent rot. The PVC piping for the water distribution system appears properly installed and hung with minima1 sag. There were no signs of leaking connections. The electrical outlets to the slips appear secure and each dock's breaker panel box appears to be in good condition. Please note, neither the water system nor the electrical distribution system was tested during the walk through.

The bulkhead, in general, appears to be in very good condition. The one area of concern, however, is at the angle between pier "A" and pier "B". (See attachment) Two pilings are leaning channel ward and there is evidence of erosion. It is strongly suggested that an underwater inspection of this area be conducted. Upon inspection it would be determined if there is sheeting failure, open gaps between the sheets or holes allowing the soil to seep into the basin.

Without the benefit of "as built" drawings, but based on observation, it appears the bulkhead was built without deadmen, but with batter piles, to support the bulkhead vertically. This appears to be the case for the vast majority of the bulkhead's construction. The area of concern does not have the batter piles for support and there are no obvious signs of deadmen or tie-rods, which may have contributed to the leaning.

The timing of this walk through inspection was good due to the ability to see the bulkhead cap boards being replaced. There was a good section of the cap board that has been replaced and the quality of workmanship looked good. There was also an area where the cap board had been removed. This allowed a look at the "sandwiching" of the upper wale, the tongue-and-groove sheets and the rear clamp board. This exposed length showed no signs rot. The aging cap boards need to be replaced.

We have been advised that the docks and bulkhead are insured and carry a $10,000 deductible. From the inspection and personal experience, CPM would suggest a budget between $2,500 and $5,000 each year for dock board replacements and repair and maintenance of the water and electrical distribution systems.

Based on a recent discussion with a marine construction owner, a ballpark figure for construction of a new fixed dock, including piles, is $7.00 - $9.00 per square foot. New electrical and water service, labor and material included, may be as much as $2,000 $2,500 per slip.

For the total replacement of an existing bulkhead, including demolition and disposal, a good figure is in the area of $350.00 per linier foot.

We feel that the Capital Reserve should be at least $25,000. This amount includes the deductible, the amount that may be required to replace the suspect bulkhead section and the annual R &M of the docks.

If you have any questions, do not hesitate to contact me.

//SIGNED//
Timothy P. Newell
Vice President Development
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