FULL RESERVE STUDY

Tuscan Village
at Lakeway Master

Lakeway, Texas
November 24, 2020

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Corporate Office
Reserve Advisors, LLC
735 N. Water Street, Suite 175
Milwaukee, WI 53202

Tuscan Village at Lakeway Master
Lakeway, Texas

Dear Board of Directors of Tuscan Village at Lakeway Master:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Tuscan Village at Lakeway Master in Lakeway, Texas and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 24, 2020.

This *Full Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Tuscan Village at Lakeway Master plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on February 1, 2021 by

Reserve Advisors, LLC

Visual Inspection and Report by: Jaison T. Thomas, RS[1]
Review by: Alan M. Ebert, RS, PRA[2], Director of Quality Assurance

[1] RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.
[2] PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at http://www.apra-usa.com.

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Tuscan Village at Lakeway Master (Lakeway Master)
Location: Lakeway, Texas
Reference: 162146

Property Basics: Tuscan Village at Lakeway Master is a master association which is responsible for the common elements shared by 100 villas, 63 townhome units and 96 units at the lofts. The community was built from approximately 2009 to 2019.

Reserve Components Identified: 56 Reserve Components.

Inspection Date: November 24, 2020.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold funding year in 2050 due to an anticipated increase in frequency for resetting and partial replacement of the masonry pavers.

Cash Flow Method: We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 0.9% anticipated annual rate of return on invested reserves
- 2.0% future Inflation Rate for estimating Future Replacement Costs

Sources for *Local* Costs of Replacement: Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Unaudited Cash Status of Reserve Fund:

- $82,519 as of October 31, 2020
- 2020 budgeted Reserve Contributions of $70,000
- 2021 budgeted Reserve Contributions of $44,467
- A potential deficit in reserves might occur by 2024 based upon continuation of the most recent annual reserve contribution of $44,467 and the identified Reserve Expenditures.

Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the ***Reserve Expenditures*** tables and include a ***Five-Year Outlook*** table following the ***Reserve Funding Plan*** in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

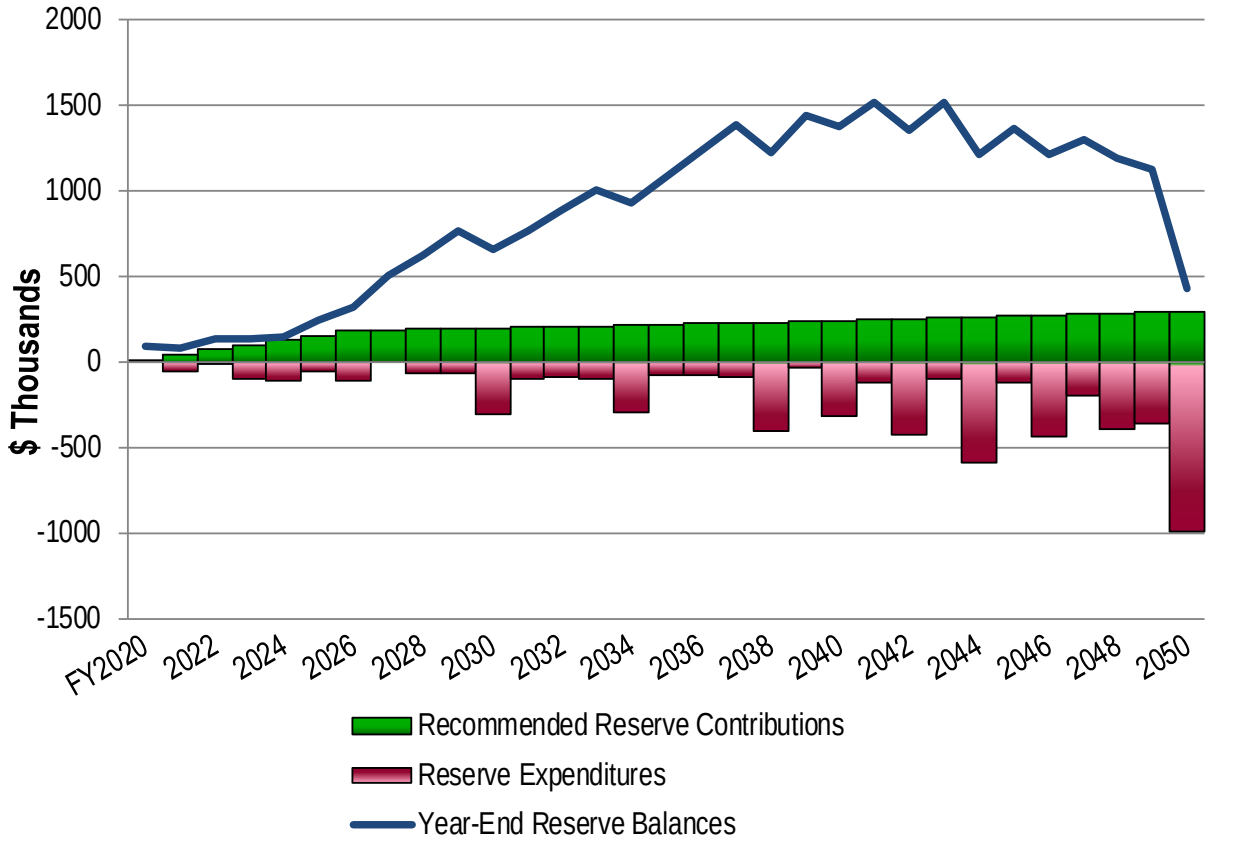
- Inspections and repairs to the catch basins as proposed
- Masonry repairs to the fountain due to evidence of masonry damage
- Repairs to the masonry paver streets as proposed and due to evidence of sunken pavers

Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Phased increases of approximately $27,500 from 2022 through 2026
- Inflationary increases through 2050, the limit of this study's Cash Flow Analysis
- Initial recommended adjustment of $27,533 is equivalent to an increase of $8.86 in the monthly contributions per homeowner.

Lakeway Master
Recommended Reserve Funding Table and Graph

Year	Contributions ($)	Reserve Balances ($)	Year	Contributions ($)	Reserve Balances ($)	Year	Contributions ($)	Reserve Balances ($)
2021	44,467 (Budgeted)	79,010	2031	200,900	767,550	2041	244,900	1,514,349
2022	72,000	136,369	2032	204,900	885,553	2042	249,800	1,353,234
2023	99,500	134,911	2033	209,000	1,001,914	2043	254,800	1,519,881
2024	127,000	148,420	2034	213,200	931,120	2044	259,900	1,206,554
2025	154,500	245,173	2035	217,500	1,082,677	2045	265,100	1,361,294
2026	182,000	314,689	2036	221,900	1,234,200	2046	270,400	1,209,912
2027	185,600	503,956	2037	226,300	1,385,027	2047	275,800	1,296,818
2028	189,300	628,242	2038	230,800	1,225,205	2048	281,300	1,191,507
2029	193,100	763,639	2039	235,400	1,442,693	2049	286,900	1,127,428
2030	197,000	657,484	2040	240,100	1,373,311	2050	292,600	432,867



2. RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of

Tuscan Village at Lakeway Master

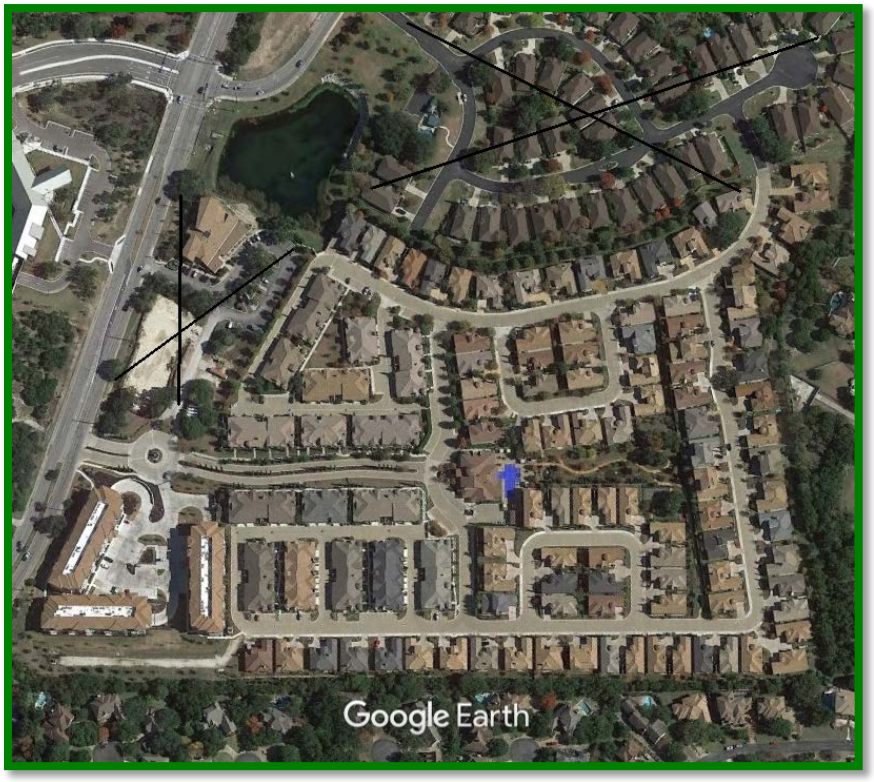
Lakeway, Texas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 24, 2020.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property -** Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures -** Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan -** Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Five-Year Outlook -** Identifies reserve components and anticipated reserve expenditures during the first five years
- **Reserve Component Detail -** Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology -** Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions -** Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions -** Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management and the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Lakeway Master responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from the 30-year Reserve Expenditures at this time.

- Electrical Systems, Common
- Foundations, Clubhouse and Pool Mechanical Building
- Inlet/Outlet Structures, Concrete, Storm Water Management System
- Pipes, Interior Building, Domestic Water and Sanitary Waste, Clubhouse and Pool Mechanical Building
- Pipes, Subsurface Utilities
- Pool Structure and Deck
- Structural Frames

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than $5,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Aerobic Room, Floor Covering, Vinyl

Aerobic room floor covering

- Bridge, Pedestrian, Park

Pedestrian bridge at the park

- Cushion Replacements, Pool Furniture
- Ceiling Fans, Clubhouse
- Flag Pole, Entrance
- Floor Coverings, Carpet, Clubhouse
- Gates, Wood, Trash Corral
- Irrigation System, Controls and Maintenance
- Landscape, Maintenance
- Life Safety System, Control Panel, Interim Replacement
- Light Fixtures, Clubhouse and Pool Area
- Light Fixtures, Landscape
- Mini Split System, HVAC, Pool Mechanical Building
- Office Equipment
- Paint Finishes, Touch Up
- Pavers, Streets, Interim Repairs

- Pergola, Fabric Replacements
- Pickleball Court, Color Coating Applications
- Ponds, Park, Aerator
- Ponds, Park, Liner
- Pool Cover, Hot Tub
- Pressure Wash, Repairs
- Signage, Monuments, Maintenance
- Sound System, Clubhouse
- Walls, Masonry, Clubhouse, Inspections and Repairs
- Water Fountain, Drinking
- Yoga Mats
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the Homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to unit:

- Homes and Lots, Villas

Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Lofts, Common Exterior and Interior Elements (Tuscan Village at Lakeway Lofts)
- Townhomes, Common Exterior Elements (Tuscan Village at Lakeway Townhomes)

3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
  - useful life
  - remaining useful life
- 2020 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end
- Predicted reserves based on current funding level

Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of ***Reserve Expenditures*** and ***Reserve Funding Plan***.

RESERVE EXPENDITURES

Tuscan Village
at Lakeway Master
Lakeway, Texas

Explanatory Notes:
1) 2.0% is the estimated Inflation Rate for estimating Future Replacement Costs.
2) FY2020 is Fiscal Year beginning January 1, 2020 and ending December 31, 2020.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis Years Useful	Life Analysis Years Remaining	Costs, $ Unit (2020)	Costs, $ Per Phase (2020)	Costs, $ Total (2020)	Percentage of Future Expenditures	RUL = 0 FY2020	1 2021	2 2022	3 2023	4 2024	5 2025	6 2026	7 2027	8 2028	9 2029	10 2030	11 2031	12 2032	13 2033	14 2034	15 2035
				Property Site Elements																							
4.090	1	**1**	Each	Bocce Ball Court, Renovation	2026	10 to 15	6	9,000.00	9,000	9,000	**0.6%**							10,135									
4.100	15	**15**	Each	Catch Basins, Inspections and Capital Repairs, Near-Term (2021 Planned)	2021	15 to 25	1	930.00	13,950	13,950	**0.6%**		14,229														
4.101	21	**21**	Each	Catch Basins, Inspections and Capital Repairs, Remaining	2030	15 to 25	10	930.00	19,530	19,530	**1.0%**											23,807					
4.110	18,600	**620**	Linear Feet	Concrete Curbs and Gutters, Partial	2030	to 65	10 to 30+	28.00	17,360	520,800	**2.5%**											21,162				22,906	
4.120	68,200	**1,705**	Square Feet	Concrete Driveways, Partial, Townhomes and Villas	2028	to 65	8 to 30+	10.50	17,903	716,100	**3.5%**									20,976				22,705			
4.125	42,200	**1,055**	Square Feet	Concrete Flatwork, Lofts Parking Area and Along Streets, Partial	2028	to 65	8 to 30+	10.50	11,078	443,100	**2.2%**									12,979				14,049			
4.140	58,300	**1,093**	Square Feet	Concrete Sidewalks, Partial (Incl. Stoops and Steps and Clubhouse)	2028	to 65	8 to 30+	9.00	9,837	524,700	**1.9%**									11,526				12,476			
4.240	8,880	**4,440**	Linear Feet	Fence, Steel, Paint Finishes and Repairs, Phased (Incl. Pool Fence)	2023	6 to 8	3 to 4	7.00	31,080	62,160	**5.3%**				32,982	33,642					37,886	38,644					
4.245	8,600	**1,720**	Linear Feet	Fences, Steel, Replacement, Partial (Incl. Railings)	2044	to 35	24 to 30+	45.00	77,400	387,000	**8.5%**																
4.300	1	**1**	Allowance	Fountain, Entrance, Masonry Repairs (2021 is Planned)	2021	8 to 12	1	8,000.00	8,000	8,000	**0.5%**		8,160										9,947				
4.301	1	**1**	Allowance	Fountain, Entrance, Pump	2032	10 to 15	12	9,000.00	9,000	9,000	**0.4%**													11,414			
4.410	1	**1**	Each	Irrigation Filter	2028	to 15	8	16,000.00	16,000	16,000	**0.7%**									18,747							
4.420	210	**53**	Zones	Irrigation System, Replacement, Partial	2050	to 40+	30 to 30+	1,500.00	78,750	315,000	**2.3%**																
4.500	1	**1**	Allowance	Landscape, Median (2021 is Planned)	2021	to 1	1	10,000.00	10,000	10,000	**0.2%**		10,200														
4.560	10	**10**	Each	Light Poles and Fixtures, Lofts Parking Area	2042	to 25	22	3,000.00	30,000	30,000	**0.7%**																
4.600	11	**11**	Each	Mailbox Stations	2042	to 30	22	2,000.00	22,000	22,000	**0.5%**																
4.620	209,500	**13,966**	Square Feet	Pavers, Masonry, Resetting and Partial Replacements, Streets (Near-Term Repairs) (2021 is Planned)	2021	to 35+	1	7.50	104,745	1,571,250	**29.3%**		10,000									127,684				138,209	
4.640	5,700	**5,700**	Square Feet	Perimeter Walls, Masonry, Inspections and Capital Repairs	2025	to 15	5	1.00	5,700	5,700	**0.4%**						6,293										
4.660	180	**180**	Linear Feet	Pickleball Court, Fence	2049	to 35	29	34.00	6,120	6,120	**0.2%**																
4.661	1,850	**1,850**	Square Feet	Pickleball Court, Surface	2049	to 40	29	10.50	19,425	19,425	**0.6%**																
4.700	1	**1**	Each	Pond, Aerator, Northeast	2025	10 to 15	5	5,000.00	5,000	5,000	**0.3%**						5,520										
4.710	1	**1**	Allowance	Pond, Erosion Control, Partial, Northeast	2026	to 15	6	9,000.00	9,000	9,000	**0.4%**							10,135									
4.730	1	**1**	Allowance	Pond, Sediment Removal, Partial, Northeast	2040	to 30	20	30,000.00	30,000	30,000	**0.7%**																
4.740	44,000	**44,000**	Square Feet	Retaining Wall, Masonry, Inspection and Capital Repairs	2026	10 to 15	6	1.50	66,000	66,000	**4.6%**							74,327									
4.800	1	**1**	Allowance	Signage, Monuments, Renovations	2029	15 to 20	9	15,000.00	15,000	15,000	**0.7%**										17,926						
4.810	1	**1**	Allowance	Signage, Traffic	2029	15 to 20	9	7,500.00	7,500	7,500	**0.4%**										8,963						
4.820	1	**1**	Allowance	Site Furniture	2029	15 to 25	9	7,000.00	7,000	7,000	**0.3%**										8,366						
				Clubhouse Elements																							
5.100	2	**1**	Allowance	Exercise Equipment, Cardiovascular, Phased	2023	to 6	3 to 6	12,500.00	12,500	25,000	**2.8%**				13,265			14,077			14,939			15,853			16,823
5.101	2	**1**	Allowance	Exercise Equipment, Strength, Phased	2023	to 15	3 to 10	15,500.00	15,500	31,000	**1.3%**				16,449							18,894					
5.150	1	**1**	Allowance	Exercise Room, Renovation	2023	to 10	3	7,500.00	7,500	7,500	**0.5%**				7,959										9,702		
5.200	75	**75**	Square Yards	Floor Coverings, Tile, 2013 and 2016	2043	to 30	23	75.00	5,625	5,625	**0.1%**																
5.300	110	**110**	Square Yards	Floor Coverings, Wood Laminate, 2013	2033	18 to 25	13	80.00	8,800	8,800	**0.2%**														11,384		
5.301	180	**180**	Square Yards	Floor Coverings, Wood Laminate, 2016	2036	18 to 25	16	80.00	14,400	14,400	**0.3%**																
5.400	3	**1**	Allowance	Furnishing, Phased	2025	10 to 20	5 to 15	22,000.00	22,000	66,000	**3.0%**						24,290					26,818					29,609
5.410	2	**2**	Each	HVAC Equipment, Split Systems, 3- to 3.5-Ton, 2013	2031	15 to 20	11	7,000.00	14,000	14,000	**0.7%**												17,407				
5.411	3	**3**	Each	HVAC Equipment, Split Systems, 3- to 3.5-Ton, 2016	2034	15 to 20	14	7,000.00	21,000	21,000	**0.4%**															27,709	
5.412	2	**1**	Each	HVAC Equipment, Split Systems, 5-Ton, 2012-2013	2030	15 to 20	10 to 11	7,500.00	7,500	15,000	**0.7%**											9,142	9,325				
5.413	1	**1**	Each	HVAC Equipment, Split Systems, 5-Ton, 2015	2033	15 to 20	13 to 14	7,500.00	3,750	7,500	**0.2%**														4,851	4,948	
5.420	3	**1**	Allowance	Kitchen Equipment, Phased	2025	10 to 20	5 to 15	21,200.00	21,200	63,600	**2.9%**						23,407					25,843					28,532
5.450	1	**1**	Allowance	Life Safety System, Control Panel and Emergency Devices	2038	to 25	18 to 19	9,000.00	9,000	9,000	**0.4%**																
5.500	17,400	**17,400**	Square Feet	Paint. Finishes, Interior	2024	8 to 10	4	0.60	10,440	10,440	**0.7%**					11,301										13,775	
5.510	2	**2**	Each	Rest Rooms, Renovations	2038	to 25	18	8,500.00	17,000	17,000	**0.4%**																
5.600	100	**100**	Squares	Roofs, Concrete Tile (Incl. Mechanical Building) (Incl. Gutters and Downspouts)	2042	to 30	22	1,000.00	100,000	100,000	**2.5%**																
5.700	1	**1**	Allowance	Security System (2021 is Planned)	2021	8 to 12	1	12,000.00	12,000	12,000	**0.7%**		12,240										14,920				

RESERVE EXPENDITURES

Tuscan Village
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Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis Years Useful	Life Analysis Years Remaining	Costs, $ Unit (2020)	Costs, $ Per Phase (2020)	Costs, $ Total (2020)	Percentage of Future Expenditures	16 2036	17 2037	18 2038	19 2039	20 2040	21 2041	22 2042	23 2043	24 2044	25 2045	26 2046	27 2047	28 2048	29 2049	30 2050
				Property Site Elements																						
4.090	1	**1**	Each	Bocce Ball Court, Renovation	2026	10 to 15	6	9,000.00	9,000	9,000	**0.6%**			12,854												16,302
4.100	15	**15**	Each	Catch Basins, Inspections and Capital Repairs, Near-Term (2021 Planned)	2021	15 to 25	1	930.00	13,950	13,950	**0.6%**						21,144									
4.101	21	**21**	Each	Catch Basins, Inspections and Capital Repairs, Remaining	2030	15 to 25	10	930.00	19,530	19,530	**1.0%**															35,376
4.110	18,600	**620**	Linear Feet	Concrete Curbs and Gutters, Partial	2030	to 65	10 to 30+	28.00	17,360	520,800	**2.5%**			24,794				26,838				29,051				31,445
4.120	68,200	**1,705**	Square Feet	Concrete Driveways, Partial, Townhomes and Villas	2028	to 65	8 to 30+	10.50	17,903	716,100	**3.5%**	24,576				26,602				28,795		29,958		31,169		32,428
4.125	42,200	**1,055**	Square Feet	Concrete Flatwork, Lofts Parking Area and Along Streets, Partial	2028	to 65	8 to 30+	10.50	11,078	443,100	**2.2%**	15,207				16,461				17,817		18,537		19,286		20,065
4.140	58,300	**1,093**	Square Feet	Concrete Sidewalks, Partial (Incl. Stoops and Steps and Clubhouse)	2028	to 65	8 to 30+	9.00	9,837	524,700	**1.9%**	13,504				14,617				15,822		16,461		17,126		17,818
4.240	8,880	**4,440**	Linear Feet	Fence, Steel, Paint Finishes and Repairs, Phased (Incl. Pool Fence)	2023	6 to 8	3 to 4	7.00	31,080	62,160	**5.3%**		43,520	44,390						49,990	50,990					
4.245	8,600	**1,720**	Linear Feet	Fences, Steel, Replacement, Partial (Incl. Railings)	2044	to 35	24 to 30+	45.00	77,400	387,000	**8.5%**									124,493		129,523		134,755		140,199
4.300	1	**1**	Allowance	Fountain, Entrance, Masonry Repairs (2021 is Planned)	2021	8 to 12	1	8,000.00	8,000	8,000	**0.5%**						12,125									
4.301	1	**1**	Allowance	Fountain, Entrance, Pump	2032	10 to 15	12	9,000.00	9,000	9,000	**0.4%**									14,476						
4.410	1	**1**	Each	Irrigation Filter	2028	to 15	8	16,000.00	16,000	16,000	**0.7%**						24,251									
4.420	210	**53**	Zones	Irrigation System, Replacement, Partial	2050	to 40+	30 to 30+	1,500.00	78,750	315,000	**2.3%**															142,645
4.500	1	**1**	Allowance	Landscape, Median (2021 is Planned)	2021	to 1	1	10,000.00	10,000	10,000	**0.2%**															
4.560	10	**10**	Each	Light Poles and Fixtures, Lofts Parking Area	2042	to 25	22	3,000.00	30,000	30,000	**0.7%**							46,379								
4.600	11	**11**	Each	Mailbox Stations	2042	to 30	22	2,000.00	22,000	22,000	**0.5%**							34,012								
4.620	209,500	**13,966**	Square Feet	Pavers, Masonry, Resetting and Partial Replacements, Streets (Near-Term Repairs) (2021 is Planned)	2021	to 35+	1	7.50	104,745	1,571,250	**29.3%**			149,602		155,646		161,934		168,476		175,282	178,788	182,364	186,011	189,731
4.640	5,700	**5,700**	Square Feet	Perimeter Walls, Masonry, Inspections and Capital Repairs	2025	to 15	5	1.00	5,700	5,700	**0.4%**		7,981												10,122	
4.660	180	**180**	Linear Feet	Pickleball Court, Fence	2049	to 35	29	34.00	6,120	6,120	**0.2%**														10,868	
4.661	1,850	**1,850**	Square Feet	Pickleball Court, Surface	2049	to 40	29	10.50	19,425	19,425	**0.6%**														34,496	
4.700	1	**1**	Each	Pond, Aerator, Northeast	2025	10 to 15	5	5,000.00	5,000	5,000	**0.3%**		7,001												8,879	
4.710	1	**1**	Allowance	Pond, Erosion Control, Partial, Northeast	2026	to 15	6	9,000.00	9,000	9,000	**0.4%**						13,641									
4.730	1	**1**	Allowance	Pond, Sediment Removal, Partial, Northeast	2040	to 30	20	30,000.00	30,000	30,000	**0.7%**					44,578										
4.740	44,000	**44,000**	Square Feet	Retaining Wall, Masonry, Inspection and Capital Repairs	2026	10 to 15	6	1.50	66,000	66,000	**4.6%**			94,264												119,550
4.800	1	**1**	Allowance	Signage, Monuments, Renovations	2029	15 to 20	9	15,000.00	15,000	15,000	**0.7%**														26,638	
4.810	1	**1**	Allowance	Signage, Traffic	2029	15 to 20	9	7,500.00	7,500	7,500	**0.4%**														13,319	
4.820	1	**1**	Allowance	Site Furniture	2029	15 to 25	9	7,000.00	7,000	7,000	**0.3%**														12,431	
				Clubhouse Elements																						
5.100	2	**1**	Allowance	Exercise Equipment, Cardiovascular, Phased	2023	to 6	3 to 6	12,500.00	12,500	25,000	**2.8%**			17,853			18,946			20,105			21,336			22,642
5.101	2	**1**	Allowance	Exercise Equipment, Strength, Phased	2023	to 15	3 to 10	15,500.00	15,500	31,000	**1.3%**		21,704							24,931						
5.150	1	**1**	Allowance	Exercise Room, Renovation	2023	to 10	3	7,500.00	7,500	7,500	**0.5%**								11,827							
5.200	75	**75**	Square Yards	Floor Coverings, Tile, 2013 and 2016	2043	to 30	23	75.00	5,625	5,625	**0.1%**								8,870							
5.300	110	**110**	Square Yards	Floor Coverings, Wood Laminate, 2013	2033	18 to 25	13	80.00	8,800	8,800	**0.2%**															
5.301	180	**180**	Square Yards	Floor Coverings, Wood Laminate, 2016	2036	18 to 25	16	80.00	14,400	14,400	**0.3%**	19,768														
5.400	3	**1**	Allowance	Furnishing, Phased	2025	10 to 20	5 to 15	22,000.00	22,000	66,000	**3.0%**					32,691					36,093					39,850
5.410	2	**2**	Each	HVAC Equipment, Split Systems, 3- to 3.5-Ton, 2013	2031	15 to 20	11	7,000.00	14,000	14,000	**0.7%**														24,862	
5.411	3	**3**	Each	HVAC Equipment, Split Systems, 3- to 3.5-Ton, 2016	2034	15 to 20	14	7,000.00	21,000	21,000	**0.4%**															
5.412	2	**1**	Each	HVAC Equipment, Split Systems, 5-Ton, 2012-2013	2030	15 to 20	10 to 11	7,500.00	7,500	15,000	**0.7%**													13,058	13,319	
5.413	1	**1**	Each	HVAC Equipment, Split Systems, 5-Ton, 2015	2033	15 to 20	13 to 14	7,500.00	3,750	7,500	**0.2%**															
5.420	3	**1**	Allowance	Kitchen Equipment, Phased	2025	10 to 20	5 to 15	21,200.00	21,200	63,600	**2.9%**					31,502					34,781					38,401
5.450	1	**1**	Allowance	Life Safety System, Control Panel and Emergency Devices	2038	to 25	18 to 19	9,000.00	9,000	9,000	**0.4%**			12,854	13,111											
5.500	17,400	**17,400**	Square Feet	Paint. Finishes, Interior	2024	8 to 10	4	0.60	10,440	10,440	**0.7%**									16,792						
5.510	2	**2**	Each	Rest Rooms, Renovations	2038	to 25	18	8,500.00	17,000	17,000	**0.4%**			24,280												
5.600	100	**100**	Squares	Roofs, Concrete Tile (Incl. Mechanical Building) (Incl. Gutters and Downspouts)	2042	to 30	22	1,000.00	100,000	100,000	**2.5%**							154,598								
5.700	1	**1**	Allowance	Security System (2021 is Planned)	2021	8 to 12	1	12,000.00	12,000	12,000	**0.7%**						18,188									

Years 2020 to 2035

RESERVE EXPENDITURES

Tuscan Village
at Lakeway Master
Lakeway, Texas

Explanatory Notes:

1) 2.0% is the estimated Inflation Rate for estimating Future Replacement Costs.
2) FY2020 is Fiscal Year beginning January 1, 2020 and ending December 31, 2020.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis Years Useful	Life Analysis Years Remaining	Costs, $ Unit (2020)	Costs, $ Per Phase (2020)	Costs, $ Total (2020)	Percentage of Future Expenditures	RUL = 0 FY2020	1 2021	2 2022	3 2023	4 2024	5 2025	6 2026	7 2027	8 2028	9 2029	10 2030	11 2031	12 2032	13 2033	14 2034	15 2035
5.750	7,200	**7,200**	Square Feet	Walls, Stucco, Paint Finishes and Repairs (Incl Pool Mechanical Building)	2024	8 to 10	4	2.50	18,000	18,000	**1.2%**					19,484									23,751	
5.800	1,500	**1,500**	Square Feet	Windows and Doors (Incl. Pool Mechanical Building)	2050	35 to 40	30	45.00	67,500	67,500	**2.0%**															
				Pool Elements																							
6.300	2,200	**2,200**	Square Feet	Cover, Vinyl, Main Pool (2021 is Planned)	2021	to 5	1	2.55	5,610	5,610	**0.7%**		5,722					6,318					6,975				
6.350	6,000	**6,000**	Square Feet	Deck, Masonry Pavers, Inspections and Capital Repairs	2022	8 to 12	2	2.50	15,000	15,000	**1.3%**			15,606								18,285					
6.380	1	**1**	Allowance	Door and Motor, Pool Area	2028	to 15	8	5,000.00	5,000	5,000	**0.2%**									5,858							
6.400	280	**280**	Linear Feet	Fence, Steel (Incl. Gates)	2043	to 30	23	58.00	16,240	16,240	**0.4%**																
6.500	1	**1**	Allowance	Furniture	2024	to 12	4	35,000.00	35,000	35,000	**2.3%**					37,885									46,182		
6.600	3	**1**	Allowance	Mechanical Equipment, Phased	2024	to 15	4 to 14	11,500.00	11,500	34,500	**1.6%**					12,448					13,744				15,174		
6.700	540	**540**	Square Feet	Pergolas, Wood	2032	15 to 20	12	26.00	14,040	14,040	**0.7%**													17,806			
6.800	2,700	**2,700**	Square Feet	Pool Finish, Plaster	2023	8 to 12	3	11.00	29,700	29,700	**1.9%**				31,518										38,420		
6.801	800	**800**	Linear Feet	Pool Finish, Tile	2033	15 to 25	13	35.50	28,400	28,400	**0.6%**														36,738		
6.850	2	**2**	Each	Rest Rooms	2037	to 25	17	2,500.00	5,000	5,000	**0.1%**																
				Anticipated Expenditures, By Year ($6,229,199 over 30 years)								0	60,551	15,606	102,173	114,760	59,510	114,992	0	70,086	63,938	309,521	97,218	94,303	101,095	292,654	74,964

Years 2036 to 2050

RESERVE EXPENDITURES

Tuscan Village
at Lakeway Master
Lakeway, Texas

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis Years Useful	Life Analysis Years Remaining	Costs, $ Unit (2020)	Costs, $ Per Phase (2020)	Costs, $ Total (2020)	Percentage of Future Expenditures	16 2036	17 2037	18 2038	19 2039	20 2040	21 2041	22 2042	23 2043	24 2044	25 2045	26 2046	27 2047	28 2048	29 2049	30 2050
5.750	7,200	**7,200**	Square Feet	Walls, Stucco, Paint Finishes and Repairs (Incl Pool Mechanical Building)	2024	8 to 10	4	2.50	18,000	18,000	**1.2%**									28,952						
5.800	1,500	**1,500**	Square Feet	Windows and Doors (Incl. Pool Mechanical Building)	2050	35 to 40	30	45.00	67,500	67,500	**2.0%**															122,267
				Pool Elements																						
6.300	2,200	**2,200**	Square Feet	Cover, Vinyl, Main Pool (2021 is Planned)	2021	to 5	1	2.55	5,610	5,610	**0.7%**	7,701					8,503					9,388				
6.350	6,000	**6,000**	Square Feet	Deck, Masonry Pavers, Inspections and Capital Repairs	2022	8 to 12	2	2.50	15,000	15,000	**1.3%**			21,424								25,101				
6.380	1	**1**	Allowance	Door and Motor, Pool Area	2028	to 15	8	5,000.00	5,000	5,000	**0.2%**								7,884							
6.400	280	**280**	Linear Feet	Fence, Steel (Incl. Gates)	2043	to 30	23	58.00	16,240	16,240	**0.4%**								25,609							
6.500	1	**1**	Allowance	Furniture	2024	to 12	4	35,000.00	35,000	35,000	**2.3%**									56,295						
6.600	3	**1**	Allowance	Mechanical Equipment, Phased	2024	to 15	4 to 14	11,500.00	11,500	34,500	**1.6%**				16,753					18,497				20,422		
6.700	540	**540**	Square Feet	Pergolas, Wood	2032	15 to 20	12	26.00	14,040	14,040	**0.7%**															25,432
6.800	2,700	**2,700**	Square Feet	Pool Finish, Plaster	2023	8 to 12	3	11.00	29,700	29,700	**1.9%**								46,834							
6.801	800	**800**	Linear Feet	Pool Finish, Tile	2033	15 to 25	13	35.50	28,400	28,400	**0.6%**															
6.850	2	**2**	Each	Rest Rooms	2037	to 25	17	2,500.00	5,000	5,000	**0.1%**		7,001													
				Anticipated Expenditures, By Year ($6,229,199 over 30 years)								80,756	87,207	402,315	29,864	322,097	116,798	423,761	101,024	585,441	121,864	433,301	200,124	397,758	361,367	994,151

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Tuscan Village
at Lakeway Master
Lakeway, Texas

Individual Reserve Budgets & Cash Flows for the Next 30 Years

		FY2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Reserves at Beginning of Year	*(Note 1)*	82,519	94,318	79,010	136,369	134,911	148,420	245,173	314,689	503,956	628,242	763,639	657,484	767,550	885,553	1,001,914	931,120
Total Recommended Reserve Contributions	*(Note 2)*	**11,667**	**44,467**	**72,000**	**99,500**	**127,000**	**154,500**	**182,000**	**185,600**	**189,300**	**193,100**	**197,000**	**200,900**	**204,900**	**209,000**	**213,200**	**217,500**
Estimated Interest Earned, During Year	*(Note 3)*	133	776	965	1,215	1,269	1,763	2,508	3,667	5,072	6,235	6,366	6,384	7,406	8,456	8,660	9,021
Anticipated Expenditures, By Year		0	(60,551)	(15,606)	(102,173)	(114,760)	(59,510)	(114,992)	0	(70,086)	(63,938)	(309,521)	(97,218)	(94,303)	(101,095)	(292,654)	(74,964)
Anticipated Reserves at Year End		$94,318	$79,010	$136,369	$134,911	$148,420	$245,173	$314,689	$503,956	$628,242	$763,639	$657,484	$767,550	$885,553	$1,001,914	$931,120	$1,082,677
Predicted Reserves based on 2021 funding level of:	$44,467	94,318	79,010	108,712	51,725	(18,419)	(33,695)										

(continued)

Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Reserves at Beginning of Year	1,082,677	1,234,200	1,385,027	1,225,205	1,442,693	1,373,311	1,514,349	1,353,234	1,519,881	1,206,554	1,361,294	1,209,912	1,296,818	1,191,507	1,127,428
Total Recommended Reserve Contributions	**221,900**	**226,300**	**230,800**	**235,400**	**240,100**	**244,900**	**249,800**	**254,800**	**259,900**	**265,100**	**270,400**	**275,800**	**281,300**	**286,900**	**292,600**
Estimated Interest Earned, During Year	10,379	11,734	11,693	11,952	12,615	12,936	12,846	12,871	12,214	11,504	11,519	11,230	11,147	10,388	6,990
Anticipated Expenditures, By Year	(80,756)	(87,207)	(402,315)	(29,864)	(322,097)	(116,798)	(423,761)	(101,024)	(585,441)	(121,864)	(433,301)	(200,124)	(397,758)	(361,367)	(994,151)
Anticipated Reserves at Year End	$1,234,200	$1,385,027	$1,225,205	$1,442,693	$1,373,311	$1,514,349	$1,353,234	$1,519,881	$1,206,554	$1,361,294	$1,209,912	$1,296,818	$1,191,507	$1,127,428	$432,867

(NOTES 4&5)

Explanatory Notes:

1) Year 2020 starting reserves are as of October 31, 2020; FY2020 starts January 1, 2020 and ends December 31, 2020.
2) Reserve Contributions for 2020 are the remaining budgeted 2 months; 2021 is budgeted; 2022 is the first year of recommended contributions.
3) **0.9%** is the estimated annual rate of return on invested reserves; 2020 is a partial year of interest earned.
4) Accumulated year 2050 ending reserves consider the need to fund for the continued resetting and partial replacements of the masonry pavers shortly after 2050, and the age, size, overall condition and complexity of the property.
5) Threshold Funding Year (reserve balance at critical point).

*Refer to the Reserve Expenditures pages for the full list of reserve elements

FIVE-YEAR OUTLOOK

Tuscan Village at Lakeway Master
Lakeway, Texas

Line Item	Reserve Component Inventory	RUL = 0 FY2020	1 2021	2 2022	3 2023	4 2024	5 2025
	Property Site Elements						
4.100	Catch Basins, Inspections and Capital Repairs, Near-Term (2021 Planned)		14,229				
4.240	Fence, Steel, Paint Finishes and Repairs, Phased (Incl. Pool Fence)				32,982	33,642	
4.300	Fountain, Entrance, Masonry Repairs (2021 is Planned)		8,160				
4.500	Landscape, Median (2021 is Planned)		10,200				
4.620	Pavers, Masonry, Resetting and Partial Replacements, Streets (Near-Term Repairs) (2021 is Planned)		10,000				
4.640	Perimeter Walls, Masonry, Inspections and Capital Repairs						6,293
4.700	Pond, Aerator, Northeast						5,520
	Clubhouse Elements						
5.100	Exercise Equipment, Cardiovascular, Phased				13,265		
5.101	Exercise Equipment, Strength, Phased				16,449		
5.150	Exercise Room, Renovation				7,959		
5.400	Furnishing, Phased						24,290
5.420	Kitchen Equipment, Phased						23,407
5.500	Paint. Finishes, Interior					11,301	
5.700	Security System (2021 is Planned)		12,240				
5.750	Walls, Stucco, Paint Finishes and Repairs (Incl Pool Mechanical Building)					19,484	
	Pool Elements						
6.300	Cover, Vinyl, Main Pool (2021 is Planned)		5,722				
6.350	Deck, Masonry Pavers, Inspections and Capital Repairs			15,606			
6.500	Furniture					37,885	
6.600	Mechanical Equipment, Phased					12,448	
6.800	Pool Finish, Plaster				31,518		
	Anticipated Expenditures, By Year ($6,229,199 over 30 years)	0	60,551	15,606	102,173	114,760	59,510

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Full Reserve Study* includes enhanced solutions and procedures for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service*.

Property Site Elements

Bocce Ball Court, Renovation

Line Item: 4.090

Quantity: one bocce ball court

History: Original to approximately 2014

Condition: Good to fair overall with warped timber board evident. We recommend the Association fund repairs through the operating budget.

Bocce ball court

Warped timber border

Useful Life: 10- to 15-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Catch Basins

Line Items: 4.100 and 4.101

Quantity: Approximately 36 catch basins[1] throughout the property

History: Original

Condition: Varies in condition from good to fair overall. We note concrete damage and exposed reinforcement steel at a portion of the catch basins. Management and the Board inform us the Association plans to conduct repairs to 15 catch basins in 2021. The estimate of cost is based on information provided by Management and the Board.

Catch basin

Concrete damage around the catch basin – Note sunken pavers

Damaged concrete and exposed reinforcement steel

Damaged concrete and exposed reinforcement steel

[1] We utilize the terminology catch basin to refer to all storm water collection structures including curb inlets.

Catch basin

Useful Life: The useful life of catch basins is up to 65 years. However, achieving this useful life usually requires interim capital repairs or partial replacements every 15- to 20-years.

Component Detail Notes: Erosion causes settlement around the collar of catch basins. Left unrepaired, the entire catch basin will shift and need replacement.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair any settlement and collar cracks
    - Ensure proper drainage and inlets are free of debris
    - If property drainage is not adequate in heavy rainfall events, typically bi-annual cleaning of the catch basins is recommended

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Concrete Curbs and Gutters

Line Item: 4.110

Quantity: Approximately 18,600 linear feet

Condition: Good overall with minor concrete damage evident. We recommend the Association fund interim crack repairs as needed through the operating budget.

Concrete curb and gutter

Concrete damage at curb

Concrete damage at curb

Concrete gutter

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair major cracks, spalls and trip hazards
    - Mark with orange safety paint prior to replacement or repair
    - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We estimate that up to 3,720 linear feet of curbs and gutters, or twenty percent (20%) of the total, will require replacement during the next 30 years.

Concrete Driveways

Line Item: 4.120

Quantity: Approximately 68,200 square feet comprising the driveways at the townhomes and villas

Condition: Good overall

Driveway at the villas

Driveway at the townhomes

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair major cracks, spalls and trip hazards
    - Mark with orange safety paint prior to replacement or repair
    - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We estimate that up to 13,640 square feet of concrete driveways, or twenty percent (20%) of the total, will require replacement during the next 30 years.

Concrete Flatwork, Lofts Parking Area and Along Streets

Line Item: 4.125

Quantity: Approximately 42,200 square feet of concrete comprising the parking area by the lofts and concrete flatwork along the streets

Condition: Good overall

Concrete parking area the lofts

Concrete cracks at the parking area

Concrete cracks at the parking area

Concrete flatwork along the street

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair failed or deteriorated joint sealant as needed
  - Inspect and repair major cracks, spalls and trip hazards
  - Mark with orange safety paint prior to replacement or repair

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We estimate that up to 8,450 square feet of concrete streets, or twenty percent (20%) of the total, will require replacement during the next 30 years.

Concrete Sidewalks

Line Item: 4.140

Quantity: Approximately 58,300 square feet of concrete sidewalks throughout the property. This quantity also includes the sidewalks at the lofts and sidewalks leading to the townhome units.

Condition: Good overall with isolated concrete damage evident

Concrete sidewalk

Concrete damage

Concrete sidewalk at the clubhouse

Concrete sidewalk by the lofts

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair major cracks, spalls and trip hazards
    - Mark with orange safety paint prior to replacement or repair

- Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We estimate that up to 11,680 square feet of concrete sidewalks, or twenty percent (20%) of the total, will require replacement during the next 30 years.

Fences, Steel

Line Items: 4.240 and 4.245

Quantity: Approximately 8,600 linear feet of steel fences throughout the property. This quantity also includes the steel railings at the property.

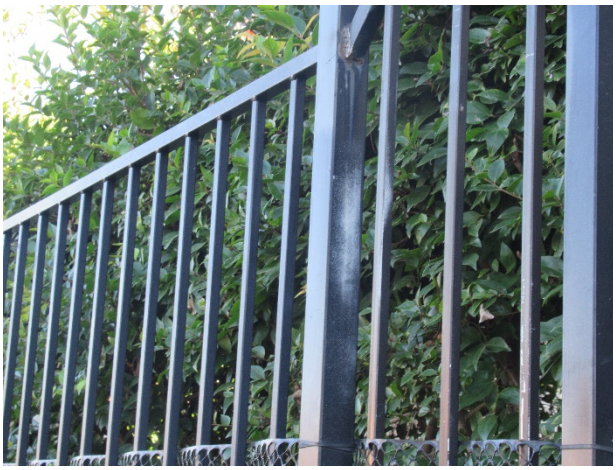
History: The fences are original and varies in age

Condition: Good overall with isolated leaning fence and minor finish deterioration and rust evident

Steel fence overview

Steel fence overview

Minor lean at fence



Finish deterioration and minor rust

Minor rust at steel railing

Useful Life: Six- to eight-years for paint finishes and up to 35 years for replacement

Component Detail Notes: Steel components at grade and key structural connections are especially prone to failure if not thoroughly maintained. Secure and rust free fasteners and connections will prevent premature deterioration. Preparation of the steel before application of the paint finish is critical to maximize the useful life of the finish.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair loose fasteners or sections, finish deterioration, and damage
    - Repair leaning sections and clear vegetation from fence areas which could cause damage

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Due to the varied ages of the fences, we depict paint finishes and repairs, and replacement in a phased manner.

Fountain, Entrance

Line Items: 4.300 and 4.301

Quantity: The Association maintains a fountain by the entrance

History: The pump was replaced in 2020

Condition: The pump is reported satisfactory and the masonry is fair overall with damage evident. Management and the Board inform us the Association plans to conduct repairs in 2021 for approximately $8,000.

Fountain overview

Masonry damage

Masonry damage

Useful Life: We recommend the Association budget for masonry repairs every 8- to 12-years and 10- to 15-yeas for pump replacement

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Irrigation System, Replacement

Line Items: 4.410 and 4.420

Quantity: The irrigation system at the property utilizes 280 zones and one filter

History: The irrigation system is original and the filter dates to approximately 2015

Condition: Reported satisfactory. The Association conducts periodic maintenance as needed funded through the operating budget.

Useful Life: 40+ years for the irrigation system and up to 15 years for the filter

Component Detail Notes: Irrigation systems typically include the following components:

- Electronic controls (timer)
- Impact rotors
- Network of supply pipes
- Pop-up heads
- Valves

Lakeway Master should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
    - Conduct seasonal repairs which includes valve repairs, controller repairs, partial head replacements and pipe repairs

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Failure of the irrigation system as a whole is unlikely. Therefore, we depict replacement in a phased manner.

Landscape

Line Item: 4.500

Component Detail Notes: The Association contains a large quantity of trees, shrubbery and other landscape elements. Replacement of these elements is an ongoing need. Many associations budget for these replacements as normal maintenance. Other associations fund ongoing replacements from reserves. Large amounts of landscape may need replacement due to disease, drought or other forces of nature. If the cost of removal and replacement is substantial, funding from reserves is logical. The Association may also desire to periodically update the appearance of the community through major improvements to the landscape.

Useful Life: At the request of Management, we include an allowance of $10,000 in 2021 for landscape remediation along the medians at the property

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Light Poles and Fixtures

Line Item: 4.560

Quantity: 10 each at the lofts parking area

History: Original

Condition: Good overall

Light pole and fixture

Useful Life: Up to 25 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
    - Inspect and repair broken or dislodged fixtures, and leaning or damaged poles

- Replaced burned out bulbs as needed

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Mailbox Stations

Line Item: 4.600

Quantity: 11 stations

History: Original

Condition: Good overall

Mailbox stations

Useful Life: Up to 30 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Inspect and repair damage, vandalism, and finish deterioration
  - Verify posts are anchored properly

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Pavers, Masonry

Line Item: 4.620

Quantity: Approximately 209,500 square feet comprising the streets at the property. This quantity also includes the pedestrian pavers by the lofts.

History: Original to construction

Condition: Good to fair overall with sunken pavers evident. The Association plans to conduct repairs in 2021 for approximately $10,000.

Pavers street overview

Settlement at paver

Sunken pavers

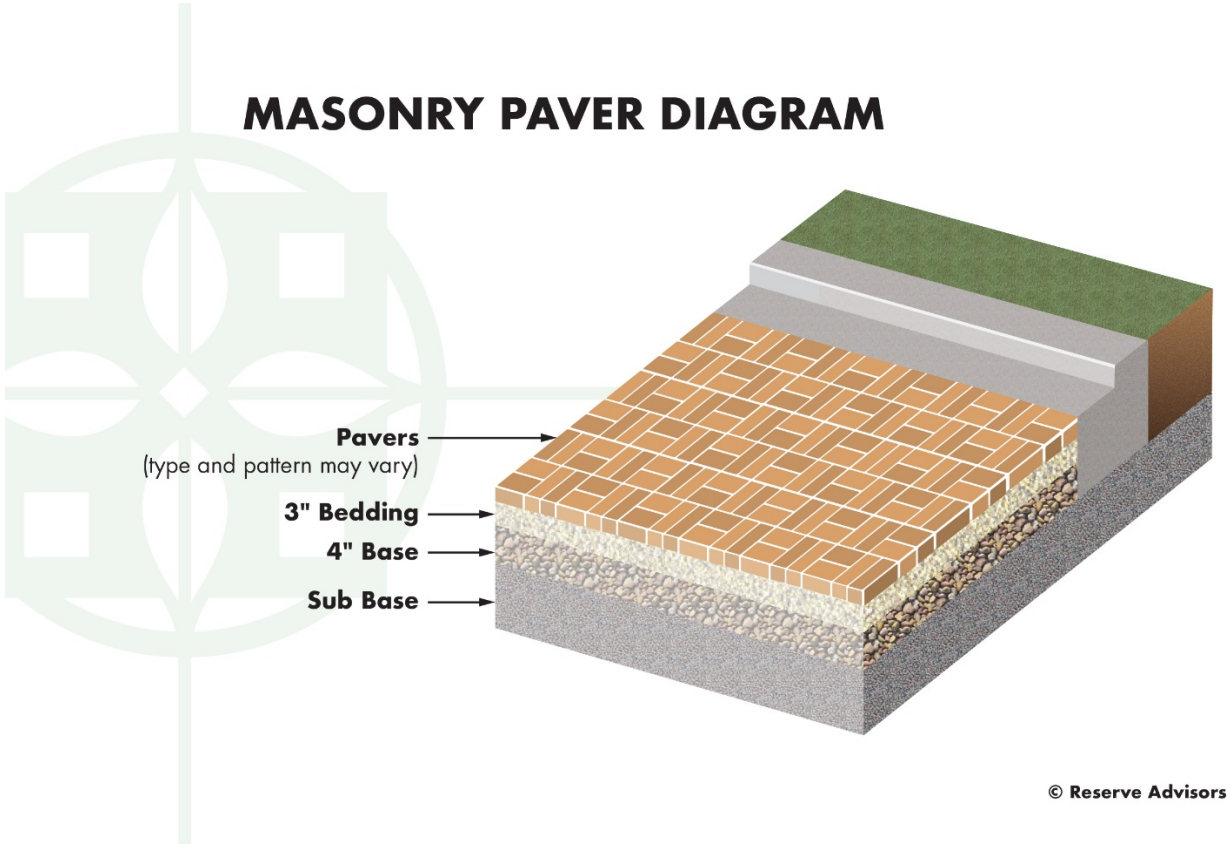
Sunken pavers

Sunken pavers

Sunken pavers

Useful Life: 35+ years with resetting of up to five percent (5%), and partial replacements of up to two percent (2%) of the pavers every four years beginning by 2030 with an increased rate of resetting and replacement as the pavers age. Future Reserve Study updates will consider the need to adjust expenditures and timing based on conditions identified then.

Component Detail Notes: The following diagram depicts the typical components of a masonry paver system although it may not reflect the actual configuration at Lakeway Master:



Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair settlement, trip hazards and paver spalls at heavy traffic areas
    - Re-set and/or reseal damaged pavers as necessary
    - Periodically clean and remove overgrown vegetation as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We suggest the Association conduct interim resetting and replacement of minor areas of pavers as normal maintenance, funded from the operating budget.

Perimeter Walls, Masonry

Line Item: 4.640

Quantity: Approximately 5,700 square feet of masonry walls comprising the perimeter wall by the entrance, the privacy masonry walls throughout the property and the trash corral enclosures

History: Original

Condition: Good overall

Masonry perimeter wall by the entrance

Masonry trash enclosure

Masonry privacy wall

Useful Life: Indefinitely long with periodic inspections and repairs every 15 years to forestall deterioration.

Component Detail Notes: Common types of masonry deterioration include efflorescence, spalling and cracking. Repointing is a process of raking and cutting out defective mortar and replacing it with new mortar.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Inspect for significant brick damage or spalling, numerous locations of mortar deterioration and excessive efflorescence. If these conditions exist, perform near term repairs and remediation, utilizing reserve funds if project scope warrants.
  - Ensure irrigation heads are directed away from the walls

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our estimate of cost includes an inspection and repointing of up to three percent (3%) of masonry.

Pickleball Court, Fence

Line Item: 4.660

Quantity: Approximately 180 linear feet

History: Original to approximately 2014

Condition: Good overall

Fence overview

Useful Life: Up to 35 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Pickleball Court, Surface

Line Item: 4.661

Quantity: Approximately 1,850 square feet of concrete comprising the pickleball court

History: Original to approximately 2014

Condition: Good overall

Pickleball court

Useful Life: Up to 40 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair large cracks, trip hazards and possibly safety hazards
    - Verify gate and fencing is secure

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Pond, Aerator

Line Item: 4.700

Quantity: One aerator at the pond at the northeast section of the community

History: Original to installation

Condition: Reported in good condition

Aerator

Useful Life: 10- to 15-years

Component Detail Notes: The use of small pumps, motors and aerators circulates pond water and increases the amount of entrained oxygen in the water, increasing water quality and reducing algae growths.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Pond, Erosion Control

Line Item: 4.710

Quantity: Approximately 800 linear feet of natural vegetation, 600 square yards of rip rap comprising the shoreline of the pond located at the northeast section of the property

Condition: Good overall

Pond shoreline

Rip rap along shoreline

Useful Life: Shorelines are subject to fluctuations in water levels, increased plant growth and migrating storm and ground water resulting in the need for erosion control measures up to every 15 years.

Component Detail Notes: The steep shoreline embankments are likely to exacerbate soil movement and erosion. The use and maintenance of landscape, natural vegetation and/or stone rip rap along the pond shoreline will help maintain an attractive appearance and prevent soil erosion.

Shoreline plantings are referred to as buffer zones. Buffer zones provide the following advantages:

- Control insects naturally
- Create an aesthetically pleasing shoreline
- Enhance water infiltration and storage
- Filter nutrients and pollutants
- Increase fish and wildlife habitat
- Reduce lawn maintenance
- Stabilize shoreline and reduce erosion
- Trap sediments

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend the Association plan to install plantings

along eight percent (8%) or along 65 linear feet of the pond replace approximately ten percent (10%) or 60 square yards of the rip rap.

Pond, Sediment Removal

Line Item: 4.730

Quantity: Approximately 7,760 square yards of water surface area

Condition: Good overall based on our visual inspection

Pond overview

Useful Life: Based on the visual condition, construction, adjacent deciduous trees and visibly apparent erosion, we recommend the Association anticipate the need to remove pond sediment up to every 30 years.

Component Detail Notes: The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the pond. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of ponds becomes necessary if this accumulation alters the quality of pond water or the functionality of the ponds as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of pond management. Excavation equipment used for sediment removal includes clamshells, draglines and suction pipe lines. Sediment removal can also include shoreline regrading. Regrading includes removal of collapsed and eroded soil, and redefining the shoreline.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and remediate shoreline erosion and areas of sediment accumulation
    - Clear and remove debris and vegetation overgrowth at pond edges, and inlet and outlet structures

- Inspect for algae blooms and remedy as needed through a chemical treatment program or aeration

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. For reserve budgeting purposes, we estimate the need to remove an average depth of one yard from approximately twenty-five percent (25%) of the surface area. However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend Lakeway Master contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.

Unit costs per cubic yard to remove can vary significantly based on the type of equipment used, quantity of removed material and disposal of removed material. Sediment removal costs must also include mobilization, or getting the equipment to and from the site. Also, the portion of the overall cost to remove associated with mobilization varies based on the volume removed. Costs for sediment disposal also vary depending on the site. Compact sites will require hauling and in some cases disposal fees.

Retaining Walls, Masonry

Line Item: 4.740

Quantity: Approximately 44,000 square feet of masonry retaining walls throughout the property

History: Original to construction

Condition: Good overall with discoloration, and isolated mortar deterioration evident

Masonry retaining wall overview – Note discoloration

Discoloration

Discoloration and mortar deterioration

Mortar deterioration

Mortar cracks

Useful Life: Masonry retaining walls have indeterminate useful lives. However, we recommend the Association plan for inspections and capital repairs every 10- to 15-years to forestall deterioration.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost includes an allowance for an inspection, repointing and replacement of up to three percent (3%). We recommend the Association fund pressure washing and interim minor repairs through the operating budget.

Signage, Monuments

Line Item: 4.800

Quantity: The Association maintains monuments at the clubhouse, at the entrance and along Bella Toscana Boulevard

- Decorative elements
- Landscape
- Light fixtures
- Masonry
- Metal sign
- Stucco

History: Original

Condition: Good overall

Monument at the clubhouse

Monument at the entrance

Monument along Bella Toscana Boulevard

Useful Life: 15- to 20-years

Component Detail Notes: Community signage contributes to the overall aesthetic appearance of the property to owners and potential buyers. Renovation or replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific times for replacement or renovation are discretionary.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair damage, vandalism and loose components
    - Verify lighting is working properly
    - Touch-up paint finish applications if applicable

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost for renovation includes repointing and repairs to the masonry, paint finishes to the stucco and replacement of the remaining components listed above.

Signage, Traffic

Line Item: 4.810

Quantity: 13 signs

History: Original

Condition: Good overall

Traffic signage

Useful Life: 15- to 20-years

Component Detail Notes: The community signs contribute to the overall aesthetic appearance of the property to owners and potential buyers. Replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific time for replacement of the signs is discretionary.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair damage, vandalism and loose components
    - Verify lighting is working properly if applicable
    - Touch-up paint finish applications if applicable

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Site Furniture

Line Item: 4.820

Quantity: The Association maintains the following furniture and fixtures at the park:

- Benches
- Picnic tables
- Trash receptacles

History: Original

Condition: Good overall

Benches

Useful Life: 15- to 25-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Clubhouse Elements

Exercise Equipment

Line Items: 5.100 and 5.101

Quantity: The exercise room contains the following types of cardiovascular aerobic training equipment:

- Ellipticals
- Stationary cycles
- Treadmills
- Rowing machine

The exercise room contains the following types of strength training equipment:

- Benches
- Dumbbells
- Weight training machines

History: Original

Conditions: Good to fair overall

Cardiovascular equipment

Strength equipment

Useful Life: The useful life of cardiovascular equipment is up to six years. The useful life of strength training equipment is up to 15 years.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend Lakeway Master anticipate replacement of up to fifty percent (50%) of the equipment per event.

Exercise Room

Line Item: 5.150

Quantity: The exercise room components include:

- Rubber floor covering at the fitness room
- Paint finishes on the walls and ceilings
- Light fixtures

History: Components are original

Condition: Good overall

Fitness room

Useful Life: Renovation up to every 10 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Floor Coverings, Tile

Line Items: 5.200 and 5.201

Quantity and History: Approximately 75 square yards original to 2013 and approximately 65 square yards original to 2016

Condition: Good overall

Tile floor covering

Useful Life: Up to 30 years although replacement of tile is often based on discretionary redecorating prior to the tile reaching the end of its useful life.

Priority/Criticality: Per Board discretion

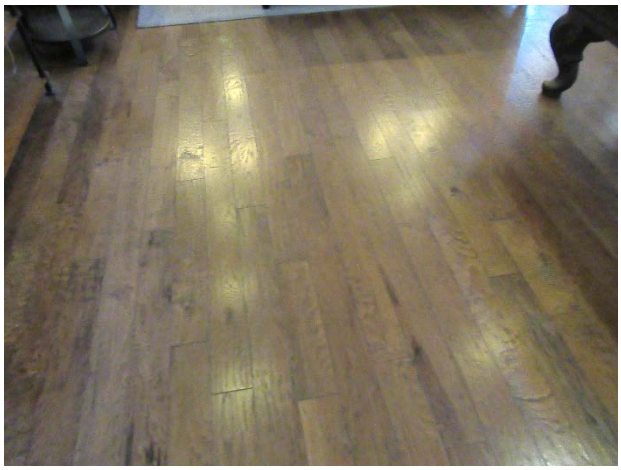
Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. The Association should fund regrouting of the tiles through the operating budget if necessary.

Floor Coverings, Wood Laminate

Line Items: 5.300 and 5.301

Quantity and History: Approximately 110 square yards original to 2013 and approximately 180 square yards original to 2016

Condition: Good overall



Wood laminate floor covering

Useful Life: 18- to 25-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Furnishings

Line Item: 5.400

Quantity: The Association maintains furnishing throughout the clubhouse

History: Original

Condition: Good overall

Billiard table

Furnishing

Useful Life: Varies significantly up to every 10- to 15-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Due to varied uses, ages and useful lives, we recommend the Association budget for phased replacements of up to thirty-three percent (33%) of the furnishings per event.

HVAC Equipment, Split Systems

Line Items: 5.410 through 5.413

Quantity: The Association maintains eight split systems with cooling capacities ranging from 3- to 5-tons

History: The HVAC equipment varies in age

Condition: Reported satisfactory

HVAC equipment

Useful Life: 15- to 20-years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Kitchen, Equipment

Line Item: 5.420

Quantity: The Association maintains kitchen equipment at the clubhouse

History: Original

Condition: Good overall

Kitchen equipment

Kitchen equipment

Useful Life: Varies significantly up to every 10- to 15-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Due to varied uses, ages and useful lives, we recommend the Association budget for phased replacements of up to thirty-three percent (33%) of the kitchen equipment per event.

Life Safety System

Line Item: 5.450

Quantity: The life safety system at Lakeway Master includes the following components:

- Control panel
- Emergency light fixtures
- Exit light fixtures
- Wiring

History: Original

Conditions: Reported satisfactory

Emergency devices

Control panel

Useful Life: Up to 25 years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. In accordance with *NFPA 72* (National Fire Alarm and Signaling Code) we also recommend the Association maintain a maintenance contract with a qualified professional. The required preventative maintenance may vary in frequency and scope based on the age of the components, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:

- Inspect and test all components and devices, including, but not limited to, control panels, annunciators, detectors, audio/visual fixtures, signal transmitters and magnetic door holders
  - Test backup batteries
- As-needed:
  - Ensure clear line of access to components such as pull stations
  - Ensure detectors are properly positioned and clean of debris

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Changes in technology or building codes may make a replacement desirable prior to the end of the functional life. Our estimate of future cost considers only that amount necessary to duplicate the same functionality. Local codes or ordinances at the actual time of replacement may require a betterment as compared to the existing system. A betterment could result in a higher, but at this time unknown, cost of replacement. We recommend the Association fund interim replacement of the control panel through the operating budget.

Paint Finishes

Line Item: 5.500

Quantity: Approximately 17,400 square feet comprising the walls and ceilings

History: Original

Condition: Good to fair overall

Useful Life: 8- to 10-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Rest Rooms

Line Item: 5.510

Quantity: Two common rest rooms at the clubhouse

- Tile floor coverings
- Paint finishes on the walls and ceilings
- Partial tile coverings on the walls
- Light fixtures
- Plumbing fixtures

History: Components are original

Condition: Good overall

Rest room

Useful Life: Renovation up to every 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Roofs, Concrete Tiles

Line Item: 5.600

Quantity: Approximately 100 *squares*[2] of concrete tiles comprising the roofs at the clubhouse and pool mechanical building

History: Original

Condition: Good overall. The Association conducted repairs in 2020. We recommend the Association fund future roof repairs through the operating budget.

[2] We quantify the roof area in squares where one square is equal to 100 square feet of surface area.

Concrete tile roof overview

Concrete tile roof overview

Gutter and downspout assembly

Useful Life: Up to 30 years

Component Detail Notes: A tile roof rarely fails at all points of application simultaneously. Rather, occurrences of roof leaks will increase as more concrete tiles crack, break, and dislodge. This deterioration will result in increased maintenance costs such that replacement becomes the least costly long-term alternative as compared to ongoing repairs.

A concrete tile roof system comprises sheathing, underlayments, battens and the tiles themselves. Replacement standards should conform to the local building code and manufacturer's specifications at the time of actual replacement. The manner of construction is such that the underlayment is the primary line of defense from water infiltration. The tiles act to shade the underlayment from harmful sunlight and to protect the roof from heavy winds. Most storm water is shed from the roof tiles into the gutters or over the edge of the roof. However, this tile style is meant to allow water to pass between the tiles onto the underlayment. The underlayment thus sheds any remaining water into the gutters. In fact, horizontal driving rains will force their way up and under the tile only to be shed at some other point.

Preventative Maintenance Notes: We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Record any areas of water infiltration, flashing deterioration, damage or loose tiles
    - Implement repairs as needed if issues are reoccurring
    - Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation
    - Trim tree branches that are near or in contact with roof
    - Periodic cleaning at areas with organic growth (We do not recommend pressure washing as it may cause further damage to tiles.)

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost also includes an allowance for replacement of the gutters and downspouts.

Security System

Line Item: 5.700

Quantity: Lakeway Master utilizes the following security system components:

- Automated card reading system
- Cameras
- Multiplexer
- Recorder

History: Original

Condition: The Association plans to update the security system in 2021

Useful Life: 8- to 12-years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Monthly:
    - Check cameras for proper focus, fields of view are unobstructed and camera and lenses are clean and dust-free
    - Check recording equipment for proper operation

- Verify monitors are free from distortion with correct brightness and contrast
- Annually:
  - Check exposed wiring and cables for wear, proper connections and signal transmission
  - Check power connections, and if applicable, functionality of battery power supply systems

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Walls, Stucco

Line Item: 5.750

Quantity: Approximately 7,200 square feet of the clubhouse and pool mechanical equipment building exteriors. This quantity also includes the soffit and fascia.

History: Original

Condition: Good to fair overall

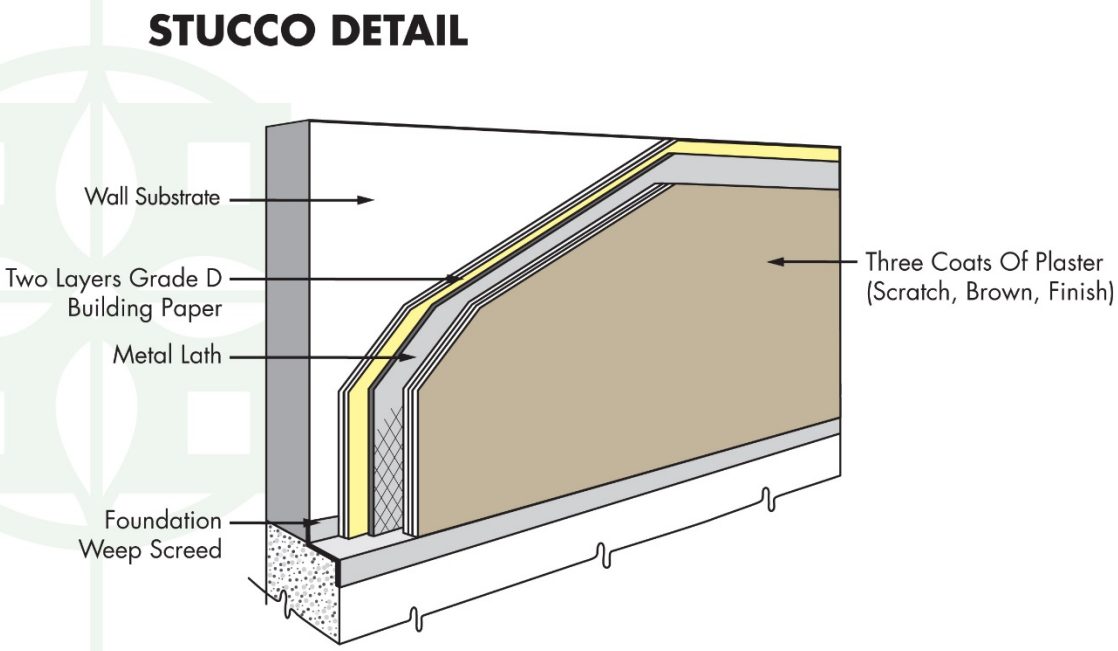
Exterior stucco finish overview

Minor finish deterioration at wood trim

Poll mechanical building overview

Useful Life: We recommend inspections, repairs and paint finish applications every 8- to 10-years.

Component Detail Notes: The following graphic details the typical components of a stucco wall system on frame construction although it may not reflect the actual configuration at Lakeway Master:



Correct and complete preparation of the surface before application of the paint finish maximizes the useful life of the paint finish and surface. The contractor should remove all loose, peeled or blistered paint before application of the new paint finish. The

contractor should then power wash the surface to remove all dirt and biological growth. Water-soluble cleaners that will not attack Portland cement are acceptable for removing stains.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost also includes an allowance for paint finishes to the soffit and fascia and wood trim. We anticipate the following in coordination with each paint finish application:

- Complete inspection of the stucco
- Crack repairs as needed (Each paint product has the limited ability to cover and seal cracks but we recommend repair of all cracks which exceed the ability of the paint product to bridge.)
- Replacement of a limited amount of the stucco walls (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)
- Replacement of a limited amount of the soffit, fascia, and trim
- Replacement of the sealants at windows and doors as needed

We recommend the Association fund interim paint finishes and repairs to the wood trim through the operating budget.

Windows and Doors

Line Item: 5.800

Quantity: Approximately 1,500 square feet of windows and doors at the clubhouse and pool mechanical building

History: Original

Condition: Good overall

Doors overview

Useful Life: Up to 40 years

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Pool Elements

Cover, Vinyl

Line Item: 6.300

Quantity: Approximately 2,200 square feet comprising the cover for the main pool

History: Original. The Association replaced the hot tub cover in 2020 through the operating budget. We recommend the Association continue to fund replacement of the hot tub cover through the operating budget.

Condition: The Association plans to replace the cover in 2021

Pool cover

Useful Life: Up to every five years based on discussion with Management and the Board

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. The estimate of cost is based on information provided by Management and the Board.

Deck, Masonry Pavers

Line Item: 6.350

Quantity: Approximately 6,000 square feet comprising the pool deck

History: Original

Condition: Management and the Board inform us of settlement at the deck causing lifted pavers and trip hazards. At this time, we do not foresee the need for total replacement of the masonry pavers at the deck in the near-term. We will continue to monitor the condition of the deck during future Reserve Study Updates and will consider the need to include expenditures based on condition and information obtained then.

Pool deck overview

Mortar deterioration

Trip hazard due to settlement

Minor settlement

Useful Life: We recommend the Association budget for inspections and repairs up to every 8- to 12-years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair settlement, trip hazards and significant paver spall
    - Reset and/or reseal damaged pavers as necessary
    - Periodically clean and remove overgrown vegetation as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Door and Motor

Line Item: 6.380

Quantity: The Association maintains a door and motor to restrict access to the indoor section of the pool

History: Original

Condition: Reported satisfactory

Door overview

Useful Life: Up to 15 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

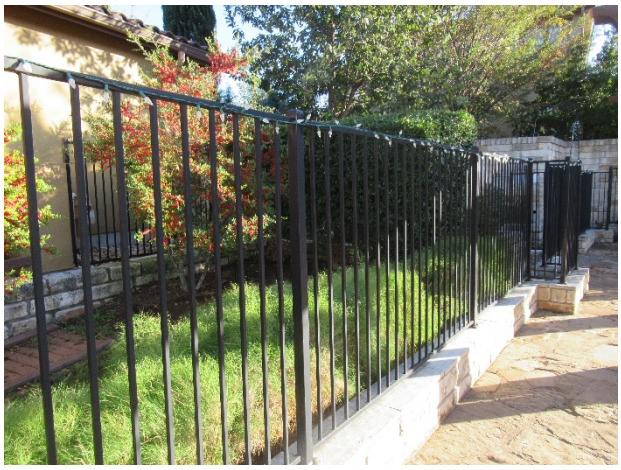
Fence, Steel

Line Item: 6.400

Quantity: Approximately 280 linear feet of steel fence around the pool deck

History: Original

Condition: Good overall



Pool fence

Useful Life: Up to 30 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair loose fasteners or sections, and damage
    - Repair leaning sections and clear vegetation from fence areas which could cause damage

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost also includes an allowance for replacement of the gates. We include paint finishes to the fence on Line Item 4.240.

Furniture

Line Item: 6.500

Quantity: The pool furniture includes the following:

- Chairs
- Lounges
- Tables
- Patio furniture
- Ladders and life safety equipment

History: Original

Condition: Good to fair overall

Pool furniture

Useful Life: Up to 12 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend interim re-strapping, refinishing, cushion replacements, reupholstering and other repairs to the furniture as normal maintenance funded through the operating budget to maximize its useful life.

Mechanical Equipment

Line Item: 6.600

Quantity: The mechanical equipment includes the following:

- Automatic chlorinator
- Controls
- Filter
- Heater
- Interconnected pipe, fittings and valves
- Pumps

History: Replaced as needed. The heater was replaced in 2017.

Condition: Reported satisfactory

Useful Life: Up to 15 years

Preventative Maintenance Notes: We recommend the Association maintain a maintenance contract with a qualified professional and follow the manufacturer's specific recommended maintenance and local, state and/or federal inspection guidelines.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Failure of the pool mechanical equipment as a single event is unlikely. Therefore, we include replacement of up to thirty-three percent (33%) of the equipment per event. We consider interim replacement of motors and minor repairs as normal maintenance.

Pergolas, Wood

Line Item: 6.700

Quantity: Approximately 540 square feet comprising six pergolas at the pool area

History: Original

Condition: Good overall

Pergolas

Useful Life: 15- to 20-years with periodic maintenance

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect for wood deterioration, and loose or missing fasteners
- Every three years:
  - Power wash with algaecide and application of sealer/stain

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend the Association budget for paint applications, repairs and replacement of the canvas through the operating budget.

Pool Finishes, Plaster and Tile

Line Items: 6.800 and 6.801

Quantity: Approximately 2,700 square feet of plaster based on the horizontal surface area and approximately 800 linear feet of tile. This quantity also includes the hot tub and the indoor section of the pool.

History: The plaster finish is original and the tile is original

Condition: Good to fair overall based on our visual inspection

Pool overview

Pool plaster and tile finishes

Hot tub

Useful Life: 8- to 12-years for the plaster and 15- to 25-years for the tile

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:

- Inspect and patch areas of significant plaster delamination, coping damage and structure cracks
- Inspect main drain connection and anti-entrapment covers, pressure test circulation piping and valves
- Test handrails and safety features for proper operation

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend the Association budget for full tile replacement every other plaster replacement event. Removal and replacement of the finish provides the opportunity to inspect the pool structures and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structures, we recommend the Association budget for the following:

- Removal and replacement of the plaster finishes
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed
- Concrete structure repairs as needed

Rest Rooms

Line Item: 6.850

Quantity: Two common rest rooms at the pool mechanical building

- Tile floor coverings
- Paint finishes on the walls and ceilings
- Light fixtures
- Plumbing fixtures

History: Components are original

Condition: Good overall

Rest room

Useful Life: Renovation up to every 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3.

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5. METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Lakeway Master can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level monthly reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards[1] set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local[2] costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long-term future inflation for construction costs in Lakeway, Texas at an annual inflation rate[3]. Isolated or regional markets of greater

[1] Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".
[2] See Credentials for additional information on our use of published sources of cost data.
[3] Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.

construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Lakeway Master and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.

6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long-range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our founders are also founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our founders is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

No Conflict of Interest - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to the 2,600,000-square foot 98-story Trump International Hotel and Tower in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well-versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

OLD TO NEW

Reserve Advisors' experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.

JAISON T. THOMAS
Responsible Advisor

CURRENT CLIENT SERVICES

Jaison T. Thomas, a Mechanical Engineer, is an advisor for Reserve Advisors. Mr. Thomas is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for apartments, condominiums, townhomes and homeowner associations.

The following is a partial list of clients served by Jaison Thomas demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

Foresters Pond Condominiums - This condominium association in Houston, Texas containing 118 units in 14 buildings was constructed in the early 1960's. The exteriors of the condominiums comprise of a combination of masonry walls and wood siding construction, asphalt shingle roofs, wood framed balconies with concrete thinset toppings and staircases. The community includes a clubhouse, pool, asphalt parking areas, carports, and perimeter walls.

Seven Meadow's Community Association, Inc. - This single-family home community contains over 2,000 residential homes and is located in Katy, Texas. Features of this community include two pools, two pool houses, a combination of panelized concrete and masonry perimeter walls, two tennis courts, ponds, playgrounds and a clubhouse including conference rooms, a fitness room and a theater room.

Easton Park Townhomes Owners Association, Inc. - A townhome community in Charlotte, North Carolina containing 33 units in 11 buildings. The townhomes comprise of a combination of brick walls and fiber cement siding. Features of this property include retention ponds, lift station, asphalt streets, street pavers, masonry perimeter walls and masonry retaining walls.

Villages of Northpointe Community Association, Inc. - Located in Tomball, Texas, Villages of Northpointe comprises 919 single-family homes. The community includes a main amenity center with a clubhouse, pool, playground equipment and outdoor exercise stations. Throughout the site, the Association maintains numerous fences, perimeter walls, and landscaped and irrigated areas. The community also includes a gated section which utilizes a separate expenditures and funding plan.

Skyecroft Homeowners Association, Inc. - This single-family home community contains 208 residential homes and is located in Waxhaw, North Carolina. The community includes a pool, tennis courts, playground equipment, large quantities of asphalt streets and a clubhouse including a meeting room, library and a bar room. The community also includes an extensive drainage system which utilizes 22 ponds throughout the community.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Thomas completed the bachelors program in Mechanical Engineering from the University of Houston. Following his studies, he worked as a field engineer in refineries and also as a design engineer where he designed heat tracing circuits for piping in refineries and power plants.

EDUCATION

University of Houston - B.S. Mechanical Engineering

PROFESSIONAL AFFILIATIONS

Engineer in Training (E.I.T.) - State of Texas
Reserve Specialist (RS) – Community Associations Institute

ALAN M. EBERT, P.E., PRA, RS
Director of Quality Assurance

CURRENT CLIENT SERVICES

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

Brownsville Winter Haven Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

Rosemont Condominiums This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

Stillwater Homeowners Association Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

Birchfield Community Services Association This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

Oakridge Manor Condominium Association Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

Memorial Lofts Homeowners Association This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

PRIOR RELEVANT EXPERIENCE

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

EDUCATION

University of Wisconsin-Madison - B.S. Geological Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois, Colorado
Reserve Specialist (RS) **-** Community Associations Institute
Professional Reserve Analyst (PRA) **-** Association of Professional Reserve Analysts

RESOURCES

Reserve Advisors utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

Association of Construction Inspectors, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at www.iami.org.

American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at www.ashrae.org. Reserve Advisors actively participates in its local chapter and holds individual memberships.

Community Associations Institute, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

Marshall & Swift / Boeckh, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at www.marshallswift.com.

R.S. Means CostWorks, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at www.rsmeans.com.

Reserve Advisors' library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.

7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

Cash Flow Method - A method of calculating Reserve Contributions where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component Method - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

Current Cost of Replacement - That amount required today derived from the quantity of a *Reserve Component* and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current *local* market prices for *materials*, *labor* and manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

Fully Funded Balance - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

Funding Goal (Threshold) - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

Future Cost of Replacement - *Reserve Expenditure* derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for materials, labor and equipment.

Long-Lived Property Component - Property component of Lakeway Master responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life - The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

Reserve Component - Property elements with: 1) Lakeway Master responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

Reserve Component Inventory - Line Items in ***Reserve Expenditures*** that identify a *Reserve Component*.

Reserve Contribution - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

Reserve Expenditure - Future Cost of Replacement of a Reserve Component.

Reserve Fund Status - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

Reserve Funding Plan - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

Reserve Study - A budget planning tool that identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.

Useful Life - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.

8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, LLC (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

Report - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

Your Obligations - You agree to provide us access to the subject property for an on-site visual inspection You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part ***is not and cannot be used*** *as a design specification for design engineering purposes or as an appraisal.* You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and ***shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA.***

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

Payment Terms, Due Dates and Interest Charges - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.