

October 07, 2015

This is a summary of the Reserve Study that has been performed for Somerset Owners Association, (the "Association"). This study was conducted in compliance with Nevada *NRS 116.31151 and NRS 116.31152* and is being provided to you as a member of the Association. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Update w/o Site Visit Review for the January 1, 2016 - December 31, 2016 fiscal year.

Somerset Owners Association is a Planned Community with a total of 2,718 Lots.

At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 1.75% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.50% per year.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

This reserve study was produced under the responsible charge of Robert W. Browning who, pursuant to Nevada regulation R145-06, is a Nevada Reserve Study Specialist (RSS #5).

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

Nevada statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

The Board of Directors does not anticipate the levy of a special assessment during the term of the reserve study.

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2015 Fully Funded Balance</i>	<i>2016 Fully Funded Balance</i>	<i>2016 Line Item Contribution based on Cash Flow Method</i>
01000 - Paving	6,707,896	3-25	0-15	3,403,587	3,799,969	474,472
02000 - Concrete	245,130	1-30	0-27	116,572	133,911	20,585
03000 - Painting: Exterior	56,194	1-10	0-7	32,899	45,379	13,685
03500 - Painting: Interior	10,022	1-10	0-7	5,720	8,477	3,275
04000 - Structural Repairs	226,781	10-30	4-22	99,976	113,543	14,922
05000 - Roofing	200,883	18-30	7-21	76,095	85,138	11,111
08000 - Rehab	223,804	1-20	0-17	156,330	171,566	16,854
11000 - Gate Equipment	303,920	1-20	0-11	90,956	127,649	38,588
12000 - Pool	183,285	1-24	0-23	70,579	89,158	21,804
13000 - Spa	23,202	1-10	0-9	8,981	11,923	3,562
14000 - Recreation	175,100	1-25	1-14	76,152	97,737	22,417
17000 - Tennis Court	102,940	6-18	3-9	51,470	59,661	8,344
17500 - Basketball / Sport Court	27,084	15-20	4-17	7,926	9,625	2,093
18000 - Landscaping	211,578	1-20	0-9	135,279	147,546	46,447
19000 - Fencing	80,291	10-30	0-19	36,977	29,660	5,047
20000 - Lighting	132,232	5-35	1-24	50,144	57,579	8,686
21000 - Signage	62,658	5-25	1-19	30,637	35,394	4,906
22000 - Office Equipment	30,322	2-12	0-7	21,580	24,861	5,587
23000 - Mechanical Equipment	257,939	1-30	1-27	166,416	189,774	21,899
23500 - Elevator	75,059	10-30	1-25	29,803	33,942	4,904
24000 - Furnishings	247,804	1-20	0-9	184,004	194,215	20,017
24500 - Audio / Visual	23,173	10-20	1-9	15,173	17,815	2,475
24600 - Safety / Access	24,273	1-4	1-1	15,586	24,880	9,117
25000 - Flooring	227,861	1-25	0-14	117,295	130,922	19,661
25500 - Wallcoverings	47,083	10-20	9-17	8,669	11,838	4,119
26000 - Outdoor Equipment	107,378	8-22	0-11	73,527	76,034	9,379
27000 - Appliances	50,802	5-20	1-12	30,831	36,097	5,041
30000 - Miscellaneous	43,261	1-15	0-3	24,560	38,742	16,515
Totals	\$10,107,956			\$5,137,724	\$5,803,036	835,514
Estimated Ending Balance				\$4,612,328	\$4,937,050	
Percent Funded				89.8%	85.1%	

Combined Homeowner Summary

Somerset Owners Association General Common
by Association
10/07/2015

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2015 Fully Funded Balance</i>	<i>2016 Fully Funded Balance</i>	<i>2016 Line Item Contribution based on Cash Flow Method</i>
01000 - Paving	2,835,552	5-25	0-14	1,364,985	1,573,509	220,282
02000 - Concrete	67,649	1-30	0-27	31,678	35,662	6,920
03000 - Painting: Exterior	2,902	5-8	1-7	1,163	1,655	515
03500 - Painting: Interior	2,373	8-10	1-7	878	1,185	329
04000 - Structural Repairs	35,647	10-20	9-19	16,349	18,717	2,542
05000 - Roofing	20,440	30-30	19-19	7,495	8,381	1,127
08000 - Rehab	14,350	10-15	1-14	4,912	6,072	1,330
11000 - Gate Equipment	7,727	20-20	11-11	3,477	3,960	524
18000 - Landscaping	204,403	1-20	0-9	129,484	140,192	44,999
19000 - Fencing	11,636	15-15	0-0	11,636	795	803
20000 - Lighting	15,431	5-25	1-14	7,994	9,431	1,466
21000 - Signage	42,154	15-20	9-19	16,781	19,540	3,117
22000 - Office Equipment	10,680	6-12	1-3	8,789	10,202	1,254
23000 - Mechanical Equipment	5,862	12-15	1-4	4,441	4,966	456
24000 - Furnishings	16,983	5-20	1-9	11,058	13,002	1,850
25000 - Flooring	6,292	20-25	9-14	3,218	3,598	393
25500 - Wallcoverings	742	20-20	9-9	408	456	48
26000 - Outdoor Equipment	47,409	8-20	0-9	38,179	35,040	3,946
30000 - Miscellaneous	10,210	3-7	1-3	6,155	8,461	2,279
Totals	\$3,358,443			\$1,669,080	\$1,894,824	294,180
Estimated Ending Balance				\$1,656,778	\$1,850,102	
Percent Funded				99.3%	97.6%	

Combined Homeowner Summary

Somerset Owners Association Streets and Gates

by Association

10/07/2015

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2015 Fully Funded Balance</i>	<i>2016 Fully Funded Balance</i>	<i>2016 Line Item Contribution based on Cash Flow Method</i>
01000 - Paving	3,771,285	3-25	0-15	1,987,900	2,167,507	245,709
02000 - Concrete	23,180	10-10	5-5	11,590	14,256	2,442
03000 - Painting: Exterior	17,241	1-10	0-5	8,799	12,426	5,052
04000 - Structural Repairs	5,033	10-10	4-4	3,020	3,611	517
05000 - Roofing	7,947	30-30	21-21	2,384	2,715	414
11000 - Gate Equipment	293,567	1-10	0-7	86,428	122,073	37,485
20000 - Lighting	16,354	15-15	14-14	1,090	2,235	1,435
21000 - Signage	2,760	5-5	1-1	2,208	2,829	527
30000 - Miscellaneous	29,291	1-1	1-1	14,646	30,024	13,979
Totals	\$4,166,659			\$2,118,065	\$2,357,676	307,560
Estimated Ending Balance				\$2,209,887	\$2,378,032	
Percent Funded				104.3%	100.9%	

Combined Homeowner Summary

Somerset The Club at Town Center

by Association

10/07/2015

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2015 Fully Funded Balance</i>	<i>2016 Fully Funded Balance</i>	<i>2016 Line Item Contribution based on Cash Flow Method</i>
01000 - Paving	101,059	5-25	1-14	50,702	58,953	8,481
02000 - Concrete	154,301	5-25	1-17	73,304	83,993	11,223
03000 - Painting: Exterior	36,051	4-8	1-2	22,937	31,298	8,118
03500 - Painting: Interior	7,649	1-8	0-1	4,842	7,292	2,946
04000 - Structural Repairs	186,101	15-30	4-22	80,607	91,215	11,863
05000 - Roofing	172,495	18-30	7-19	66,216	74,042	9,570
08000 - Rehab	209,455	1-20	0-17	151,418	165,494	15,524
11000 - Gate Equipment	2,627	5-5	3-3	1,051	1,615	579
12000 - Pool	183,285	1-24	0-23	70,579	89,158	21,804
13000 - Spa	23,202	1-10	0-9	8,981	11,923	3,562
14000 - Recreation	175,100	1-25	1-14	76,152	97,737	22,417
17000 - Tennis Court	102,940	6-18	3-9	51,470	59,661	8,344
17500 - Basketball / Sport Court	27,084	15-20	4-17	7,926	9,625	2,093
18000 - Landscaping	7,175	5-10	1-1	5,795	7,354	1,448
19000 - Fencing	68,655	10-30	9-19	25,341	28,865	4,244
20000 - Lighting	100,447	12-35	1-24	41,060	45,913	5,786
21000 - Signage	17,744	12-25	1-14	11,648	13,025	1,262
22000 - Office Equipment	19,642	2-10	0-7	12,790	14,659	4,333
23000 - Mechanical Equipment	252,076	1-30	1-27	161,975	184,809	21,443
23500 - Elevator	75,059	10-30	1-25	29,803	33,942	4,904
24000 - Furnishings	230,821	1-20	0-9	172,947	181,214	18,167
24500 - Audio / Visual	23,173	10-20	1-9	15,173	17,815	2,475
24600 - Safety / Access	24,273	1-4	1-1	15,586	24,880	9,117
25000 - Flooring	221,569	1-20	0-14	114,077	127,324	19,268
25500 - Wallcoverings	46,341	10-20	9-17	8,261	11,382	4,071
26000 - Outdoor Equipment	59,969	8-22	1-11	35,348	40,994	5,433
27000 - Appliances	50,802	5-20	1-12	30,831	36,097	5,041
30000 - Miscellaneous	3,759	15-15	0-0	3,759	257	257
Totals	<u>\$2,582,855</u>			<u>\$1,350,579</u>	<u>\$1,550,536</u>	<u>233,774</u>
Estimated Ending Balance				\$745,664	\$708,916	
Percent Funded				55.2%	45.7%	