

I. POLICY FOR RESERVE PLANNING, FUNDING & MANAGEMENT

A. Purpose: In order to keep the Project in good repair, and to sustain the market values of Members' Lots, the Board of Directors (the "Board") establishes this Reserve Fund policy.

B. Periodic Reserve Studies Required. Periodically, with a goal of at least every five (5) years, the Board shall conduct a Reserve Study. The Study will:

1. Assign a reasonable useful life to each Common Area component to be maintained by the Association.
2. Assign a reasonable cost of repair or replacement to each component based on current costs for the area.
3. Set forth a 15 year repair & replacement schedule that identifies when work will be performed on each component, and which, in calculating the cost of each repair or replacement, takes into account the cost of inflation.
4. Establish a funding plan for the reserve account.
5. The Board may request assistance from the managing agent or a reserve study analyst to prepare the Reserve Study.

C. Annual Updates. In each year that a Reserve Study is not conducted, an update shall be performed by the Managing Agent or Board to reflect prevailing conditions, changes in costs, inflation, interest yield on invested funds, and any unexpected variations from the most recent Reserve Study.

D. Investment of Reserves. In order to minimize the amount of member contributions, the Board shall invest reserve funds so as to generate interest revenue that will accrue to the Fund balance. All investments shall be in the name of the Association and shall not be commingled with the Association's general operating fund. The Board shall invest funds held in the Reserve Fund to generate revenue that will accrue to the Reserve Fund pursuant to the following goals listed in order of importance:

1. Safety of Principal. The long term goal is safety of the Reserve Fund's principal.
2. Liquidity and Accessibility. Structure maturities to ensure availability of projected and unexpected expenditures.
3. Minimal Costs. Investment costs (redemption fees, commissions, and other transactional costs) should be minimized.

4. Diversify. Mitigate the effects of investment volatility upon reserve assets.

5. Return. Invest funds to seek the highest level of after-tax return.

E. Limitation on Investments. Unless otherwise approved by the Board, all investments will be FDIC (Federal Deposit Insurance Corporation) insured, otherwise guaranteed by the United States Government.

F. Independent Professional Investment Assistance. The Board may hire an investment counselor to assist in formulating a specific investment plan.

G. Control and Review. All accounts and investment instruments shall be subject to the approval of, and may from time to time be amended by the Board as appropriate, and shall be reviewed at least annually.