

# RESERVE FUNDING POLICY

## MARSTON SLOPES HOMEOWNERS' ASSOCIATION

1. NEED FOR RESERVE STUDY. The Association is obligated to maintain, repair and replace certain improvements within the community.

2. RESERVE STUDY. The Association does not currently have a reserve study. It may elect to provide on by engaging a third-party or it may perform an in-house study. Once a study is available it will conduct periodic reserve studies based on an examination of the common areas and improvements and a financial analysis of the requisite reserves as required by this policy.

a. Depending on available resources, the Association may either engage a third-party or may make in-house interim updates to a professional reserve study and may adjust the schedule for updating the reserve study. An update to a reserve study may result from an on-site review of the property or an off-site review of the reserve study and the Association's governing documents. The Board of Directors should consider the following factors when determining the schedule for interim updates to a reserve study.

1. Significant additions or replacements to the common areas since the last reserve study;
2. Wear and tear to common areas due to unseasonable weather or lack of maintenance;
3. Technological or product development improvements that could result in cost savings;
4. Substantial increases in cost of material or labor;
5. Any scheduled maintenance, repairs or replacements that the Association deferred or accelerated;
6. Whether reserve income was received as planned;
7. Whether reserve expenditures were incurred as planned;
8. The Association's selected method of funding reserves.

b. The full reserve study will consist of a physical analysis and a financial analysis. Interim updates may consist of a physical analysis, a financial analysis, or both. A physical

analysis includes an inventory of all improvement that the Association is responsible for maintaining, repairing, replacing or improving and a visual inspection of those items to determine their existing condition. A financial analysis includes an evaluation of the estimated remaining life of an item, the adequacy of existing reserve funds, projected future reserve income, projected future reserve needs and the ability to meet future reserve needs under the existing funding plan.

c. As of the date of this policy, the Association plans to update its reserve study every three (3) years.

### 3. FUNDING PLAN.

a. The Association does not allocate reserve funds for repairs, replacement or improvements costing less than \$ 7,000.

b. The Board will endeavor to maintain the Association's reserve fund balance, for all purposes exclusive of reserves for replacement of the Association's perimeter fence, at or above 50 percent of the recommended funding level for any given year by allocating a portion of regular annual assessments to the reserve fund. Should unforeseen circumstances result in the reserve fund balance falling below 50 percent of the recommended funding level, the Board will endeavor to bring the fund balance back to the 50 percent threshold within three years by increasing the allocation from regular annual assessments or by special assessments.

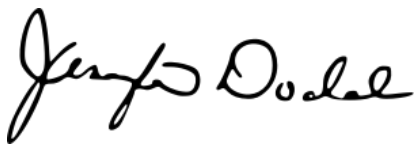
c. The Association may elect to apply funds from its operating account to maintenance, repair or replacement costs otherwise covered by reserve funds.

d. The Association will invest all reserve funds in accordance with the Association's policy regarding investment of reserve funds.

4. This policy shall apply to funds allocated to reserves beginning thirty days after its effective date.

APPROVED AND ADOPTED BY THE BOARD OF DIRECTORS ON THE 4th DAY OF April, 2014

ATTEST:



04/21/14

---

Secretary

Date