

**Reserve Study Policy  
For  
Plum Creek North Master Homeowners Association, Inc. (the  
“HOA”)**

It shall be the responsibility of the Board of Directors (the “Board”) of the HOA to determine the repair and replacement risk of the assets owned and maintained by the association. It shall be the Board’s responsibility to create and maintain adequate reserves to provide for the orderly repair and replacement of the assets so as to minimize the risk to the membership of special assessments, deferred maintenance, or unfunded losses.

In recognition of this responsibility, the Board shall commission a comprehensive reserve study/update no less frequently than every five (5) years, covering the landscaping, monument(s), street signs, sprinkler systems, and any other assets, with the first baseline study being completed by December 31, 2009. Such reserve study shall: (1) determine the percentage funded of the existing reserve account (in which 100% means that the reserve cash equals the amount of deterioration of the assets); (2) established a schedule of anticipated repair and replacement project; and (3) recommend a reserve contribution rate.

The last reserve study was performed on May 14, 2004 and showed that the reserve fund was 100% funded.

It shall be the policy of the HOA to:

1. Maintain the reserve fund at or above 50% of the fully funded balance. Should the reserve fund balance fall below such level, the Board will bring the fund balance back to sufficient levels within three years. The Board feels that such reserve funding reasonably protects the association members from the risk of special assessment and deferred maintenance.
2. Establish a funding plan for any work recommended by a reserve study and determine the projected sources of funding for such work.

3. Authorize expenditures from the reserve fund for:
  - a. Projects or purchases pre-approved in the annual budget;
  - b. Projects or purchases anticipated in the reserve study;
  - c. Repairs or replacements not exceeding \$1,000 determined to be of an emergency nature by the HOA management company with the agreement of at least one member of the Board. The entire Board shall be notified in writing in a timely manner when such expenditure is required.
  - d. Other expenditures approved by a majority of the Board. Funds may be authorized for the repair or replacement of the items listed in the reserve study, but not for major enhancements or capital improvements. This policy does not itself require a separate capital improvement fund.
  
4. Obtain and maintain reserve funds in a manner consistent with the HOA governing documents. It shall not be necessary to designate category funds (i.e. splitting the reserve fund between individual components so that separate funds are allocated for each HOA asset).
  
5. Perform the reserve study by independent, qualified reserve study professionals or accomplishing the reserve study in-house using available internal resources every five years, or more frequently when determined necessary by the Board. Such reserve study shall be based on physical and financial analysis and include an asset inventory, condition assessment, and life valuation estimate.