

**RESERVE FUND POLICY
SUN LAKES HOA #3**

WHEREAS, the governing documents of the Sun Lakes HOA #3 (the “Association”) grant the general power to conduct the business and affairs of the Association to the Board of Directors; and

WHEREAS, the Board of Directors has the responsibility for proper maintenance, repair, and replacement of the Association common areas; and

WHEREAS, proper care of the common areas impacts the value of members’ homes,

NOW, THEREFORE, BE IT RESOLVED THAT and to protect the livability of the community, the Board of Directors establishes a policy as follows:

Reserve Study Defined. The board shall have a Reserve Study performed that includes these criteria:

Identifies all components that are the Association’s responsibility to repair or replace and that have a useful life of 3 to 30 years.

Assigns a reasonable cost of repair or replacement to each component based on current costs for the area.

Assigns a reasonable useful life to each component based on local condition.

Lays out a 30 year Repair and Replacement Schedule which identifies the years when each component’s work will be performed including the inflation adjusted cost.

Establishes a 30 year Funding Plan which takes into consideration the costs of repairs and replacements, contributions from members, impact of inflation, revenue generated from invested reserve funds, and any taxes owing on interest earned. The Funding Plan shall include semi-annual contributions from members adequate to meet projected costs without the need for special assessments.

The Funding Plan shall include a “Percent Funded” factor (percent of actual reserve funds on hand versus the ideal of 100%). If the Percent Funded balance is below 100%, the Funding Plan shall provide for a plan to systematically increase contributions to attain the 100% level, but no less than the 80% level, without special assessments, if possible.

Permitted Use of Reserve Funds. Reserve funds are to be used only for the repair and replacement of the specific components identified in the Reserve Study.

Annual Review and Revision. The Board shall review and revise, or shall cause to be reviewed and revised, the Reserve Study annually to reflect changes in costs, inflation and interest yield on invested funds. Component information shall be amended to reflect new information received, and component additions or deletions. With this new information, a new 30 Year Reserve Study projection shall be generated and used in conjunction with the Annual Budget process.

Borrowing Reserve Funds. No borrowing from the Reserve Fund shall be allowed.

Investing Reserve Funds. In order to reduce the amount of member contributions, the Board shall invest reserve funds to generate interest revenue that will be added to the reserve account. Unless otherwise permitted by governing documents, state and federal law, and as approved by the membership, all investments will be FDIC (Federal Deposit Insurance Corporation) insured or guaranteed by the United States Government. Investments shall take into consideration the repair and replacement schedule so that there is no loss of interest for early withdrawal. The Board shall review the reserve fund investment plan at least annually to ensure that the funds are receiving competitive yields and make prudent adjustments as needed. The Board may hire an investment counselor to assist in formulating an investment plan.

Performing the Reserve Study and Annual Review. To ensure objectivity and competency, the Board shall hire only a third party Reserve Study professional with experience, references and credentials to do the Reserve Study and to update at least every two (2) years.

Dated: November 29, 2006

Duane Pontek, President – Board of Directors

Attested by:

Judith A. Weaver, Esq., Secretary