

The Estates at Stone Ridge Owners Association, Inc.

Policy Regarding Reserve Study

Effective: May 18, 2020.

I. Policy Purpose

This policy identifies whether the Association has prepared a reserve study for those portions of the community it has a responsibility to maintain, repair, replace or improve, including information about whether there is a funding plan for work recommended by the reserve study, sources of funding, and the basis of these analyses.

II. Board Responsibility

It shall be the responsibility of the Board 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, restoration and replacement of these assets so as to minimize the risk to the Owners of special assessments, deferred maintenance, or unfunded losses.

III. Reserve Study

In order to determine funding of the Reserve Fund, the Board shall determine the life expectancy of those portions of the community to be maintained, repaired, replaced and improved by the Association and the anticipated costs of maintaining, replacing and improving those identified areas (Reserve Study). The study may be conducted internally.

IV. Basis of Study

The Reserve Study will include both a physical and financial analysis as follows:

A. **Physical Analysis.** The physical analysis will include:

1. A component inventory identifying those portions of the community the Association is obligated to maintain, including the useful life of each component; and
2. Estimates of the remaining useful life and replacement cost of each component.

B. Financial Analysis. The financial analysis will include:

1. An analysis of the funds currently held in the Association's reserve fund in relation to the expected needs of the Association per the reserve study; and
2. A future funding plan to meet the requirements of the reserve study.

V. Frequency

Each year following the establishment of the initial baseline reserve study as provided above, the Association shall cause the reserve study to be evaluated to determine any increases in replacement costs and decreases in the useful life of the components of the Reserve Study to address any changes that need to be made.

VI. Funding

The Reserve Fund will be funded through regular assessments and, when necessary, special assessments levied by the Association. The reserve fund shall be funded at a level such that the reserve fund shall at all times maintain a positive balance and shall target a surplus contingency amount which shall be set by the Board from time to time.