

**Walden on Lake Conroe Community Improvement Association, Inc.
Capital Reserves Study Policy**

I. General:

The Board of Trustees of the association recognizes its responsibility to effectively manage and maintain its physical and real property assets. In addition, the Board realizes it must periodically determine the useful life expectancy of these assets and the need to project an estimated cost of replacing them in the future. This responsibility has been addressed by conducting a thorough engineering study in 1990 of all association assets and individual components. Subsequently, this study has been updated every three years (see Replacement Reserve Report). In addition, the Board of Trustees of the association recognizes its fiduciary responsibility to manage its cash designated for future asset replacements in a prudent manner. Accordingly, the Board has set forth an investment strategy, security selection criteria, and control and review procedures to pursue the stated objectives as goals (see Investment Policy).

II. Purpose:

- A. The Board of Trustees wishes to establish and maintain a reasonable, unchanged yearly reserve contribution necessary to meet future expenditures for major replacements or repairs of the common area elements owned and operated by the association.
- B. The underlying, if not primary purpose, of conducting, updating, funding and implementing the various projects for repair and replacement is to maintain the highest possible property value of all association assets for the long term at the least possible cost.
- C. By conducting periodic updates and appropriate annual funding, the Board will avoid the necessity of a special assessment.

III. Definition:

- A. Reserves for Replacement are estimates of that amount of money which must be put aside to replace major issues such as building components that will wear out before the entire facility or project wears out.
- B. Replacement Cost is the cost to replace an item or component which will perform the same function and have the same usage.
- C. Useful Life is the average expected life of a component when new.
- D. Estimated Remaining Life is the life expectancy of an item or building component based on the condition and state of repair.

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IV. Policy:

A. The Board of Trustees shall review its capital funding requirements annually and shall set its annual assessment accordingly.

B. The Board shall review the component study periodically and have a professional engineer and/or CPA or other qualified professional appraiser update the 10-year reserve plan at least every 3-5 years.