



Kipling Sun Townhome Association, Inc.

C/O PROFESSIONAL MANAGEMENT ASSOCIATES, INC.

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June 16, 2009

MEMORANDUM TO: Board of Directors, Kipling Sun Townhomes
FROM: Kevin Moore
RE: Necessary Reserve Fund & Reserve Study Policy

HB 1359 of the previous session of the Colorado General Assembly passed and was signed by the Governor. This bill requires that Associations include in their 'responsible governance policies' (Kipling Sun now has 16 such policies) a policy on Capital Reserve Funds and Reserve Studies. Kipling Sun has properly maintained these two for a number of years and the existence of this Reserve Fund is necessary for any 'Fannie Mae' backed loans on properties. Kipling Sun must now include a policy on these within its policies. The following is submitted for your approval and will meet this requirement.

Policy: Capital Reserve Fund and Reserve Study:

It is and has been the policy and practice of Kipling Sun Townhomes to maintain, as required by generally accepted accounting principles, a Capital Reserve Fund to fund the repair and replacement of Capital Assets. This Capital Reserve fund is financed through an annual contribution from the monthly dues and consequently the Association's Operating Fund. The amount of the annual contribution to the Capital Reserve Fund is calculated in a Reserve Study wherein the remaining useful lives and necessary contribution for proper amortization is calculated for at least 30 years into the future. This Reserve Study is reviewed annually and updated as necessary including adjustments to the funding plan.