

Association of Property Owners at Pine Grove Lakes, Inc.
P.O. Box 163, Sloatsburg, New York, 10974

Reserve Fund Policy

The Association of Property Owners at Pine Grove Lakes, Inc. ("Association") hereby adopts the following Reserve Fund Policy to provide for the systematic funding and maintenance of the Association's unimproved common properties and major capital improvements, in accordance with Articles V, VI and VII of the Association's Declarations of Restrictions, Grants, Trusts and Charges ("Declarations").¹

Definitions

Type I Reserve Items - Unimproved common properties required to be maintained by Articles V and VI of the Declarations (The Green, The Grove, The Park, Mirror Lake and Pine Grove Lake) for the purposes described therein.

Type II Reserve Items - All buildings, equipment and other capital improvements with a replacement value of \$5,000 or more and an expected useful life of 10 years or more.

Routine Maintenance Items - Property other than a Type I Reserve Item of Type II Reserve Item with a replacement value of less than \$5,000 or an expected useful life of less than 10 years.

Major Capital Improvement - Property meeting the definition of a Type II Reserve Item.

Use of Reserve Funds

Type I & Type II Reserve Items

Reserve funds may only be used for the repair or replacement of Type I or Type II Reserve Items which are identified in the Reserve Item Schedule, and may not be used for any other purpose (except in the event of an emergency under the conditions described below). See Addendum A, "Reserve Item Schedule," for a list of known reserve items as December 1, 2006.²

Routine Maintenance Items

Except for the emergency circumstances described below, Routine Maintenance Items may not be funded with reserve monies and, instead, must include in the budget and funded out of current year's collections.

Emergencies

Reserve funds may be used for Routine Maintenance Items only in the event of an emergency, which is defined as a condition that presents an imminent threat to public health or safety which cannot be remediated any other way (i.e., by restricting access to

¹ On file at the Rockland County Clerk, Liber 373, Page 55 and Liber 587, Page 362.

² This Reserve Item Schedule should not be considered all inclusive and is subject to change at any time by a majority vote of the Board of Trustees.

the site/building). In the event that reserve funds are used for the emergency repair of a Routine Maintenance Item, the monies expended will be replaced out of forthcoming years' operating budgets.

Priority of Repairs & Replacements

Articles V and VI of the Declarations require the Association to hold in trust and maintain its unimproved common properties ("Type I Reserve Items") for the purposes therein intended and described; and to prevent the impairment of said lakes or the streams or waters thereof.

Article VII(b) of the Declarations permits, but does not mandate, that the Association may also fund other recreational amenities including, but not limited to, playgrounds, landscapes, parks, buildings and recreational facilities ("Type II Reserve Items," to the extent they meet the \$5,000/10-year threshold).

In recognition of this distinction, the Association will endeavor, whenever reasonably possible, to fund its Type I Reserve Items before expending any reserve funds on "Type II Reserve Items." The expenditure of these funds will be within the sound discretion of the Board of Trustees, requiring a vote by the majority of the Board.

Reserve Funding Methodology

See "Addendum B – Funding Schedule" for a description of the current Reserve Funding Methodology.³ Deposits to the Reserve Fund will be made quarterly on or about March 1, June 1, September 1 and December 1 in the following amounts:

March 1	(Budgeted Reserve Contribution) MULTIPLIED BY [(Collections to Date) DIVIDED BY (Anticipated Annual Collections)]
June 1	(Budgeted Reserve Contribution) MULTIPLIED BY [(Collections to Date) DIVIDED BY (Anticipated Annual Collections)]
September 1	(Budgeted Reserve Contribution) MULTIPLIED BY [(Collections to Date) DIVIDED BY (Anticipated Annual Collections)]
December 1	(Budgeted Reserve Contribution) MINUS (Contributions Made in First Three Quarters)

This Reserve Fund Policy shall be effective as of January 1, 2006. The Association reserves the right to modify or revoke this policy at any time, by a majority vote of the Board of Trustees and the adoption of a superseding, written Reserve Fund Policy.



Daphne Rich, Assistant Treasurer
Association of Property Owners at Pine Grove Lakes, Inc.

12/20/06

DATE

³ This Funding Schedule is an estimate, only, and is subject to change at any time by a majority vote of the Board of Trustees.