

**SOUTH RIDING PROPRIETARY
ADMINISTRATIVE RESOLUTION
GENERAL OPERATING RESERVE FUND**

WHEREAS, Article 4, Section 4.1 of the By-Laws for South Riding Proprietary “By-Laws” and “Association,” respectively) grants the Board of Directors (“Board”) “all of the powers and duties necessary for the administration of the affairs of the Association” and permits the Board to “do all such acts and things as are not required to be exercised or done by the Owners or by the Virginia Nonstock Corporation Act, Title 13.1, Code of Virginia 1950 (“Act”), the Association Declaration (“Declaration”) or the Association Articles of Incorporation (“Articles”); and

WHEREAS, Article 4, Section 4.1 of the By-Laws furthermore requires the Board to prepare and adopt an annual budget and make Assessments to defray the Common Expenses of the Association, establish the means and methods of collecting such Assessments and establish the period of the installment payment, if any, of the Annual Assessment for Common Expenses in accordance with Article 6 of the Declaration; and

WHEREAS, Article 6, Section 6.1 of the Declaration outlines the requirements for Board to annually adopt a budget for the Association that includes such reasonable amounts considered necessary to provide a general operating reserve including an amount to cover operating losses due to insurance deductibles.

NOW, THEREFORE, THE BOARD RESOLVES to adopt the following method by which a General Operating Reserve Fund will be established and funded as part of the Association annual budget.

The purpose of the General Operating Reserve Fund is to provide funds to cover unexpected shortfalls in operating funds or working capital of the Association.

The General Operating Reserve Fund balance will be a targeted amount based on the prior year operating expenses of the Association and an amount to cover the insurance deductible of one loss under the highest deductible insurance policy of the Association.

The Board of Directors shall designate an interest-bearing bank or money market account to be labeled “General Operating Reserve”. The balance in the General Operating Reserve shall be evaluated each year during the budget process. If the balance in the General Operating Reserve is less than an amount equal to the single highest deductible amount from all of the Association’s insurance policies to cover one loss under such policy plus 10% of the prior year operating expenses of the Association as presented in the audited financial statements of the Association, the Board shall provide for funds to replenish the General Operating Reserve as part of the annual budget. If the balance in the General Operating Reserve is greater than the targeted balance, then the excess shall be transferred to the operating bank account of the Association.

The initial deposit into the General Operating Reserve shall be computed utilizing the preceding formula applied to the 2005 audited financial statements discounting the cable TV contract expense which was terminated during 2005.

The General Operating Reserve funds shall, with Board approval, be used to pay operating expenses of the Association when there is a shortfall of funds in the operating bank account of the Association. Any transfers out of the General Operating Reserve should be returned, as soon as practical, from the operating bank account of the Association.

The General Operating Reserve shall not be used to cover any shortfall of funds in the Replacement Reserve or any other reserve established by the Board of Directors.

If the balance in the General Operating Reserve is less than 70% of its targeted balance at the end of any fiscal year of the Association due to unexpected operating expenses or working capital shortfalls, the Board shall develop a funding plan to restore the General Operating Reserve to its targeted balance within a five (5) year period.

South Riding Proprietary Resolutions Action Record

Resolution Type: Administrative No. A2006-1


Pertaining to: Budget and Assessment Development

Duly adopted at a meeting of the Board of Directors held: September 7, 2006

Motion by: Mr. Garant Seconded by: Mr. Morse

	VOTE:			
	YES	NO	ABSTAIN	ABSENT
<u>Ms. Smith</u>	X			
<u>Mr. Narasimhan</u>	X			
<u>Mr. Salmon</u>				X
<u>Mr. Garant</u>	X			
<u>Mr. Anderson</u>	X			
<u>Mr. Breneman</u>				X
<u>Mrs. Freeman</u>	X			
<u>Mrs. Horne</u>				X
<u>Mr. Morse</u>	X			

ATTEST:



 President

October 5, 2006

 Date

FILE:

Book of Minutes - 2006

Book of Resolutions:	Book No.	Page No.
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Regulatory	_____	_____
Special	_____	_____
General	_____	_____

Resolution effective: