

SITKA CDC COMMUNITY LAND TRUST HOME REPAIR AND REPLACEMENT RESERVE FUND POLICY

A Monthly Home Repair and Replacement Reserve Fund is established at the commencement of this Lease and will be funded by the monthly Home Repair and Replacement Reserve Fund stipulated in Section 5.1 and collected by CLT. At its discretion, CLT may, from time to time, add funds to this Home Repair and Replacement Reserve Fund.

The Homeowner and CLT acknowledge that the Homeowner is responsible for all maintenance and repair of the Home, as set forth in this Lease. As an additional assurance that all Homeowners are able to comply with their maintenance and repair obligations, the CLT and the Homeowner agree that a Home Repair and Replacement Reserve Fee will be collected from the Homeowner as part of the Monthly Fee, and held as a reserve by the CLT for the capital maintenance of specific portions of the Home.

- a. **Release of Funds:** Policies and procedures for the use of Home Repair and Replacement Reserves are specified in Exhibit J: HOME REPAIR AND REPLACEMENT RESERVES. The CLT may reasonably withhold Home Repair and Replacement Reserve funds if the requested use is for purely aesthetic exterior alterations (such as a change in paint color when existing paint is still in good condition) or to repair items damaged by neglect.
- b. **Reserve Funds are Nonrefundable:** The Home Repair and Replacement Reserves are explicitly the property of the CLT, but may only be used for the capital maintenance of the Property. The Homeowner acknowledges that the Home Repair and Replacement Reserves are intended for, and shall remain with the Home and not the Homeowner. In the event that the Home is sold or transferred by the Homeowner, the unused Home Repair and Replacement Reserves will be retained by the CLT for the future capital repairs or replacements of the Home.
- c. **Costs in Excess of Reserves:** Any capital costs that exceed the amount of available Home Repair and Replacement Reserves will be borne by the Homeowner.
- d. **Yearly Report upon Request:** No later than September 30th of each year, the CLT will make available, upon the Homeowner's request, a detailed report of Home Repair and Replacement Reserve transactions for the prior fiscal year.

EXHIBIT J: HOME REPAIR AND REPLACEMENT RESERVES

Reserves collected through the Homeowner's monthly Home Repair and Replacement Reserve Fee are explicitly the property of the CLT, but may only be used for the capital maintenance of the Property.

Use of Reserve Funds: The Home Repair and Replacement Reserves will be administered by the CLT, and the CLT will decide which capital repair or replacement costs are eligible for the use of the Reserves and shall specify those costs when the fund is established. Homeowner may request release of funds prior to completing the necessary repairs or replacements and the CLT shall inform the Homeowner of the eligibility of the proposed expenses and the amount of funds available in the fund for use in such repairs. Upon satisfactory completion of the work and evidence of the expenses incurred, the CLT shall release funds up to the amount quoted, at its sole discretion, if the requested use is found to be necessary and in accordance with the Reserve's intended use.

Homeowner remains solely responsible for the repair and replacement of the above listed capital components. System components will be replaced with products of comparable quality and features. During a system replacement, the Homeowner may opt to replace components with higher rather than comparable quality products. In this case, the Homeowner will pay the cost difference between the comparable quality and the higher quality product.

It is incumbent upon the Homeowner to notify the CLT immediately of any deficiencies in the above capital systems. Damages resulting from failure to make prompt notice of deficiencies are the responsibility of the Homeowner.

Exclusion of Items Covered by H/COA Dues: In communities with homeowner or condominium owner associations, a portion of the above capital repair and/or replacement costs may be covered by the owner association dues. In this case, capital items that are specifically the responsibility of the owner association are explicitly excluded from coverage under the Home Repair and Replacement Reserves. The Homeowner's monthly Home Repair and Replacement Reserve Fee will be adjusted to reflect coverage of these items under the owner association dues.