

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SIERRA POINTE HOMEOWNERS ASSOCIATION**

**Policy on Reserve Studies**

The undersigned, being all of the Directors of the Sierra Pointe Homeowners Association, a Colorado non-profit corporation (the "Association"), hereby consent to, vote in favor of, and adopt the following Resolution:

**WHEREAS**, the Board of Directors of the Sierra Pointe community is empowered to govern the affairs of the Association pursuant to Article VII, of the Articles of Incorporation of the Sierra Pointe Homeowners Association (the "Association"), and

**WHEREAS**, there is a need to provide a sound financial plan for the projected maintenance, repair and replacement of components for which the Association is responsible; and

**WHEREAS**, Article 7.3 of the Declaration of Covenants, Conditions, Restrictions and Easements (hereafter referred to as "Declaration") for the Association defines the obligation of the Association to establish an adequate reserve fund to be funded through the monthly common expense assessments; and


**WHEREAS**, it is the intent of the Board of Directors to adopt an annual budget as its financial plan for each fiscal year; and

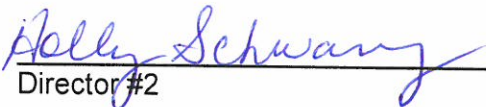
**WHEREAS**, the Association has cause to prepare a reserve study or update thereof which indicates an annual assessment for reserves that is incorporated into the Association's annual budget; and

**WHEREAS**, this Reserve Study Policy is being adopted to comply with recent changes with Colorado law;

**IT IS THEREFORE RESOLVED** that effective IMMEDIATELY, the Association's policy regarding Reserve Studies and its procedure for investment of reserve funding shall be as follows:

  
\_\_\_\_\_  
Director #1

  
\_\_\_\_\_  
Director #4

  
\_\_\_\_\_  
Director #2

\_\_\_\_\_  
Director #5

  
\_\_\_\_\_  
Director #3

## RESOLVED THAT:

A reserve study (or updates to prior reserve studies) shall be performed by the Association every three (3) years for the purpose of determining the condition and life expectancy of Association components and the funding necessary to meet replacement of such components when their life expectancy expires. The reserve study shall be based on both a physical and financial analysis. Based on the fiduciary accountability due the membership and the impact that adequate funding has on the property values of the community, the Board acknowledges the importance of having the reserve study and its updates conducted by a Reserve Study Specialist. Based on the reserve study the Association will adopt a Funding Plan to be incorporated into its *annual* budget with a focus on meeting or exceeding the recommended annual contribution from the reserve study.

The Association shall deposit all monies presently held in reserve to a savings account[s] to be held, invested, and expended by the Board of Directors for the repair and replacement of the common areas. The purpose of reserve funding is to assure that funds are available for capital replacement when the need arises thereby protecting the property values and the desirability of the community. To that end, investment of such funds should combine liquidity with maximum return while avoiding risk that could deplete the funds.

### Funding Plan for Work Recommended by a Reserve Study:

- The Board shall adopt a plan for funding any work recommended by the Reserve Study, which plan shall be updated annually in conjunction with development of the Association's annual budget.
- The Funding Plan shall take into consideration the cost of long term maintenance, repair and replacement of the community components for which the association is responsible, the impact of inflation, the projected funding sources for the work as well as any other factors considered advisable by the Board.
- The goal of the funding plan shall be to maintain the Association reserves at an adequate level to provide for the timely maintenance, repair and replacement of the community components for which the Association is responsible so as to minimize the risk to owners of special assessments, deferred maintenance and unfunded losses.
- The Funding Plan shall reflect the projected schedule of maintenance, repair and replacement and anticipated life expectancy of components for which the Association is responsible as outlined in the Reserve Study.
- Unanticipated or emergency repairs/maintenance and replacements may be expensed to the Reserve Fund outside of the Funding Plan schedule provided that the expense extends the useful life of the component to the extent identified in the Reserve Study.
- The Funding Plan will require the Association to maintain a positive Reserve Fund balance, but the Reserve Fund need not be 100% of the amount necessary to fully fund the work identified in the Reserve Study. In determining the proper percentage of funding of reserves, the Board shall strive to accomplish the following guiding principles:
  1. Sufficient funds being available when required.
  2. A stable contribution should be contributed over the 30 year period.
  3. The Funding Plan be prudent, fiscally sound and responsible.
  4. Reserve allocations should be allocated evenly between the association's present and future owners.

### Investment of Reserve Funds:

All reserve funds shall be invested in accounts or instruments guaranteed, insured or backed by the Government of the United States. Funds should be invested so as to achieve maximum return while at the same time being available for capital repair or replacement pursuant to the Association's Reserve Study.

1. The directors and officers of an Association must meet the standards of care required for Colorado non-profit corporations when investing reserve funds. Those standards require directors and officers to act:
  - (a) in good faith;
  - (b) with the care an ordinary prudent person in a like situation would exercise under similar circumstances; and
  - (c) in a manner the director or officer reasonably believes to be in the best interest of the association.
2. In discharging this duty, directors and officers may rely on people who the directors or officers reasonable believe have professional or expert competence, such as Community Association managers and reserve Study Specialists.
3. The Board of Directors shall establish the amount to be transferred to reserve funds on an annual basis. Reserves may be invested in certificates of deposit, money market deposit accounts, money market funds, U.S. treasury and government obligations, municipal bonds and other state obligations, and other investments recommended by a financial advisor pursuant to the Association's investment goals. No funds shall be deposited or invested except in authorized investment funds. All investments must be insured by FDIC, SIPC or comparable insurance.
4. The reserve funds shall be invested to achieve the following goals, in descending order of importance:
  - A. Promote and ensure the preservation of principal;
  - B. Structure maturities to ensure liquidity and accessibility of funds for projected or unexpected expenditures;
  - C. Mitigate the effects of interest rate volatility upon reserve assets;
  - D. Seek the highest level of return that is consistent with preserving the principal and accumulated interest; and
  - E. Minimized investment costs.
5. The Board of Directors may consider the following circumstances in investing reserve funds:
  - A. General economic conditions;
  - B. Possible effect of inflation or deflation;
  - C. Expected tax consequences;
  - D. Role that each investment plays in the overall investment portfolio;
  - E. Other resources of the Association.
6. All accounts, instruments and other documentation of such investments shall be subject to the approval of, and may from time to time be amended by, the Board of Directors as appropriate, and shall be reviewed at least once per year.

7. Subject to the prior approval of the Board, the President or Treasurer shall be authorized and empowered to purchase, invest in, acquire, sell or assign any and all types and kinds of investments meeting the goals in paragraph 4; and to enter into agreements, controls and arrangements with respect to such security transactions and to execute, sign or endorse agreements on behalf of the Association. To withdraw or transfer funds, the signature of the two aforementioned officers shall be required.

8. The Association shall carry fidelity insurance to protect against theft or dishonesty from anyone with access to the reserve funds.

9. The Association's manager or other person designated by the Board shall maintain monthly statements, including detailed accounting of current values, income and all transactions.

Executed:

The undersigned, being the President of the Association certifies that this Resolution was approved and adopted by the Board of Directors of the Association at a duly called and held meeting of the Board of Directors on April 27, 2015 and becomes effective June 1, 2015.

  
Association President