

**RESOLUTION  
OF THE  
RED HAWK HOMEOWNERS ASSOCIATION, INC.  
REGARDING POLICIES AND PROCEDURES  
FOR THE  
CONDUCT OF THE RESERVE STUDY**

- SUBJECT:** Adoption of a policy and procedures for the conduct of Reserve Studies.
- PURPOSE:** To adopt uniform procedures to be followed for the conduct of the Reserve Study
- AUTHORITY:** The Declaration, Articles of Incorporation and Bylaws of the Association and Colorado law, including but not limited to C.R.S. §38-33.3-209.5.
- EFFECTIVE DATE:** December 15, 2013
- RECITALS:** A. Colorado Revised Statute (“C.R.S.”) 38-33.3-209.5(1)(b)(vi) provides that Colorado Common Interest Communities shall adopt a policy concerning reserve studies.
- RESOLUTION:** The Association hereby adopts the following policy and procedures regarding Reserve Studies:
1. **Baseline Reserve Study.** The Association shall, within twelve (12) months of the adoption of this Resolution, conduct a baseline Reserve Study that will include both a physical analysis and a financial analysis. This study is not required if and only if a complete (i.e., both a physical and financial) Reserve Study has been accomplished within the prior twelve (12) months. The study shall be conducted as follows:
    - (a) The physical analysis shall include:
      - (1) A component inventory identifying those portions of the community the Association is obligated to maintain, including the useful life of each component.
      - (2) A condition assessment of each component on the component inventory by on-site inspection.
      - (3) Estimates of the remaining useful life and replacement costs of each component.
    - (b) The financial analysis shall include:
      - (1) An analysis of the funds currently held in the Association’s Reserve Fund in relation to the expected needs of the Association per the Reserve Study.
      - (2) A future funding plan to meet the requirements of the Reserve Study.
  2. **Updating the Reserve Study.** The Association shall cause the physical analysis portion of the Reserve Study to be evaluated by a Reserve Study specialist at least every three (3) years to determine increases in replacement costs and decreases in remaining useful lives of the components of the Reserve Study to adequately address changes to be made to the Reserve Study. In determining whether an update to the Reserve Study is needed more often than every three (3) years, the Association shall consider the following:
    - (a) Whether the Association added or replaced any significant common elements.

- (b) Whether the common elements sustained extreme wear and tear from harsh weather or lack of maintenance.
- (c) Whether local inflation for materials and labor has substantially increased.
- (d) Whether the Association has deferred or moved up replacements from the scheduled dates of replacement.
- (e) Whether reserve income and expenses have occurred as planned.
- (f) Whether there have been any new technological changes or improved product development that might result in a component change.

In addition, whether a Reserve Study is needed more often than every three (3) years shall ultimately be at the sole discretion of the Board. In determining whether a site visit is required in any given year in order to update the physical analysis portion of the Reserve Study, the Association shall take into consideration the following:

- (g) Any special or extraordinary issues facing the community (such as an increase in roof leaks or other maintenance issues).
- (h) Increased deterioration in any components beyond normal wear and tear.
- (i) Economic changes that affect the replacement cost of any component.
- (j) Whether routine maintenance of the components has been kept up to date.

The Association shall cause the financial analysis portion of the Reserve Study to be evaluated at least every year to determine the status of the Reserve Fund with respect to whether actual funds on deposit meet the projected funding goals of the Reserve Study. Said evaluation of the financial portion may be conducted internally or externally, as determined by the Board. Emphasis shall be placed on the ten (10) year period following the evaluation. This financial analysis shall be conducted in sufficient time to be used as input to the budget process each fiscal year.

3. **Funding the Reserve Fund.** The Reserve Fund will be funded through regular assessments levied by the Association. Barring extraordinary circumstances, the Reserve Fund shall be fully funded, meaning the Association's Reserve Fund shall maintain a balance at or near 100 percent as determined by the Reserve Study. In event that the Reserve Fund balance declines below 100 percent of the required amount, the Board shall increase assessments to recover the 100 percent level over a period not to exceed three (3) years.
4. **Supplement to Law.** The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Declaration and the laws of the State of Colorado governing the community.
5. **Deviations.** The Board may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances.
6. **Amendment.** The policy may be amended from time to time by the Board of Directors.

**PRESIDENT'S CERTIFICATION:** The Undersigned, being the President of the Association certifies that the foregoing Resolution was adopted by the Board of Directors of the Association, at a duly called and held

meeting of the Board of Directors on NOV 21, 2013 and in witness thereof, the undersigned has subscribed his/her name.

**RED HAWK HOMEOWNERS ASSOCIATION, INC.,**  
a Colorado nonprofit corporation

By: Ralph Juller  
President

