

Shadow Run Townhomes Homeowners Association

POLICY No. 006-2020: RESERVE STUDY AND FUNDING POLICY

Adopted prior to May 31, 2014; last amended: 3/31/2021

The following Policy has been adopted by the Shadow Run Townhomes Homeowners Association ("the Association") pursuant to the provisions of C.R.S. §38-33.3-209.5(1)(b)(IX), the Project Documents, and The ACT, at a regular meeting of the Board of Directors ("the Board"). Additional policies, procedures, rules and regulations may exist separately.

PURPOSE: To adopt a Policy setting forth procedures for conducting reserve studies and addressing those determinate needs with an adequate funding policy.

NOW, THEREFORE, IT IS RESOLVED that the Association does hereby adopt the following Policy governing the maintenance, procedural determination and procedures associated with conducting and utilizing a reserve fund study and funding policy:

- A. The Association is obligated to maintain, repair, replace or improve certain improvements within the community. The Association shall have prepared a reserve study for the portions of the Project maintained, repaired, replaced and improved by the Association at such time as the Board shall, in its sole business judgment, determine that this is necessary. Partial updates and changes may be made at the discretion of the Board. This study may be conducted by members of the Association, agents of the Association or other professionals, solely at the discretion of the Board of Directors of the Association.
- B. The Association does or will have a funding plan for work recommended by any reserve study and the sources of funds to perform any work may include, among other things, current assessments, regular assessments, additional assessments, special assessments, a reserve fund into which deposits have been made, operating surpluses from previous years, borrowing or any other source of funding. Funding may be made through a pre-funded reserve fund or at the time of the necessary work. Funding sources may be changed at the discretion of the Board. Different work may be funded in different manners or in several different manners. The Association will conduct periodic reserve studies based on recommendations obtained from an independent, qualified reserve study professional or an internally conducted reserve study by members with that ability.
- C. Depending on available resources, the Association may either engage a third-party or may make in-house interim updates to the current professional reserve study and may, from time to time, adjust the schedule for updating the reserve study. An update to the reserve study may result from either an on-site review of the property or by an off-site review by an independent consultant, the purpose of which is to provide an un-bias analysis of the reserve study as required by Board and the Association's Project Documents. The Board of Directors should consider the following factors when determining the schedule for interim updates to a reserve study:
 1. Significant additions or replacements to the common elements since the last reserve study;
 2. Wear and tear on common elements due to unseasonable weather or lack of maintenance;
 3. Technological or product development improvements that could result in cost savings;
 4. Substantial increases in cost of materials or labor;
 5. Any scheduled maintenance, repairs, or replacements that the Association deferred or accelerated;
 6. Whether reserve income was received as planned;
 7. Whether reserve expenditures were incurred as planned;
 8. The Association's selected method of funding reserves.
- D. The full reserve study will consist of a physical analysis and a financial analysis. Interim updates may consist of a physical analysis, a financial analysis, or both. A physical analysis includes an inventory of all improvements that

the Association is responsible for maintaining, repairing, replacing, or improving and a visual inspection of those items to determine their existing condition. A financial analysis includes an evaluation of the estimated remaining life of an item, the adequacy of existing reserve funds, projected future reserve income, projected future reserve needs, and the ability to meet future reserve needs under the existing funding plan.

- E. The Association currently has a professionally conducted reserve study on file.
- F. As of the date of this new policy, the Association plans to update its reserve study once every five (5) years.
- G. The Association does not allocate reserve funds for improvements costing less than \$500.00 to repair or replace and the Association does not allocate reserve funds for an improvement with an estimated useful life that does not exceed three (3) years.
- H. The Board of Directors will endeavor to fund the Association's reserve fund by contributing, on an annual basis, 10% of the regular assessment amount, until the reserve fund is funded to 100% of the amount recommended by the reserve study. Thereafter, should unforeseen circumstances result in the reserve fund balance falling below 80% of the fully-funded amount, the Board will endeavor to bring the fund balance back to 100% within three (3) years by increasing the allocations from regular assessments, or by special assessments, or both.
- I. The Association may elect to apply funds from its operating account to maintenance, repair, or replacement costs otherwise covered by reserve funds.
- J. **Enforcement.** Upon certification, the Board shall give notice of the adoption of the Policy to all Owners of the Association. Notice to the Owners shall be given by any reasonable method, including, but not limited to, electronic mail, community web page, direct notification, mail, or other, as determined by the Board. Any Owners' failure, to notice or gain access to any new Policy, shall not be a defense against any attempt by the Association to enforce the new Policy, levy fines, and recover costs and/or attorneys' fees as a result of a violation of the new Policy.
- K. **Definitions.** As used in this Policy, capitalized terms shall have the same meanings as defined in the Declarations.
- L. **Conflicts.** The Policies adopted by the Association are supplemental to the Project Documents and the ACT. In the event of a conflict between the provisions of this Policy and the Declaration, the Declaration shall control. In the event of a conflict between this Policy and the ACT, the ACT shall control.
- M. **Severability.** The provisions of this Policy shall be independent and severable. The invalidity of any one or more of the provisions of this policy by judgment or court order or decree shall in no way affect the validity or enforceability of any of the other provisions, which shall remain in full force and effect.

PRESIDENT'S CERTIFICATION:

The undersigned, being the President of Shadow Run Townhomes Homeowners Association, a Colorado non-profit corporation, certifies that the foregoing Resolution, amending and codifying Policy III, was introduced as Policy No. 006-2020 for first reading at a duly called and held meeting of the Board on May 6, 2020. Policy No. 006-2020 was presented for a second, final reading and adopted at a duly called and held meeting of the Board on March 31, 2021. Policy No. 006-2020 is hereby certified as adopted by the Board on March 31, 2021 and in witness thereof, the undersigned has subscribed their names and titles in performance of their duties as officers of:

Shadow Run Townhomes Homeowners Association, Inc., a Colorado non-profit corporation.

Knut Aakhus
Knut Aakhus, President

Connie Cooper Roscoe
Connie Cooper, Secretary