

**RESOLUTION OF
REDCLIFF TWO CONDOMINIUMS OWNERS ASSOCIATION, INC.**

ADOPTING POLICY REGARDING RESERVE STUDY

Policy #9

- SUBJECT:** Adoption of a policy and procedures regarding creating and maintaining a Reserve Study, including funding the Reserve Fund.
- PURPOSE:** This policy identifies the responsibility of the RedCliff Two Condominiums Owners Association, Inc. (the "Association") to prepare a reserve study for the portions of the community it has a responsibility to maintain, repair, replace or improve, including information about whether there is a funding plan for work recommended by the reserve study, sources of funding, and the basis of these analyses.
- AUTHORITY:** The Declaration of RedCliff Two Condominiums Owners Association (the "Declaration"), Articles of Incorporation and Bylaws of the Association, any amendments thereto (the "Governing Documents") and Colorado law.
- EFFECTIVE DATE:** NOVEMBER 22, 2021
- RESOLUTION:** The Association hereby adopts the following procedures to be followed in adopting a Reserve Study policy:
1. Board of Directors Responsibility: It shall be the responsibility of the Board of Directors to determine the repair and replacement risk of the assets owned and maintained by the Association. It shall be the Board of Director's responsibility to create and maintain adequate reserves to provide for the orderly repair, restoration and replacement of these assets so as to minimize the risk to the homeowners of special assessments, deferred maintenance, or unfunded losses.
 2. Reserve Study: In order to determine funding of the Reserve Fund, the Board of Directors shall determine the life expectancy of those portions of the community to be maintained, repaired, replaced, and improved by the Association and the anticipated costs of maintaining, replacing and improving those identified areas (Reserve Study). The study may be conducted internally.
 3. Basis of Study: The Reserve Study will include both a physical and financial analysis as follows:
 - a) Physical Analysis. The physical analysis will include:
 - (i) A component inventory identifying those portions of the community the Association is obligated to maintain, including the useful life of each component; and

(ii) Estimates of the remaining useful life and replacement cost of each component.

b) Financial Analysis: The financial analysis will include:

(i) An analysis of the funds currently held in the Association's reserve funding in relation to the expected needs of the Association per the reserve study; and

(ii) A future funding plan to meet the requirements of the reserve study.

4. Frequency. Each year following the establishment of the initial baseline study as provide above, the Association shall cause the reserve study to be evaluated to determine any increases in replacement costs and decreases in the useful life of the components of the Reserve Study to address any changes that need to be made.

5. Funding. The Reserve Fund will be funded through regular assessments and, when necessary, special assessments levied by the Association. The reserve fund shall be funded at a level such that the reserve fund shall at all times maintain a positive balance and shall target a surplus contingency amount which shall be set by the Board of Directors from time to time.

6. Definitions. Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

7. Supplement to Law. The provision of this Resolution shall be in addition to and in supplement of the terms and provision of the Declaration and the law of the State of Colorado governing the Community.

8. Deviations. The Board of Directors may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances.

9. Amendment. This Procedure may be amended from time to time by the Board of Directors.

BOARD OF DIRECTORS CERTIFICATION: See signature page.