

FAIRWAY THREE TOWNHOMES ASSOCIATION, INC.
POLICY REGARDING RESERVES

Adopted, May 2, 2016

The following policy has been adopted by Fairway Three Townhomes Association, Inc. (AAssociation@) pursuant to the provisions of C.R.S. 38-33.3-209.5, at a regular meeting of the Board of Directors.

Purpose: To adopt a policy addressing the need for a reserve study, funding of any work recommended by the reserve study and projected sources of funding, and whether the reserve study is based on a physical analysis and financial analysis. It is the Board's desire to create and maintain adequate reserves to provide for the orderly maintenance, repair, replacement and improvement of the common areas so as to minimize the risk to the membership of special assessments, deferred maintenance, or unfunded losses.

NOW, THEREFORE, IT IS RESOLVED that the Board of Directors does hereby adopt the following policy regarding reserves:

Need for Reserve Study

1. The Association is obligated to maintain, repair, replace or improve certain improvements within the community.

Reserve Study

2. The Association will conduct periodic reserve studies based on recommendations obtained from an independent, qualified reserve study professional.

3. Depending on available resources, the Association may either engage a third-party or may make in-house interim updates to a professional reserve study and may adjust the schedule for updating the reserve study. An update to a reserve study may result from an on-site review of the property or an off-site review of the reserve study and the Association's governing documents. The Board of Directors should consider the following factors when determining the schedule for interim updates to a reserve study:

- (a) Significant additions or replacements to the common elements since the last reserve study;
- (b) Wear and tear to common elements due to unseasonable weather or lack of maintenance;
- (c) Technological or product development improvements that could result in cost savings;
- (d) Substantial increases in cost of materials or labor;
- (e) Any scheduled maintenance, repairs, or replacements that the Association deferred or accelerated;
- (f) Whether reserve income was received as planned;

- (g) Whether reserve expenditures were incurred as planned;
- (h) The Association's selected method of funding reserves.

4. 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.

5. The last reserve study prepared for the Association was completed in 2011.

6. As of the date of this policy, the Association plans to update its reserve study approximately every five (5) years.

Funding Plan

7. The Board of Directors will endeavor to maintain the Association's reserve fund balance at or above 50% of the fully-funded amount by allocating to the reserve fund a portion of regular annual assessments and income derived from the imposition of special assessments as may become necessary. Should unforeseen circumstances result in the reserve fund balance falling below 50% of the fully-funded amount, the Board will endeavor to bring the fund balance back to 50% within one (1) to one and a half (1.5) years by increasing the allocations from regular annual assessments. In addition, if necessary, the Board may utilize the imposition of a special assessment and/or transfer fee to bring the fund balance back to 50%.

8. The Association may elect to apply funds from its operating account to maintenance, repair or replacement costs otherwise covered by reserve funds.

9. The Association will invest all reserve funds in accordance with the Association's policy regarding investment of reserve funds.

This Policy Regarding Reserves was adopted by the Board of Directors on the day of May 2nd, 2016, effective the 2nd day of May, 2016, and is attested to by the Secretary of Fairway Three Townhomes Association, Inc.



G. Dean Derosier- Secretary