

THE TOWERS AT LAKEPOINT ASSOCIATION
RESERVE STUDY POLICY
Adopted August 7, 2014

The following policy has been adopted by the Towers at Lakepoint Association (“Association”) pursuant to the provisions of C.R.S. 38-33.3-209.5, in accordance with the Association’s policy regarding the adoption and amendment of policies 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 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

The Association is obligated to maintain, repair, replace or make improvements within the community.

Reserve Study

1. The Association will conduct periodic reserve studies based on an internal examination of common areas and improvements and a financial analysis of the requisite reserves as required by this policy. Such studies may also be based on recommendations obtain from and independent, qualified reserve study professional.
2. It is also the objective of the Board of Directors to avoid the need to have special assessments for the replacement of assets as outlined in the Reserve Study.

3. In 2012, the Board of Directors authorized the completion of a Reserve Study. The final report was issued on February, 2013 and was made available for all members.
4. The Board of Directors contracted with Richard Hirschman, Advanced Reserve Solutions, Inc. to conduct the study after receiving bids from various qualified vendors and selecting ARS as the most qualified.
5. ARS offers periodic updates at reduced fees since they retained a copy of all inventoried assets and their useful lives.
6. A full reserve study was conducted which consisted of a physical analysis and financial analysis. All assets were inventoried, physically inspected, useful lives of the assets were estimated, 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.
7. As of the date of this policy, the Association plans to update the reserve study every three to four years.

Additional Asset

1. The Board of Directors authorized the addition of the Local Housing Unit #5 to the Reserve Fund.
2. LHU #5 was originally purchased by the Association for \$100,000.
3. The Board of Directors has established a value of \$135,000 for the purpose of adding this asset to the Reserve Fund.
4. There is no debt associated with this asset.

Funding Plan

1. The association does not allocate reserve funds for improvements costing less than \$1,000.00 to repair or replace.
2. The Board of Directors will endeavor to maintain the Association's Reserve fund balance in a range of 40% to 75% of the fully-funded amount by allocating a portion of regular annual assessments to the reserve fund.
3. Should unforeseen circumstances result in the reserve fund balance fall below 40% of the fully funded amount, the Board will endeavor to bring the fund balance back to 70% within three years by increasing the

allocations from regular annual assessments, or by special assessment or both.

4. The Association may elect to apply funds from its operating account to maintenance, repair or replacement costs otherwise covered by reserve funds.
5. The association will invest all reserve funds in accordance with the Association's policy regarding investment of reserve funds.

The Towers at Lakepoint Association

By James R. Lewis, President

This Reserve Fund policy was adopted by the Board of Directors on the 7th day of August, 2014, and is attested to by the Secretary of the Towers at Lakepoint Association.

Donald E. Hauke, Treasurer