

**Elk Stream Ranch Property Owners Association, Inc.  
A Colorado Non-Profit Corporation**

**ELK STREAM RANCH**

A Colorado Common Interest Community  
Located in T36N R13W, T35N R13W, T36N R12W and T35N R12W, N.M.P.M  
Montezuma County and La Plata County, Colorado

**Elk Stream Ranch Property Owners Association, Inc.  
A Colorado Non-Profit Corporation**

**POLICIES**

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**POLICY #9-2010: RESERVE POLICY**

Adopted 6<sup>th</sup> Aug, 2010

The following policy has been adopted by the Elk Stream Ranch Property Owners Association, Inc., a Colorado Non-Profit Corporation ("Association") pursuant to the provisions of C.R.S. 38-33.3-209.5, in accordance with the Association's policy #1-2010.

**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 basis of the reserve study with regard to 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 Elements 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:

**1. Need for Reserve Study.** The Association is obligated to maintain, repair, replace or improve certain improvements within the community.

**2. Reserve Study.** The Association will conduct periodic reserve studies based to the extent necessary on recommendations obtained from independent, qualified professionals.

**3. Interim Updates.** 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 shall be based on an on-site review of the property and 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; and
- h. the Association's selected method of funding reserves.

**4. Contents of Study.** The reserve study will consist of a complete physical analysis and a financial analysis. Interim updates shall consist of reviews of the physical analysis and financial analysis in the primary reserve study, and the actions of the Board since the primary reserve study. A physical analysis includes an inventory of all improvements that the Association is responsible for maintaining, repairing, replacing or improving and visual or other necessary 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. New Study Required Every Five (5) Years.** As of the date of this policy, the Association plans to conduct a reserve study every five years with interim updates provided by the Association.

**6. Exclusions.** The Association does not allocate reserve funds for improvements costing less than \$1,000 to repair or replace. The Association does not allocate reserve funds for an improvement with an estimated useful life that does not exceed three years.

**7. Reserve Fund Balance.** The Board of Directors will endeavor to maintain the Association's reserve fund balance at or above the monetary amount suggested by the current Reserve Study for each fiscal year by allocating a portion of regular annual assessments to the reserve fund. Should unforeseen circumstances result in the reserve fund balance falling below that monetary amount, the Board will endeavor to bring the fund balance back to the monetary amount suggested in the Reserve Study within three years by increasing the allocations from regular annual assessments, or by special assessments, or both.

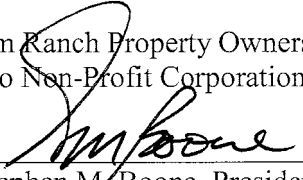
**8. Use of Funds.** The Association may elect to apply funds from its operating account to maintenance, repair or replacement costs otherwise covered by reserve funds.

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

**PRESIDENT'S CERTIFICATION:** The undersigned, being the President of the Elk Stream Ranch Property Owners Association, Inc., a Colorado Non-Profit Corporation, certifies that the foregoing Resolution was approved and adopted by the Board, at a duly called and held meeting of the Board on (date) 6 Aug 10 and in witness thereof, the undersigned has subscribed his name.

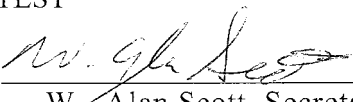
Elk Stream Ranch Property Owners Association, Inc.,  
a Colorado Non-Profit Corporation

By:

  
Stephen M. Boone, President

ATTEST

By:

  
W. Alan Scott, Secretary /  
Treasurer