

THE FORNELL CONDOMINIUM ASSOCIATION, INC.  
POLICY REGARDING RESERVES

Adopted October 3, 2014

The following policy has been adopted by The Fornell Condominium Association, Inc. ("Association") 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 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:

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. Within one (1) year of the Condominium Declaration of The Fornell ("Declaration") being recorded, the Declarant shall ensure that a reserve study is conducted by a qualified professional to examine those improvements in the Project for which the Association is responsible. At such time as further phases of the Project are annexed into the Association, the Declarant shall ensure that the reserve study for the Association is revised to include the annexed improvements for which the Association is responsible.
6. At a minimum, following the initial reserve study being completed, the Association plans to update its reserve study every five (5) years.

#### Funding Plan

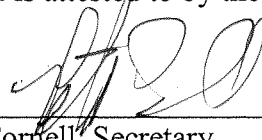
7. Within seven (7) years from the date the Declaration is recorded, the Board shall ensure that the Association has caused to be deposited into the Association's reserve account seventy percent (70%) of the recommended funds set forth in the initial reserve study. Within seven (7) years of any additional phase of the Project being annexed into the Association, the Board shall ensure that the Association has caused to be deposited into the Association's reserve account seventy percent (70%) of the recommended funds set forth in the revised reserve study to address the additional phase of the Project which was annexed into the Association. At all subsequent times, unless in the exercise of its business judgment the Board determines that it is impossible to do so, the Association shall maintain its reserve fund in an amount equaling at least seventy percent (70%) of the funding recommended in the most recently updated reserve study.
9. On a yearly basis, the Association shall submit to the Aspen Pitkin County Housing Authority the most recent version of the reserve study, the balance of the reserve account and an accounting of whether the Association has updated its reserve study and maintained its reserve account as set forth in paragraph 7.
10. The Association will invest all reserve funds in accordance with the Association's policy regarding investment of reserve funds.

The Fornell Condominium  
Association, Inc.

By: \_\_\_\_\_

  
Peter Fornell, President

This policy Regarding Reserves was adopted by the Board of Directors on the 3rd day of October, 2014, effective the 15<sup>th</sup> day of September, 2014, and is attested to by the Secretary of The Fornell Condominium Association, Inc.



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Peter Fornell, Secretary