

**BLUE LAKE OWNERS ASSOCIATION
POLICY FOR RESERVE STUDIES
Resolved and Adopted July 14, 2009**

The following resolution has been adopted by the Board of Directors (“Board”) of Blue Lake Owners Association pursuant to Colorado Statutes, at a regularly scheduled meeting of the Board.

AUTHORITY: The Declaration, Articles and Bylaws of the Blue Lake Owners Association and the Colorado Common Interest Ownership Act.

EFFECTIVE DATE: July 14, 2009

RESOLUTION: The Association hereby adopts the following Policy:

The purpose of this Policy is to establish a schedule for updating the reserve study as an important part of governing the Association and such evaluations are critical to the ongoing operation of the association. It is the intent of this Policy to provide a framework for the planning and budgeting in an efficient manner to protect the financial health of the association.

There are two components of a reserve study- a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association’s major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses only the association’s reserve balance or fund status (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate (funding plan).

A reserve study should include the following:

- A summary of the association, including the number of units, physical description and the financial condition of the reserve fund.
- A projection of the reserve starting balance, recommended reserve contributions, projected reserve expenses, and the projected ending reserve fund balance for a minimum of 20 years.
- A tabular listing of the component inventory, component quantity of identifying descriptions, useful life, remaining useful life, and current replacement cost.
- A description of the methods and objectives utilized in computing the fund status and in the development of the funding plan.
- Source(s) utilized to obtain component repair of replacement cost estimates.
- A description of the level of service by which the reserve study was prepared and the fiscal year for which the reserve study was prepared.

In addition it is recommended the following items be included in a comprehensive reserve study:

- A statement disclosing other involvement(s) with the association that could result in actual or perceived conflicts of interest.
- A narrative description of the physical analysis that details how the on-site observations were performed, i.e. representative sampling vs. all common areas, destructive testing or not, field measurements vs. drawing take-off, etc.
- A description of the assumptions utilized for interest and inflation, tax and other outside factors for the financial analysis.
- A written explanation of the credentials (state or organizational licenses/credentials) held by the individual who prepared the reserve study or oversight.
- A report on how the current work is reliant on the validity of prior reserve studies.
- Discussion of material issues which, if not disclosed, would cause a distortion of the association's situation.
- Reliable information provided by the association's official representative regarding financial, physical, quantity or historical issues. The reserve study will be a reflection of information provided to the consultant and assembled for the association's use not for the purpose of performing an audit; quality/forensic analyses or background checks of historical records.
- The actual or projected reserve balance total presented in the reserve study based upon information provided.
- A description of reserve projects which is considered reliable. Any on-site inspection should not be considered a project audit or quality inspection.

The board of directors will review and update the existing reserve study annually as a part of the budgeting process. A professional reserve study will be completed every 5 years, beginning in 2007, by a company specializing in such studies.

The goal of the Association is to achieve and maintain 100% funding of the reserve study's recommendation.

This policy may be amended from time to time by the Board.

This policy supersedes any previously adopted policy on the same subject matter.