

**Resolution  
Of  
Keene Ranch Homeowners Association, Inc.**

**Subject:** Establishment of Reserve Funding and Investment Policy.

**Purpose:** To provide notice of the Keene Ranch Homeowners Association, Inc.'s ("Association") adoption of a Resolution Implementing a mechanism for the creation, maintenance and financing of a Reserve Fund for capital expenditures, such as water needs pursuant to the augmentation plan decreed in 93CW102, and a contingency operating reserve account for other unanticipated expenses including legal and emergencies, all to promote the recreation, health, safety and welfare of the owners and residents of the properties subject to the Common Interest Community Declaration of Keene Ranch, a Planned Community ("Declaration").

**AUTHORITY:** The Declaration, Articles of Incorporation, and Bylaws of the Association and Colorado law.

**EFFECTIVE**

**DATE:** March 17, 2005

**RESOLUTION:** The Association hereby gives notice of its adoption of a Resolution implementing a mechanism for the maintenance and financing of a Reserve Fund and to create a contingency operating reserve account. The Resolution adopted is as follows:

WHEREAS, Articles I, V and XX, Sections 1.8, 5.2 and 20.2 of the Declaration, and Article II, Section 2.2 of the Bylaws of Keene Ranch Homeowners Association, Inc., grant the Board of Directors the power to manage the affairs of the Association and establish reasonable reserves for repair, replacement or addition to the Common Elements, or any other real or personal property acquired or held by the Association;

WHEREAS, the Board of Directors has the responsibility to plan for the proper maintenance, repair and replacement of the Common Elements, or any other real or personal property acquired or held by the Association;

WHEREAS, the Board of Directors has discussed the Board of Director's duty of reasonable care in all instances, including the establishment of a reserve fund, and the investment of reserve

assets, where a director shall perform his or her duties as a director, in good faith, in a manner he or she reasonably believes to be in the best interest of the Association, and with such care as an ordinarily prudent person in a like position would use under similar circumstances;

WHEREAS, the Board of Directors believes that it is essential to the continued viability of the Association and to the protection of the property values that a “Contingency Operating Reserve Account” and an “Improvement and Replacement Reserve Fund” (hereinafter referred to jointly as the “Reserve Funds”) be created to plan for the future contingency and capital expenses associated with the Common Areas; and

IT IS HEREBY RESOLVED that the Association will establish Reserve Fund(s) according to the following procedure and pursuant to the following fine schedule:

1. Reserve Study. In order to determine funding of the Reserve Funds, the Board of Directors may determine, through the advice of professionals, or others the life expectancy of Common Elements and the anticipated costs of maintaining, replacing and improving those identified Common Elements (hereinafter referred to as a “Reserve Study”).
2. Administering the Reserve Fund Accounts. On a periodic basis, the Association will transfer, from its operating account, to its Improvement and replacement Reserve Fund, those portions of the funds determined by the Board to be contributed to the Reserve Fund.
3. Investment of Reserves. In order to reduce the amount of member contributions, the Board shall invest funds held in the Reserve Funds accounts to generate interest revenue that will accrue to the Reserve Funds accounts balance.
  - a. Investment Goals. Investment shall be guided by the following goals:
    - i. Safety of Principal. Promote and ensure the preservation of the Reserve Fund’s principal.
    - ii. Liquidity and Accessibility. Structure maturities to ensure availability of assets for projected or unexpected expenditures.

- iii. Minimal Costs. Investment costs (redemption fees, commissions, and other transactional costs) should be minimized.
- iv. Diversify. Mitigate the effects of interest rate volatility upon reserve assets.
- v. Return. Funds should be invested to seek the highest level of return.

**CERTIFICATION:**

The undersigned, being the President of the Keene Ranch Homeowners Association, Inc., a Colorado nonprofit corporation, certifies that the foregoing Resolution was approved and adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board of Directors of the Association on March 17, 2005 and in witness thereof, the undersigned have subscribed their names.

Keene Ranch Homeowners Association, Inc. a  
Colorado nonprofit corporation,

By: \_\_\_\_\_  
Diane K. Baldrige, President

By: \_\_\_\_\_  
, Secretary