

**POLICY  
FOR THE  
20<sup>th</sup> Hole Townhomes Association, Ltd.  
REGARDING INVESTMENT OF RESERVE POLICY**

**SUBJECT:** Adoption of an Investment Policy for reserves of the Association.

**PURPOSES:** To adopt a policy for the investment of reserve funds.

**AUTHORITY:** The Declaration, Articles of Incorporation and Bylaws of the Association and Colorado law, including but not limited to (*Colorado Revised Statutes 38-33.3-209.5*).

**EFFECTIVE DATE:** June 25, 2008

**RESOLUTION:** The Association hereby adopts a Policy as follows:

1. **Scope.** In order to properly maintain areas in the Community that are the responsibility of the Association, to comply with state statutes, to manage reserve funds, and to protect the market value of Owners' homes and livability in the Community, the Board of Directors determines that it is necessary to have policies and procedures for the investment of reserve funds.
2. **Purpose of the Reserve Fund.** The purpose of the Reserve Fund shall be to responsibly fund and finance the projected repair and replacement of those portions of the Community that the Association is responsible for and for such other funding as the Board of Directors may determine. The portions of the Community that the Association is responsible for typically have limited but reasonably predictable useful lives.
3. **Standard of Care.** Both Colorado's Prudent Investor Rule, known as "Uniform Management of Institutional Funds Act (UMIFA) and the Uniform Prudent Investor Act (UPIA) provide a basis for the standard of care needed.

UMIFA provides that when investing association funds, board members will meet the necessary standard of care if they:

- (a) Exercise ordinary care and prudence given the current facts & circumstances (i.e. the economy; the association's general financial condition etc.)
- (b) Consider what the association will need both in the short term and long term to meet the association's purposes and all of its financial requirements as well as its financial requirements as well as its financial goals.

UPIA sets out similar standard of care, requiring board members to

- (a) Invest & manage assets like a prudent investor by considering all relevant circumstances of the association, including its purposes, terms and distribution requirements

- (b) Make all investment & management decisions considering the entire investment portfolio
- (c) Make all investment & management decisions as part of an investment strategy that appropriately balances risks and returns for the association

Colorado Revised Nonprofit Corporation Act section 7-128-401 reflects that board members are bound by the standards of conduct. The officers and members of the Board of Directors shall make investment decisions in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the Director or officer reasonably believes to be in the best interests of the Association in accordance with the Colorado Revised Nonprofit Corporation Act.

4. Investment of Reserves. The Board of Directors of the Association shall invest funds held in the Reserve Funds accounts to generate revenue that will accrue to the Reserve Funds accounts balance pursuant to the following goals, criteria and policies:
  - (a) Safety of Principal. Promote and ensure the preservation of the Reserve Fund's principal.
  - (b) Liquidity and Accessibility. Structure maturities to ensure availability of assets for projected or unexpected expenditures.
  - (c) Minimal Costs. Investments costs (redemption fees, commissions, and other transactional costs) should be minimized.
  - (d) Diversify. Mitigate the effects of interest rate volatility upon reserve assets.
  - (e) Return. Funds should be invested to seek a reasonable rate of return.
5. Limitation on Investments. Unless otherwise approved by the Board, all investments will be FDIC (Federal Deposit Insurance Corporation) insured and/or guaranteed by the United States Government.
6. Investment Strategy. The investment strategy of the Association should emphasize a long-term outlook by diversifying the maturity dates of fixed-income instruments within the portfolio utilizing a laddered investment approach.
7. Independent Professional Investment Assistance. The Board of Directors of the Association may hire a qualified investment counselor to:
  - (a) assist in formulating a specific investment strategy.
  - (b) review, or audit all association financial records periodically and when there is a change in the position of the Treasurer.
  - (c) prepare and file all necessary returns.

The Board of Directors shall hire a qualified investment counselor to review, or audit all association financial records when requested by the owners of one-third (1/3) of the association's units. 38-33.3-303(b)(1)-(IV)

8. Review and Control. The Board shall review Reserve Fund investments periodically to ensure that the funds are receiving competitive yields and shall make prudent adjustments as needed.

9. Reserve Study. In order to determine funding of the Reserve Fund, the Board of Directors may determine, with the assistance and advice of professionals, the life expectancy of those portions of the Community to be maintained by the Association and the anticipated costs of maintaining, replacing and improving those identified areas (hereinafter referred to as a "Reserve Study").
10. Review of Reserve Study. The Board of Directors shall cause the Reserve Study, if any, and reserve funding to be reviewed and updated periodically, at least once every year to adjust and make changes in costs, inflation and interest yield on invested funds, plus modification, addition or deletion of components.
11. Definitions. Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.
12. Supplement to Law. The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Declaration and the law of the State of Colorado governing the community.
13. Deviations. The Board may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances.
14. Amendment. This policy may be amended from time to time by the Board of Directors.

**PRESIDENT'S and  
SECRETARY'S  
CERTIFICATION:**

The undersigned, being the President and Secretary of the 20<sup>th</sup> Hole Townhomes Association, Ltd., a Colorado nonprofit corporation, certify 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 on this 6-25-2008 and in witness thereof, the undersigned has subscribed their names.

20<sup>th</sup> Hole Townhomes Association, Ltd.

By:   
President

ATTEST:

By:   
Secretary

Original signed copy on file with: