

TOWN CENTER LOT 19 BUILDING CONDOMINIUM ASSOCIATION

EXECUTIVE BOARD

RESOLUTION

**INVESTMENT OF RESERVE FUNDS AND  
PERFORMANCE OF RESERVE STUDY**

December \_\_\_\_, 2013

The Executive Board of Town Center Lot 19 Building Condominium Association, a Colorado nonprofit corporation (the "Association"), hereby approves and adopts the following Resolution:

**RESOLVED**, that the following Policy of the Association related to Investment of Reserve Funds and Performance of Reserve Study is hereby adopted and ratified and replaces in its entirety any policy governing investment of reserve funds and/or performance of reserve study that was previously adopted by the Association:

1. Scope. In order to properly maintain areas in Town Center Lot 19 Building Condominiums that are the responsibility of the Association, to comply with state statutes, to manage reserve funds, and to protect the market value of Owners' units and usability/livability in Town Center Lot 19 Building Condominiums, the Executive Board determines that it is necessary to have policies and procedures for the investment of reserve funds and the performance of a reserve study.

2. Purpose of the Reserve Fund. The purpose of the reserve fund ("Reserve Fund") shall be to responsibly fund and finance the projected repair and replacement of those portions of Town Center Lot 19 Building Condominiums that the Association is responsible for and for such other funding as the Executive Board may determine. Certain of the portions of Town Center Lot 19 Building Condominiums that the Association is responsible for typically have limited but reasonably predictable useful lives.

3. Investment of Reserves. The Executive Board 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*. Investment 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.

4. 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.
5. 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.
6. Independent Professional Investment Assistance. The Executive Board of the Association may hire a qualified investment counselor to assist in formulating a specific investment strategy.
7. 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.
8. Reserve Study. In order to determine funding of the Reserve Fund, the Executive Board may determine with the assistance and advice of professionals if so requested by the Executive Board, the life expectancy of those portions of Town Center Lot 19 Building Condominiums 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"). Although it shall have no obligation to cause a Reserve Study to be prepared at all, the Executive Board may cause a Reserve Study to be prepared at such time as is determined in the sole discretion of the Executive Board. The Reserve Study shall be based on a physical analysis and financial analysis. Any Reserve Study may be conducted internally by the Association.
9. Funding Plan. In the event a Reserve Study recommends any work, the funding plan for such work shall be as determined by the Board in the exercise of its business judgment and with regard to the recommendations of the Reserve Study. The Reserve Fund is the projected source of funding for any work recommended by the Reserve Study. The Reserve Fund shall be funded through regular assessments and, when necessary, special assessments levied by the Association.
10. Review of Reserve Study. The Executive Board shall cause the Reserve Study, if any, and reserve funding to be reviewed and updated periodically, to adjust and make changes in costs, inflation and interest yield on invested funds, plus modification, addition or deletion of components.
11. Standard of Conduct. With regard to the investment of the Reserve Fund, the officers and Directors of the Association shall discharge such persons' duties as a Director or officer:
  - a. In good faith;
  - b. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
  - c. In a manner the Director or officer reasonably believes to be in the best interests of the Association.
12. Definitions. Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

13. 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 Association.

14. 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.

### **CERTIFICATION**

I, the undersigned, do hereby certify:

That I am a duly elected and acting Secretary of the Association; and

That the foregoing Resolution was duly adopted by action of the Executive Board of the Association at its meeting held on \_\_\_\_\_, at which a quorum was present.

Dated: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_, Secretary