

# CINNAMON VILLAGE HOMEOWNER'S ASSOCIATION, INC.

## INVESTMENT OF RESERVE FUNDS POLICY

**PURPOSE:** To provide guidance regarding the investment of the Association's reserve funds.

**AUTHORITY:** The following procedures have been adopted pursuant to the provisions of C.R.S. 38-33.3-209.5

**EFFECTIVE**

**DATE:** \_\_\_\_\_, 2017

**RESOLUTION:** The Association hereby adopts the following Investment of Reserve Funds Policy:

1. Investment Objectives: All reserve funds shall be deposited and invested by the Association's Board of Directors in a manner that accomplishes the following objectives.
  - (a) Minimize Risk. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. The Association shall minimize risk, including the risk of loss due to the failure of the financial institution, by:
    - i. Limiting investments to the safest types of investments, such as money market accounts and/certificates of deposit.
    - ii. Pre-qualifying the financial institutions, brokers/dealers, and advisors with which the Association does business; and
    - iii. Diversifying the investment portfolio so that potential losses on individual investments will be minimized.
  - (b) Liquidity of Funds. The investment portfolio shall remain sufficiently liquid to meet all planned reserve fund expenditures for the following fiscal year. To ensure that adequate reserve funds are available to pay the Associations reserve expenditures, funds should be invested primarily in short-and intermediate-term investments.
  - (c) Yield. The Association's portfolio shall earn a competitive market rate of return on available funds, taking into account the Association's cash flow needs and low investment risk.
2. Board member responsibility. 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 interest of the Association. To discharge this duty, the Association may hire a qualified investment counselor to assist in formulating a specific investment strategy.
3. Selection of Banks. Banks and savings institutions providing depository and other banking services for the Association shall be approved by written resolution by the Board of Directors. To be eligible for authorization, a bank must be domiciled in the United States and be a member of the FDIC. Banks failing to meet this minimum criteria, or, in the judgement of the Board of Directors, no longer offering adequate safety to the Association funds, shall be unauthorized to provide depository and other banking services for the Association.

4. Reporting. On an annual basis, an investment report shall be prepared and submitted by the Treasurer or an outside advisor, who will provide such report to the Board of Directors in a timely manner, listing the reserve fund investments held by the Association and the current market valuation of the investments. The report shall include a summary of investment earnings during prior fiscal year. The Board shall make this report available to Members upon request.
5. Review of Investments. The Board shall review the Association's investments periodically to ensure that the funds are receiving competitive yields and shall make prudent adjustments as needed.
6. Definitions. Unless otherwise defined in this Policy, capitalized terms defined in the Declaration shall have the same meaning herein.
7. Supplement to Law. The provisions of this Policy shall be in addition to and in supplement of the terms and provisions of the Declaration and Colorado law.
8. Amendment. This Policy may be amended from time to time by the Board of Directors.

**PRESIDENT'S  
CERTIFICATION:**

The undersigned, being President of the Cinnamon Village Homeowner's Association Inc., certifies that the foregoing Dispute Resolution Policy was adopted by the Board of Directors of the Association at a duly called and held meeting of the Board on \_\_\_\_\_, 2017, and in witness thereof the undersigned has subscribed his/her name.

**CINNAMON VILLAGE  
HOMEOWNER'S ASSOCIATION, INC.**

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