

RAINBOW LAKE ESTATES HOMEOWNERS ASSOCIATION

POLICY

INVESTMENT OF RESERVES

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

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

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

EFFECTIVE DATE: *January 8, 2014*

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 establishes 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 deems appropriate. The portions of the Community that the Association is responsible for may have limited but reasonably predictable useful lives.

3. 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.

(b) Promote and ensure the preservation of the Reserve Fund's principal.

(b) Liquidity and Accessibility. Structure maturity dates of financial instruments to ensure availability of assets for projected and 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 appropriate levels 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 Board of Directors of the Association may hire a qualified investment counselor to assist in formulating a specific investment strategy.

7. Review and Control

The Board shall cause a review of the Reserve Fund in the first quarter of each even numbered year to ensure that the funds are receiving competitive yields, reserve accruals are adequate, and projected funding of future reserves is adequate and shall make prudent adjustments as needed.

8. Standard of Care

The officers and members of the Board of Directors shall make investment decisions in good faith, with the care that a 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.

9. Definitions

Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

10. 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.

11. 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.

12. Amendment

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

PRESIDENT'S CERTIFICATION:

The undersigned, being the President of the Association, certifies that the foregoing Resolution was adopted by the Board of Directors of the Association in accordance with the Bylaws of the Association on January 7, 2014 and in witness thereof, the undersigned has subscribed his/her name.

RAINBOW LAKE ESTATES HOMEOWNERS ASSOCIATION,

a Colorado nonprofit corporation,

A handwritten signature in black ink, appearing to read "D. J. Swain". The signature is written in a cursive, flowing style with a prominent initial "D".

By:

President,

Rainbow Lake Estates Home Owners Association