

A Resolution of Morningside Homeowners Association, Inc.

Subject: **Investment of Reserve Funds Policy**
Purpose: To clarify policy
Authority: Morningside's Declaration, Bylaws and Articles of Incorporation, and Colorado Law
Effective Date: January 1, 2007

RESOLUTION: The Morningside Condominium Association, Inc. hereby adopts the following policies and procedures regarding the Investment of Reserve Funds.

Assessment Reserves. Each Owner is required to deposit at time of initial purchase and thereafter to maintain with the Association *Contributed Capital (Assessment Reserves)* totaling three times the amount of the current monthly installment of the annual Common Expense Assessment. Such funds shall be invested in accordance with a prudent investment policy of the Association adopted by the Board of Directors, that does not place principal at risk. Contributed capital funds shall not be commingled with capital reserve funds. See *Amended, Restated and Consolidated Declaration of the Morningside Condominiums*, Page 13, Section 5.7.

Capital Reserves. *Capital reserve funds* shall be invested in accordance with a prudent investment policy, adopted by the Board, that does not place principal at risk. These funds shall not be commingled with the *Contributed Capital* funds (*Assessment Reserves*). See *Amended, Restated and Consolidated Declaration of the Morningside Condominiums*, Page 14, Section 5.8.

Fiscal Management of Reserves. See *Amended and Restated Bylaws of Morningside Homeowners Association, Inc.*, Pages 10-11, Article 5.2 (b), for more details about the following:

The purpose of the reserves is to equitably distribute the cost of both short and long term operations among the unit owners and to minimize the impact of anticipatable needs upon assessments. All reserve funds shall be maintained in interest bearing accounts, insured. Withdrawals from the reserve accounts may only be used for restoration, repair or replacement of existing improvements, not for new facilities or additions to improvements to existing facilities of property. The Board may borrow from reserve accounts for existing operations, providing such loans are repaid to the reserve accounts within two (2) years.

Reserve accounts include both *Assessment Reserves*, and *Capital Reserves*, referenced above.

The factors used and the method of determining the reserve requirements shall be maintained in writing for the information of the unit owners and for use in subsequent planning. Tax implications of the maintenance of the reserves and the Three Month Assessment account required by the Condominium Declaration shall be considered in the development and maintenance of all such accounts.

Compliance with Colorado Law. 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.

Morningside Homeowners Association, Inc.