

RIVER WALK SUBDIVISION HOME OWNERS ASSOCIATION

INVESTMENT OF RESERVE FUNDS AND RESERVE STUDY POLICY

Effective November 26, 2024

The following Policy has been adopted by the **River Walk Subdivision Home Owners Association, Inc.**, a Colorado nonprofit corporation commonly referred to as the **River Walk Subdivision Home Owners Association** (Association), pursuant to the provisions of C.R.S. § 38-33.3-209.5, at a regular meeting of the Board of Directors (Board) for the benefit of the Association and its owners or members (Owner(s)).

Purpose: To provide for a policy and procedures to address the management of the Association's investment of its reserve funds and the funding plan for any work recommended by a reserve study.

WHEREAS, the Colorado Common Interest Ownership Act requires common interest communities to adopt policies, procedures, and rules and regulations concerning the investment of reserve funds and the funding plan for any work recommended by a reserve study.

NOW, THEREFORE, IT IS RESOLVED that the Association does hereby adopt the following Policy governing the investment of reserve funds and the funding plan for any work recommended by a reserve study:

1. Investment Objectives: This Policy is designed to protect and preserve reserve funds for maintenance, repair, and replacement of those items for which the Association is responsible and that must be periodically maintained, repaired, or replaced (Reserve Fund). Reserve Funds are to be invested in a manner that assures maximum safety and appropriate liquidity and, secondarily, maximizes yield within such constraints. The investment objectives are, in order of priority, as follows:

- a. Preservation and safety of principal;
- b. Liquidity to meet expected and unexpected expenditures; and
- c. Maximization of yield.

2. Reserve Fund Investment Responsibilities:

a. The Board has sole authority to approve and amend, alter, or otherwise make changes to this Policy. Any modifications to this Policy shall be in writing and approved by the Board in accordance with its amendment policy.

b. The Board shall have direct control with regard to opening appropriate bank accounts and establishing safekeeping accounts or other arrangements for the custody of securities and execute such documents as may be necessary for the Reserve Fund. The Board may employ the service of a qualified investment advisor to direct a portion or all of the investment activities of the Association consistent with guidelines set forth in this investment policy.

c. The Board will monitor ongoing investment activities to ensure property safety and liquidity of the Reserve Fund are being provided and that the investment strategy is consistent with the Association's objectives. The Board shall review investment performance no less than quarterly.

3. Reserve Fund Investment Guidelines:

a. Eligible Investments: The Reserve Fund portfolio will be limited to the following investments:

- i) Certificates of deposit (CDs);
- ii) Money market deposit accounts;
- iii) Money market funds; and
- iv) U.S. treasuries and U.S. treasury zero coupons.

b. Credit Quality Restrictions: All investments shall be AAA-rated or U.S. Treasury securities.

c. Maturity Limits:

- i) No individual investment may exceed two (2) years in maturity; and
- ii) The weighted average maturity of the portfolio will not exceed one (1) year. The Association must structure its investment portfolio in order to meet anticipated cash requirements.

d. 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.

e. Custodian: Investments will be held in custodial accounts with approved banks or financial institutions federally insured either through FDIC or the U.S. Government, with no more than two hundred and fifty thousand dollars (\$250,000.00) held in any one bank.

4. Reserve Fund Investment Procedures:

a. Transfers of budgeted additions to reserves shall be made at least annually;

b. A quarterly report of earnings shall be prepared by a bookkeeper or financial advisor and presented at a Board meeting;

c. To withdraw funds from investment accounts, a signature must be provided by one of the following, except when making transfers between accounts of the Association:

- i) Two Board members;
- ii) Association bookkeeper; or
- iii) Association financial advisor.

d. In addition to any requirements provided by the Declaration, the Association shall obtain coverage by fidelity insurance to protect the Association from loss due to theft for any person with access to its investments.

5. Reserve Studies: In order to determine funding of the Reserve Fund, the Board may determine with the assistance and advice of professionals if so requested by the Board, the life expectancy of those portions of Association 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 Board may cause a Reserve Study to be prepared at such time as is determined in the sole discretion of the Board. The Reserve Study shall be based on both a physical analysis and financial analysis. Any Reserve Study may be conducted internally by the Association. 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. The 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.

6. 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.

7. Supplement to Law. The provisions of this Policy shall supplement and be in addition to the terms and provisions of the Declaration and the law and the State of Colorado governing the Association.

8. Modification. The Board reserves the right, from time to time, to amend or repeal this Policy, subject to any limitations placed on the Board in the Governing Documents or by law.

9. Definitions. Unless otherwise defined in this Policy, capitalized terms shall have the same meaning ascribed by the Declaration.

10. Replacement. This Policy supersedes and replaces prior policies adopted by the Board dealing with the subject matter herein.

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This Investment of Reserve Funds and Reserve Study Policy was adopted by the Board of Directors on November 26, 2024.

**River Walk Subdivision Home Owners
Association**

By: _____

Name: _____

Board Member