

**THE SHORES AT THE HIGHLANDS ASSOCIATION, INC.
RESERVE FUND INVESTMENT POLICY**

Adopted December 29, 2021

The following policy has been adopted by The Shores at The Highlands Association, Inc. (“Association”) pursuant to the provisions of C.R.S. 38-33.3-209.5, at a regular meeting of the Board of Directors (the “Board”).

Purpose: To adopt a policy for: (1) the safeguarding and management of reserve fund monies designated for maintenance and repair of Common Areas and capital improvements of the Association, (2) guidance to employees of the Managing Agent responsible for banking and investment activities, (3) assistance to Board members responsible for Association’s financial and investment activities, and (4) instruction to other third parties offering or providing banking and investment services to the Association, including brokers/dealers, banks, consultants, savings institutions, and custodians.

The following investment policy specifies the objectives and practices which must be adhered to for the safekeeping and prudent fiscal investment management of the Association’s reserve funds. Monies eligible for investment, including reserve funds, are those that are not required to fund the current year’s operations, maintenance, and capital improvement obligations. This policy does not set forth: (1) the minimum reserve fund balance required of the Association; (2) any mandate for an annual reserve fund study; or (3) the tax consequences of the investment options contained herein.

THEREFORE, IT IS RESOLVED that the Association does hereby adopt the following Reserve Fund Investment Policy:

1. Investment Objectives

Monies held for future expenditures for maintenance and repair of Common Areas and capital improvements as a part of the reserve fund shall be deposited and invested by the Association in accordance with Colorado Revised Statutes and Board resolutions to accomplish the following objectives:

- A. Safety of Funds: Safety of principal is the foremost objective of the investment program. Prudent investments shall be undertaken in a manner that seeks to balance the preservation and liquidity of capital with generating an appropriate rate of return in consideration of the market conditions. The Association will minimize credit risk, the risk of loss due to the failure of the financial institution or a decline in investment risk quality, by pre-qualifying the financial institutions, brokers/dealers, and advisors for use by the Association, including not investing cash and cash equivalents in a single institution in excess of the insured limits.
- B. Liquidity of Funds: The investment portfolio shall remain sufficiently liquid to meet the scheduled timing of reserve fund expenditures for the current and upcoming fiscal years as well as allowing access to such funds for any unexpected need without incurring a significant loss of income. In determining the terms of the reserve fund investments, the length of the investment term shall consider the expected timing of needed funds to cover Association common area improvements and maintenance as well as the current and expected future interest rate environment. No individual investment maturity shall exceed three years without the Board’s express prior authorization. Consideration shall be given to staggering the maturity dates of investments to minimize interest rate risk.

- C. Types of Investments: Investment of the reserve funds shall be limited to insured fixed-rate income instruments or accounts that are considered to be low risk, including Certificates of Deposits, Money Market Accounts or U.S. Treasury bills.
- D. Yield: While the priority is to preserve capital and minimize the risk of investment loss, the invested reserve funds are expected to earn a competitive market yield or rate of return for the eligible investment types in the given budgetary and economic cycle.

2. Delegation of Authority

Responsibility for conducting the Association's cash management and investment transactions consistent with this Policy resides with the Treasurer. Any change to the Association's investment strategy or instrument types outlined in this Policy requires Board approval. The Association's President, who may also be the Treasurer, is an authorized person to assist the Treasurer in performing investment management, cash management, or treasury functions. Persons authorized to transact investment business for the Association are limited to these two officers and, as delegated by the Board, to the Association's Managing Agent. The Treasurer will provide a copy of this investment policy to each of the Association's investment service providers. Association Members will receive a copy of this investment policy from the Treasurer upon request. The Treasurer may engage the support services of outside professionals, subject to the availability of budgeted funds and approval from the Board. The Board shall provide a copy of this policy to the newly elected Treasurer upon assumption of office.

3. Ineligible Investments and Transactions

The following investments are not permitted:

- A. Individual stocks or bonds, whether corporate or issued by tax-exempt authority;
- B. Mutual funds of equities, bonds, mortgages, or derivatives;
- C. Investments not traded on U.S. stock markets/exchanges or deemed illiquid;
- D. Options or futures contracts of any kind, including commodities;
- E. Floating rate securities; and
- F. Cryptocurrency and similar investments deemed as high-risk.

4. Selection of Banks and Credit Unions as Depositories and Providers of General Banking Services

Banks, savings institutions, and credit unions shall be approved by written resolution by the Board to provide depository and other banking services for the Association. To be eligible for authorization, a bank and savings institution must be domiciled in the U.S. and be a member of and insured by the FDIC. To be eligible for authorization, a credit union must be domiciled in the U.S. and accounts must be insured by the National Credit Union Share Insurance Fund (NCUSIF). Banks, saving institutions and credit unions failing to meet the minimum criteria outlined in this paragraph, or, in the judgment of the Treasurer or Board, no longer offering adequate safety to the Association funds, shall be prohibited from providing depository and other banking services for the Association.

5. Annual Reporting

An annual investment report shall be prepared and submitted by the Treasurer or an outside advisor, who will provide such report to the Board in a timely manner, listing the reserve fund investments held by the Association and summarizing the additions, withdrawals, and gain or loss by investment type for the past fiscal year. The Board shall make available to requesting Members a listing on an itemized basis as to amount, type, and rate of return, of the instruments, funds and accounts in which Association funds are invested or deposited.

6. Policy Review and Revisions

The Board shall review this Reserve Fund Investment Policy periodically to determine if amendments to this Policy are warranted or modification in the investment strategy or investment types is desired. The Treasurer may recommend amendments to this Policy, as necessary, for Board approval.

The Shores at The Highlands Association, Inc.



President

This Reserve Fund Investment Policy was adopted by the Board of Directors on the 29th day of December, 2021, effective the 29th day of December, 2021, and is attested to by the Secretary of The Shores at The Highlands Association, Inc.



Secretary