

**THE WOODY CREEK TOWNHOMES ASSOCIATION NO. 1 REGARDING
INVESTMENT OF RESERVE POLICY**

SUBJECT: Adoption of a policy governing the investment of Association reserve funds to ensure safety of principal, liquidity, and prudent stewardship consistent with fiduciary duties and applicable law.

PURPOSE: The purpose of this Policy is to establish prudent standards for the investment of reserve funds in a manner that protects Association assets, supports long-term financial stability, and ensures compliance with the Colorado Common Interest Ownership Act (“CCIOA”) and the Association’s governing documents.

AUTHORITY: This Investment of Reserve Funds Policy (“Policy”) is adopted pursuant to the Declaration, Articles of Incorporation, and Bylaws of the Association, and in accordance with the Colorado Common Interest Ownership Act (“CCIOA”), **C.R.S. §38-33.3-101 et seq.**, including **§38-33.3-209.5(2)(b)(IV)**, and applicable provisions of the Colorado Revised Nonprofit Corporation Act.

This Policy shall be applied in coordination with the Association’s:

- Reserve Study & Funding Policy (2025)
- Procedures for Collection of Unpaid Assessments Policy (2025)
- Conflict of Interest & Director Ethics Policy (2025)

EFFECTIVE DATE: OCTOBER 1, 2025

(Supersedes Investment of Reserve Policy adopted March 3, 2021)

RESOLUTION: The Board of Directors of the Association hereby adopts the following Policy based on the findings below

WHEREAS, the Board of Directors of the Association owes fiduciary duties of care, loyalty, and good faith to the Association and its Members, including the responsibility to safeguard Association funds and manage reserve assets prudently; and

WHEREAS, the Colorado Common Interest Ownership Act (“CCIOA”) requires common interest communities to adopt policies governing the funding and investment of reserve accounts to promote responsible financial governance; and

WHEREAS, the Board of Directors recognizes that reserve funds are critical to the repair, replacement, and restoration of the Association’s Common Elements and must be invested conservatively to preserve principal and ensure availability when needed; and

WHEREAS, the Board of Directors has determined that adopting clear, uniform, and prudent reserve investment standards is necessary to protect the Association’s financial stability and to avoid shifting financial risk to Owners in good standing;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby adopts the following Investment Of Reserve Policy, to be effective as provided herein.

1. SCOPE

- a. 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 determines that it is necessary to have policies and procedures for the investment of reserve funds.
- b. All reserve funds shall be invested in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner reasonably believed to be in the best interests of the Association.

2. PURPOSE OF THE RESERVE FUND

- a. 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 may determine. The portions of the Community that the Association is responsible for typically have limited but reasonably predictable useful lives.

3. INVESTMENT OF RESERVES

- a. 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:
 - i. Safety of Principal. Promote and ensure the preservation of the Reserve Fund's principal.
 - ii. Liquidity and Accessibility. Structure maturities to ensure availability of assets for projected or unexpected expenditures.
 - iii. Minimal Costs. Investment costs (redemption fees, commissions, and other transactional costs) should be minimized.
 - iv. Diversify. Mitigate the effects of interest rate volatility upon reserve assets.
 - v. Return. Funds should be invested to seek the **appropriate** level of return, consistent with safety and liquidity objectives.

4. LIMITATION ON INVESTMENTS

- a. Unless otherwise approved by the Board, all investments will be FDIC (Federal Deposit Insurance Corporation) insured and/or guaranteed by the United States Government.
- b. Reserve funds may be invested only in the following:
 - i. Federally insured deposit accounts, including savings accounts, money market accounts, and certificates of deposit, within applicable FDIC insurance limits;
 - ii. Obligations of, or obligations guaranteed by, the United States government.
- c. Reserve funds shall **not** be invested in equities, derivatives, speculative instruments, or other investments that expose the Association to undue risk.

5. INVESTMENT STRATEGY

- a. 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. USE OF FINANCIAL INSTITUTIONS

- a. All reserve funds shall be held in accounts titled in the name of the Association at financial institutions authorized to do business in the State of Colorado.

7. INDEPENDENT PROFESSIONAL INVESTMENT ASSISTANCE

- a. The Board of Directors of the Association may hire a qualified investment counselor to assist in formulating a specific investment strategy.

8. REVIEW AND CONTROL

- a. The Board shall review Reserve Fund investments periodically to ensure that the funds are receiving competitive yields and shall make prudent adjustments as needed.
- b. Reserve investment decisions shall be documented in the Association’s records.

9. NO SPECULATION

- a. Reserve funds shall not be invested for speculative purposes or to achieve short-term gains at the expense of safety or liquidity.

10. STANDARD OF CARE

- a. 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.

11. DEFINITIONS

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

12. SUPPLEMENT TO LAW

- a. 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.

13. DEVIATIONS

- a. The Board may deviate from the procedures set forth herein when reasonable under the circumstances, provided such deviation does not violate CCIOA or the Association’s governing documents

14. AMENDMENT

- a. This Policy may be amended by the Board of Directors at a duly noticed meeting.

15. SEVERABILITY

- a. If any provision of this Policy is held invalid or unenforceable, the remaining provisions shall remain in full force and effect.

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16. ADOPTION AND EFFECTIVE DATE

- a. This Policy was adopted by resolution of the Board of Directors at a duly noticed meeting and is effective as of:

Meeting Date: 1/4/2026

Effective Date: 10/1/2025

CERTIFICATION

The undersigned certifies that this Policy was duly adopted by the Board of Directors of the Association in accordance with CCIOA and the Association’s governing documents.

Woody Creek Townhomes Association No. 1

A Colorado Non-Profit Corporation

By: 

Title: President

Date: 1/4/2026