

POLICY LETTER F

Reserve Studies and Investing Association Reserves

1. **Standards.** The directors and officers of the Sylvan Meadows Property Owners Association (the "Association") must meet the standards of care required for Colorado non-profit corporations when investing reserve funds. Those standards require directors and officers to act:

- (a) in good faith;
- (b) with the care an ordinarily prudent person in a like situation would exercise under similar circumstances; and
- (c) in a manner the director or officer reasonably believes to be in the best interest of the association.

2. **Reliance on Professionals.** In discharging this duty, directors and officers may rely on people who the directors or officers reasonably believe have professional or expert competence, such as property managers.

3. **Investment Procedures.** The board of directors (the "Board") shall establish the amount to be transferred to reserve funds on an annual basis. Reserves may be invested in certificates of deposit, money market deposit accounts, money market funds, U.S. treasury and government obligations, municipal bonds and other state obligations, and other investments recommended by a financial advisor pursuant to the Association's investment goals. No funds shall be deposited or invested except in authorized investment funds. All investments will be insured by FDIC, SIPC or comparable insurance.

4. **Investment Goals.** The reserve funds shall be invested to achieve the following goals, in descending order of importance:

- (a) Promote and ensure the preservation of principal;
- (b) Structure maturities to ensure liquidity and accessibility of funds for projected or unexpected expenditures;
- (c) Mitigate the effects of interest rate volatility upon reserve assets;
- (d) Seek the highest level of return that is consistent with preserving the principal and accumulated interest; and
- (e) Minimize investment costs.

5. **Investment Circumstances.** The Board may consider the following circumstances in investing reserve funds:

- (a) General economic conditions;
- (b) Possible effect of inflation or deflation;
- (c) Expected tax consequences;
- (d) Role that each investment plays in the overall investment portfolio;
- (e) Other resources of the Association.

6. **Review of Accounts.** All accounts, instruments and other documentation of such investments shall be subject to the approval of, and may from time to time be amended by, the Board as appropriate, and shall be reviewed at least once per year.

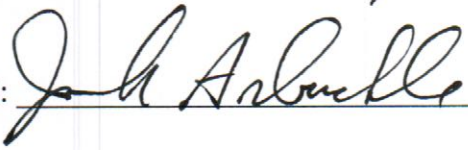
7. **Authority of Officers.** The President, Treasurer or other Director, if authorized by the Board, shall be authorized and empowered to purchase, invest in, acquire, sell or assign any and all types and kinds of investments meeting the goals in paragraph four; and to enter into agreements, controls and arrangements with respect to such security transactions and to execute, sign or endorse agreements on behalf of the Association. To withdraw or transfer funds, the signature of two of the aforementioned persons shall be required.

8. **Fidelity Insurance.** The Association shall carry fidelity insurance to protect against theft or dishonesty from anyone with access to the reserve funds.

9. **Monthly Statements.** The Association's manager or other person designated by the Board shall maintain monthly statements, including detailed accounting of current values, income and all transactions.

10. **Reserve Studies.** The Association may or may not have undertaken a reserve study in the past, and the Board may, at its sole discretion, have reserve plans or reserve studies done in the future, but absolutely no representation is made as to the frequency of such reserve studies, the source of any current or projected funding for reserves, or whether those studies will be based upon physical analysis, financial analysis or both. The Board may decide to conduct reserve plans or reserve studies internally or to use outside professionals, and it may decide to modify, add or delete any component of any reserve plan, study or Association budget. Copies of any future reserve study or financial document may be available in accordance with the Association's Records Rule.

Adopted this 21ST day of May, 2018, by the Board of Directors.

Signed: , Board President

F-2