

# Looking Glass Owners Association, Inc.

## Policy Regarding Reserve Funds and Reserve Study

The following procedures have been adopted by the Looking Glass Owners Association, Inc. (the "Association"), pursuant to C.R.S. 38-33.3-209.5, at a regular meeting of the Board of Directors (the "Board").

**Purpose:** To protect and ensure the safety of the assets and capital improvements of the Association and those volunteers who participate in the investment process and to further provide guidance to those who offer investment services to the Association, including brokers/dealers, banks, consultants, savings institutions, and custodians, and provide for reserve study.

The following investment policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal investment management of the Association's reserve funds (the "Reserve Funds"). 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.

NOW, THEREFORE, IT IS RESOLVED that the Association does hereby adopt the following policies and procedures for the investment of the Association's reserve funds:

1. **Primary Source of Reserve Funds.** The primary source of Reserve Funds shall be annual Assessments (as such term is defined in the Master Declaration of Covenants, Conditions and Restrictions for Looking Glass Owners Association, Inc.), a portion of which shall be designated in the Association's annual budget for "reserves" (or similar designation). It is the intention of the Board to use such Reserve Funds to pay the costs, fees and expenses of projected periodic maintenance, repair, replacement and improvement of those portions of the Community that the Association is responsible for, but such is a statement of intent only and should not be construed as a limitation on the use(s) of such Reserve Funds.

2. **Delegation of Authority.** Responsibility for conducting investment transactions for the Association resides with the Treasurer. The President of the Board will be considered 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. Members of the Association will receive a copy of this investment policy from the Treasurer upon request. The Board shall provide a copy of this policy to the newly elected Treasurer at the assumption of office.

3. **Investment of Reserve Funds.** All Reserve Funds shall be held and maintained in one or more trust savings or trust checking accounts at any financial institution in which deposits are insured by an agency of the federal government, and to the extent possible, the funds shall earn a competitive market rate of return on available funds throughout budgetary and economic cycles.

4. **Investment Advisor.** The Board may retain a professional investment advisor to assist in investing its reserve funds pursuant to this Policy.


5. Segregated Accounts. All liquid and non-liquid reserve fund investments shall be maintained in an account or accounts separate from the Association's operating account or accounts.
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7. Types of Investments. The Board shall invest the Association's reserve funds in one (1) or more of the following types of investments:
  - a. FDIC-insured interest bearing liquid bank accounts (money market deposit accounts) with no more than Two Hundred Fifty Thousand Dollars (\$250,000.00) in any one (1) financial institution.
  - b. FDIC-insured certificates of deposit with no more than Two Hundred Fifty Thousand Dollars (\$250,000.00) in any one (1) financial institution.
  - c. Money market funds that invest only in United States Treasuries and Treasury backed securities.
  - d. Treasury bills, notes or bonds purchased with the intent to hold to maturity.
  - e. Any other type of investment that is (a) FDIC-insured or guaranteed by the United States government (but only to the extent of such insurance or guarantee), or (b) an obligation of the United States government.
8. Liquidity. The Board shall maintain from time to time a sufficient portion of its reserve funds in one ( 1) or more liquid accounts to meet required expenditures for repairs or replacement that the Association will incur before its non-liquid assets mature.
9. Laddering of Non-Liquid Investments. The Association's non-liquid investments should be structured with laddered maturity dates so that the investments mature during successive time periods. The length of maturities should be based on market conditions and the Association's anticipated repair and replacement needs. This laddering strategy is intended to provide the Association with the benefit of longer term rates, which are customarily higher than short-term rates, while maintaining sufficient liquidity from time to time to meet the Association's repair and replacement schedule.
10. Control of Investments. All reserve fund investments will be made in the name of the Association. Any withdrawal or transfer of reserve funds requires the signatures of at least two (2) Association officers or Board members.
11. Ineligible Investments and Transactions. The Association has no authority to invest in any investment accounts other than those specified herein.
12. Selection of Banks as Depositories and Providers of General Banking Services. Banks and savings institutions 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

must be domiciled in the United States and have physical facilities for doing business in the State of Colorado, a member of the FDIC and must meet the minimum credit criteria of credit analysis provided by commercially available bank rating services. Banks failing to meet the minimum criteria, or, in the judgment of the Treasurer or Board, no longer offering adequate safety to the Association funds, shall be unauthorized to provide depository and other banking services for the Association.

13. Reporting. On an annual basis, an 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 the current market valuation of the investments. The report shall include a summary of investment earnings during the prior fiscal year. The Association members shall have access to the list of Association reserve fund portfolio holdings.

14. Policy for Reserve Study. Initially, the Board shall determine the improvements, including the road, that must be maintained, repaired, replaced and improved by the Association on a periodic basis. Periodically, but no less frequently than every five (5) years, the Association shall retain a consultant qualified to determine the maintenance, repair, and replacement of the improvements that will be necessary, the estimated cost of such work, and the estimated date when such work will be required. After review and consideration of the consultant's report, the Association shall establish an amount to be included within the annual assessment for such costs and expenses and, upon collecting such amount, shall deposit the funds into a reserve account to be used for the purpose of paying the cost of maintaining, repairing, and replacing, such improvements as and when necessary.

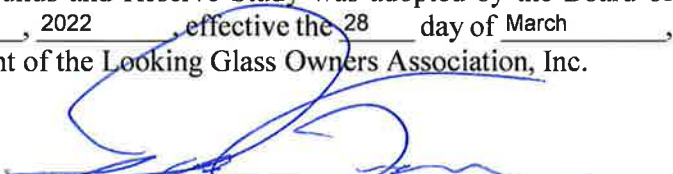
Looking Glass Owners Association, Inc.



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Don Guerra, President

This Policy Regarding Reserve Funds and Reserve Study was adopted by the Board of Directors on the 28 day of March, 2022, effective the 28 day of March, 2022, and it is attested to by the President of the Looking Glass Owners Association, Inc.



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Don Guerra, President