

# Red Fox Hills Homeowners Association

## Investment of Reserves Policy

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(Adopted pursuant to C.R.S. § 38-33.3-209.5 and § 38-33.3-209.4)

### 1. Purpose

This Investment of Reserves Policy ("Policy") is adopted by Red Fox Hills Homeowners Association ("Association") to establish prudent standards and procedures for the investment, protection, and management of the Association's reserve funds in accordance with Colorado law. The primary objectives of this Policy are safety, liquidity, and reasonable yield — in that order.

### 2. Authority

This Policy is adopted pursuant to C.R.S. § 38-33.3-209.5(1)(b)(VII), requiring associations to maintain a written policy governing the investment of reserve funds, and C.R.S. § 38-33.3-209.4(1)(b), which requires associations to plan for the maintenance, repair, and replacement of common elements.

### 3. Policy Objectives

The investment objectives of the Association's reserve funds are to:

1. Preserve principal and protect Association assets;
2. Maintain sufficient liquidity to meet anticipated expenditures for capital repairs and replacements; and
3. Earn a reasonable rate of return consistent with sound investment practices and statutory requirements.

### 4. Definitions

- Reserve Funds: Monies set aside by the Association for the future repair, replacement, or restoration of major components of the common elements, as identified in the Association's Reserve Study.
- Board: The duly elected Board of Directors of the Association.
- Qualified Financial Institution: A bank, credit union, or investment institution that is FDIC- or NCUA-insured and authorized to conduct business in the State of Colorado.

### 5. Investment Standards

The Board shall exercise reasonable care, skill, and prudence in managing reserve funds, consistent with the 'prudent investor rule.' All investments shall be made in accordance with the following hierarchy of objectives:

1. Safety of Principal: The preservation of capital shall be the highest priority.
2. Liquidity: Investments shall be readily convertible to cash to meet anticipated or emergency expenditures.
3. Yield: Investments shall achieve the highest return possible consistent with safety and liquidity objectives.

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### 6. Permitted Investments

Reserve funds may be invested in the following instruments:

1. Insured Bank Accounts: Savings, money market, or checking accounts insured by the FDIC or NCUA.
2. Certificates of Deposit (CDs): FDIC- or NCUA-insured certificates with maturities of no more than three (3) years.
3. U.S. Government Securities: Direct obligations of the United States or obligations fully guaranteed by the U.S. government.
4. Local Government Investment Pools (LGIPs): State or county-authorized public investment pools meeting safety and liquidity standards.
5. Other Low-Risk Instruments: Any other investment explicitly approved by the Board that complies with law and the objectives of this Policy.

### 7. Prohibited Investments

To protect Association funds, the following investments are prohibited:

1. Stocks, equities, or mutual funds investing in equities;
2. Derivatives, futures, or options contracts;
3. Corporate bonds or commercial paper not guaranteed by the U.S. government;
4. Foreign securities or currency-based investments;
5. Any investment vehicle with potential loss of principal or high volatility.

### 8. Allocation and Diversification

1. Reserve funds shall be diversified by type, maturity, and financial institution to reduce overall risk.
2. No more than \$250,000 shall be deposited in any single financial institution unless excess amounts are protected through insurance or collateralization.

### 9. Delegation of Authority

1. The Board of Directors retains ultimate responsibility for investment decisions.
2. The Board may delegate fund management to the treasurer, management company, or a qualified financial advisor, subject to Board oversight.
3. Any external advisor must act in a fiduciary capacity and comply with this Policy and all applicable laws.

### 10. Monitoring and Reporting

1. The treasurer or management company shall provide the Board with quarterly investment reports, including account balances, interest earned, and compliance with this Policy.
2. The Board shall review investment performance at least annually or more often if market conditions change.
3. Any deviation from this Policy must be approved by Board resolution.

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### 11. Recordkeeping

All investment records, including account statements, confirmations, and Board approvals, shall be retained for at least seven (7) years in the Association's permanent records in compliance with C.R.S. § 38-33.3-317.

### 12. Ethics and Conflicts of Interest

Board members and agents involved in managing reserve funds shall not:

1. Receive personal benefit or compensation from Association investments
2. Engage in transactions that create a conflict of interest; or
3. Accept gifts, gratuities, or favors from financial institutions handling Association funds.

### 13. Review of Policy

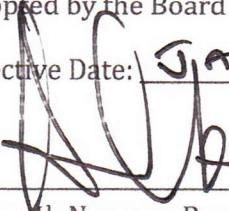
This Policy shall be reviewed at least every three (3) years by the Board of Directors or upon material changes in market conditions, statutory requirements, or the Association's reserve study.

### 14. Effective Date

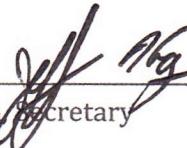
This Policy shall become effective upon adoption by the Board and supersedes any prior investment or reserve management policy.

Adopted by the Board of Directors on: JAN 5, 2026

Effective Date: JAN 5, 2026

By: 

Helmuth Naumer, President, Board of Directors  
Red Fox Hills Homeowners Association

Attest: 

Jeff Kagan, Secretary