

McClelland's Creek Homeowners Association, Inc.

Policy Regarding Reserve Funds

Adopted 10/21, 2013

The following procedures have been adopted by McClelland's Creek Homeowners Association, Inc. (the "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: In order to properly maintain areas that are the responsibility of the Association, to comply with state statutes and to manage funds held in reserve (the "Reserve Funds"), the Board determines that it is necessary to have policies and procedures related to Reserve Funds and the investment of Reserve Funds. The purpose of the Reserve Funds shall be to responsibly fund and finance the projected repair and replacement of those portions of the McClelland's Creek Homeowners Association, Inc. (the "Association"), that the Association is responsible for and for such other funding as the Board may determine.

NOW, THEREFORE, IT IS RESOLVED that the Board does hereby adopt the following policy regarding reserves:

1. **Primary Source of Reserve Funds.** The primary source of Reserve Funds shall be annual Assessments (as such term is defined in the Amended and Restated Declaration of Covenants, Conditions and Restrictions for McClelland's Creek (a Common Interest Community) 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. **Investment of Reserves.** The Board 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:

- (a) Promote and ensure the preservation of the Reserve Fund's principal.
- (b) Structure maturities to ensure availability of assets for projected or unexpected expenditures.
- (c) Minimize investment costs (redemption fees, commissions, and other transactional costs).
- (d) Mitigate the effects of interest rate volatility upon reserve assets.
- (e) Invest funds to seek the highest level of return.

3. Limitation on Investments. Unless otherwise approved by the Board, all investments will be FDIC (Federal Deposit Insurance Corporation) insured and/or guaranteed by the United States Government.

4. Investment Strategy. 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, at the discretion of the Board.

5. Independent Professional Investment Assistance. The Board, in its sole discretion, may hire a qualified investment counselor to assist in formulating a specific investment strategy for the Reserve Funds.

6. Review and Control. The Board shall review Reserve Fund investments periodically to ensure that the funds are receiving competitive yields and shall make prudent adjustments as needed.


7. Reserve Study. In order to determine funding of the Reserve Fund, the Board may determine, in its sole discretion, the life expectancy of those portions of the Community to be maintained by the Association and the anticipated costs of maintaining, replacing and improving those identified areas (hereinafter referred to as a "Reserve Study"). The manner and method of preparation of a Reserve Study shall be as determined in the sole discretion of the Board. Without limiting the range of discretion to be exercised by the Board, preparation of a Reserve Study may be by way of internal assessment of the properties of the Community conducted by the members of the Board, or it may include the assistance and advice of the management company (if any) retained by the Community or other professionals retained by the Board. Each Reserve Study should state whether it is based on a physical analysis and/or a financial analysis.

8. Review of Reserve Study. The Board shall cause the Reserve Study, if any, and reserve funding to be reviewed and updated periodically, at least once every five years, to adjust and make changes in costs, inflation, interest yield on invested funds plus modification, addition or deletion of components.

McClelland's Creek Homeowners Association, Inc.

By: David J. Grant
Name: DAVID J. GRANT
Its: PRES.

Attest



Secretary

This Policy Regarding Reserve Funds was adopted by the Board of Directors on the 21 day of Oct, 2013, effective the 21 day of Oct, 2013, and it is attested to by the Secretary of the McClelland's Creek Homeowners Association, Inc.



Secretary

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