THREE ELK CREEK ESTATES, INC.

POLICY 5: REGARDING THE GENERAL OPERATING, CAPITAL AND CONTINGENCY FUNDS AND INVESTMENT POLICIES

Adopted November 30, 2009
Revised September 18, 2017
Reviewed and Approved January 2023

The following General Operating, Capital, and Contingency Funds and Investment policy has been adopted by the Three Elk Creek Estates, Inc. ("Association") pursuant to its Bylaws and C.R.S. 38-33.3-209.5, at a regular meeting of the Board of Directors.

Purpose: To protect and ensure the safety of the assets and reserves of the Association, to aid 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.

WHEREAS the Association maintains the following types of funds for different purposes: a General Operating Fund: for expenses incurred in the normal course of operations (Bylaws ARTICLE 2-Section 9) and two reserve funds: 1) a Capital Fund: for ***expected*** future capital expenses including enhancements to roads, common areas, the dam, and water works; and 2) a Contingency Fund: for ***unexpected*** expenses, such as: defensive legal expenses, emergency repairs to: roads, dam, ditches, bridges, culverts; and especially to rectify any condition that is hazardous, dangerous or could cause liability to the Association for negligence (Bylaws ARTICLE 2-Section 5).

NOW, THEREFORE, IT IS RESOLVED that the Association does hereby adopt the following policies and procedures for the allocation and investment of the Association's General Operating, Capital and Contingency funds:

I. As part of the budgeting process each year, the Board will determine and the membership shall approve the following:
   A. an Annual Working Budget (Bylaws ARTICLE 7-Section 6 (f)) which shall include the amount of capital funds to be spent on improvements in the coming year, subject to Bylaws Article 6, Section 7: Approval of Disbursements;
   B. any allocations to the Capital Fund to be reserved for future capital expenditures; and
   C. that the balance in the Contingency Fund is in compliance with the Bylaws ARTICLE 5-Section 1 (c), or that the Contingency Fund needs to be replenished (see Section II C. below).

II. Investment Objectives. All funds which are held for General Operating expenses, Capital expenditures or as a part of the Contingency fund shall be deposited and invested by the Association in accordance with Colorado State Statutes and resolutions enacted by the Association's Board of Directors in a manner to accomplish the following objectives:
   A. Safety of Funds. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital, with the objective of mitigating credit risk and interest rate risk. The fund portfolios shall consist largely of Checking, Savings, and Money Market Accounts and/or Certificates of Deposit. The board may not invest in instruments that have credit and interest rate risk such as:

a. Individual Stocks (excepting as noted in section B below);
b. Equity mutual funds domestic or foreign;
c. Mutual funds consisting of bonds or mortgages and or derivatives;
d. Options on equity, debt or commodities;
e. Floating rate securities or floating rate certificates of deposit; and
f. Investment in a single institution in excess of FDIC insurance limits.

B. Liquidity of Funds: The investment portfolio shall remain sufficiently liquid to meet all planned Operating and Capital expenses for the current fiscal year, as well as to meet any unexpected expenditures. The Association's General Operating Fund, for use on month to month bills, (Bylaws ARTICLE 2-Section 9) shall hold, at the beginning of each fiscal year, sufficient monies to cover twelve months of expected expenses, as determined by the annual budget (Bylaws ARTICLE 6-Section 7 and ARTICLE 7-Section 6 (f)). To ensure that adequate funds are available at any time to pay for emergency expenditures, the Contingency Fund must also be held entirely in liquid assets. The funds of Capital reserves held for future years expenditures may be invested in less liquid securities, such as certificates of deposit (CDs) with maturities matching the expected dates of expenditure, or, as shares of the Twin Lakes Reservoir and Canal Company (Twin Lakes shares).

C. Replenishments of Contingency Fund: In the event that the Contingency Fund is under-funded, replenishments shall be made in accordance with the requirements of the Association Bylaws ARTICLE 5-Section 1 (c). In the event of contingency expenditures in a single year in excess of 10% of annual Association income, the Contingency Fund replenishment may be spread over a number of years.

D. Yield: The Association's portfolio shall earn a competitive market rate of return on available funds throughout budgetary and economic cycles. In meeting this objective, the Association, through the Board of Directors, will take into account the Association's investment risk, constraints, and cash flow needs. The 90-day Treasury Bill shall serve as the benchmark for comparison and analysis of the Association's Capital and Contingency fund investment yield.

III. Authority: Responsibility for conducting investment transactions for the Association resides with the Board of Directors. The Board of Directors may engage the support services of outside professionals. Such services may include engagement of financial advisors in conjunction with debt issuance, cash management, portfolio management support special legal representation, and third party custodial services.

IV. Selection of Banks as Depositories and Providers of General Banking Services: Banks and savings institutions shall be approved by the Board of Directors to provide depository and other banking services for the Association. To be eligible for approval, 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 Board of Directors, no longer offering adequate safety to the Association funds, shall be removed from the list.

V. Reporting: On an annual basis, if there are any non-cash investments held by the Association, then in addition to the normal Association Financial Report, an investment report shall be prepared and submitted by the Board or an outside advisor, who will provide such report to the Board of Directors in a timely manner, listing any non-cash Capital 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 Capital Fund portfolio holdings.

VI. Policy Revisions: The Board of Directors shall review this investment policy periodically and may amend the policy as conditions warrant.

Three Elk Creek Estates, Inc.

By: _____
President

Attest
_____
Secretary

This revised General Operating, Capital, and Contingency Funds and Investment policy was adopted by the Board of Directors on the 18th day of September, 2017 and is attested to by the Secretary of the Three Elk Creek Estates, Inc.

_____ Secretary

BOARD OF DIRECTORS
3 ELK CREEK ESTATES, INC.