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Timbers Metropolitan District
Investment Policy

ADOPTED NOVEMBER 6, 2026

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I. Introduction

The purpose of this investment policy is to specify various policies and procedures that will foster a prudent and systematic investment program designed to achieve the Timbers Metropolitan District's objectives of safety, liquidity and return on investment through a diversified investment portfolio. This policy also serves to organize and formalize the Timbers Metropolitan District's investment-related activities, while complying with all applicable statutes governing the investment of public funds. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA) and the Association of Public Treasurers (APT).

This investment policy was endorsed and adopted by the Timbers Metropolitan District's Board of Directors and is effective as of November 6, 2026, and replaces any previous versions.

II. Scope

The provisions of this Policy shall apply to all investable funds of The Timbers Metropolitan District, Colorado (hereinafter referred to as the "District"). Pension plan funds and deferred compensation plan funds are expressly excluded from this Policy.

- Proceeds of debt issuance shall be invested in accordance with the District general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.

- Any other funds specifically exempted by the Board of Directors.

Pooling of Funds

Except for cash in certain restricted and special funds, the District will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. Prudence

The standard of prudence to be used for managing the District assets is the "prudent person standard" which states, "fiduciaries…shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in

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regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital." (C.R.S. § 15-1-304, Standard for Investments).

The District overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. the District shall recognize that no investment is totally riskless and that the investment activities of the District are a matter of public record. Accordingly, the District recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the District.

The Board of Directors and authorized investment personnel acting in accordance with written procedure, this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the District's Treasurer and appropriate action is taken to control adverse developments.

IV. Objectives

The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market rate of return.

- **SAFETY.** Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities with independent returns.

- **LIQUIDITY.** The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

- **RETURN ON INVESTMENTS.** The investment portfolio will be designed with the objective of attaining a market rate of return over budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

V. Delegation of Authority

Authority to manage the District investment program is derived from applicable Colorado law, including C.R.S. § 24-75-601.1. The Board of Directors is responsible for the adoption of this Policy and overseeing its administration.

The Board of Directors shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the District investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of The District.

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The District, with the approval of the Board of Directors by Resolution, may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to specifically authorized staff members/consultants, subject to the terms of this Policy and applicable law. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

Subject to the approval of the Board of Directors, the District, may engage the support services of advisors, consultants, and professionals to support its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the District financial resources. Investment Advisors shall be registered with the Securities Exchange Commission under the Investment Advisors Act of 1940. Advisors shall be selected using the District authorized purchasing procedures for selection of professional services. Advisors shall be subject to the provisions of this Policy, and shall not, under any circumstances, take custody of any of the District funds or securities.

VI. Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus, employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to the Board of Directors any material interests in financial institutions with which they conduct business, and they shall further disclose any substantial personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with individuals or entities with whom the District conducts investment business.

VII. Internal Controls

The Board of Directors is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by the District and/or the Board of Directors, an independent external auditor shall review internal controls, account activity and compliance with policies and procedures.

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VIII. Authorized Financial Institutions, Depositories and Broker-Dealers

Public deposits will be made only in qualified public depositories pursuant to the Public Deposit Protection Act (C.R.S. § 11-10.5-101, *et seq*.) for banks and the Savings and Loan Association Public Deposit Protection Act (C.R.S. § 11-47-101, *et seq*.).

To the extent practicable, the Board of Directors shall endeavor to complete investment transactions using a competitive bid process whenever possible. The Board of Directors will determine which financial institutions are authorized to provide investment services to the District. It shall be the District policy to purchase securities only from authorized institutions and firms.

The Board of Directors shall maintain procedures for establishing a list of authorized broker-dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the District. Approved broker-dealers and the firms they represent shall be licensed to do business in the State of Colorado and as such are subject to the provisions of the Colorado Revised Statutes, including but not limited to C.R.S. § 24-75-604. Due diligence inquiry shall determine whether such authorized broker-dealers, and the individuals covering the District are reputable and trustworthy, knowledgeable, and experienced in public agency investing and able to meet all of their financial obligations. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within its holding company structure,
2. Report voluntarily to the Federal Reserve Bank of New York, or
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Board of Directors, with audited financials and a statement certifying that the institution has reviewed the C.R.S. § 24-75-601, *et seq*. and the District investment policy. The Board of Directors will conduct an annual review of the financial condition and registrations of such qualified bidders.

The selection of broker-dealers used by an external investment adviser retained by the District will be at the sole discretion of the investment adviser. The investment advisor will, where possible, ensure that transactions with broker-dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, the investment provider shall document quotations for comparable or alternative securities. However, when an investment advisor purchases original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.
The District may purchase commercial paper from direct issuers even though they are not

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on the approved broker-dealer list as long as the paper meets the criteria outlined in item #3 of the section "XI" titled "**Authorized Investments**."

IX. Delivery, Safekeeping and Custody

Delivery-versus-Payment (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

Safekeeping and Custody. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the District portfolio shall be held in safekeeping in the District's
name by a third-party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all securities held in safekeeping with current market data and other information.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and (iii) money market mutual funds, since the purchased securities are not deliverable.

The District may utilize the services of the Depository Trust Corporation (DTC) as a depository for delivery of securities not wired through the Federal Reserve system.

Depositories providing safekeeping and custodial services for the District shall be approved by written resolution of the Board of Directors, which shall be entered in its minutes.

X. Competitive Transactions

Each investment transaction shall be competitively transacted with authorized broker-dealers. At least three broker-dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the District is offered a security for which there is no other readily available competitive offering, then quotations on comparable or alternative securities will be recorded.

XI. Authorized Investments

All District investment shall comply with applicable Colorado law, including, as amended: C.R.S. § 11-10.5-101, *et seq*., Public Deposit Protection Act; C.R.S. § 11-47- 101, *et seq*., Savings and Loan Association Public Deposit Protection Act; C.R.S. § 24-75- 601, *et seq*., Funds-Legal Investments; C.R.S. § 24-75-603, Depositories, and C.R.S. § 24- 75-702, Local governments-authority to pool surplus funds. Any revisions or extensions of these

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sections of the Colorado Revised Statutes will be assumed to be part of this Investment Policy immediately upon the effective date thereof.

The credit quality of any eligible investment will be evaluated using the following Nationally Recognized Statistical Rating Organizations (NRSROs): Standard & Poor's, Moody's or Fitch (or any of their successor agencies).

The District has further defined the following types of securities and transactions as eligible for use by the District:

1. **U.S. TREASURY SECURITIES** fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment.

    - Maturities shall not exceed five years from the date of trade settlement.
    - There are no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries.

2. **FEDERAL AGENCY AND U.S. GOVERNMENT-SPONSORED ENTERPRISE (GSE) SECURITIES** issued by or fully guaranteed as to principal and interest by federal agencies or U.S. GSEs.

    - Maturities shall not exceed five years from the date of trade settlement.
    - There are no limits on the dollar amount or percentage that the District may invest in federal agency and GSE securities.
    - No more than 50% of the total portfolio may be invested in any single Agency/GSE issuer.

3. **CORPORATE OR BANK SECURITIES** denominated in United States dollars.

    - The term "bank security" includes negotiable certificates of deposit issued by banks organized and chartered within the United States. Public Entities must consider these bank securities as investments and not deposits subject to the protection of the "Public Deposit Protection Act", article 10.5 of title 1 1, or insured by the Federal Deposit Insurance Corporation.
    - Maturities shall not exceed three years from the date of trade settlement.
    - At the time of purchase must carry at least two credit ratings from the above mentioned NRSROs and are <u>not</u> rated below:
        a. "A1, P1, or F1" or their equivalents if the security is a money market instrument such as commercial paper or bankers' acceptance; or
        b. "AA- or Aa3" or their equivalents if the security is any other

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kind of security.

c. These rating requirements first apply to the security being purchased and second, if the security itself is unrated, to the issuer, provided the security contains no provisions subordinating it from being a senior debt obligation of the issuer.

- At no time shall the book value of investments in corporate and bank securities total more than 30% of the total book value of the District portfolio with no greater than 5% exposure to any single issuer.
- No subordinated security may be purchased.
- No security issued by a corporation or bank that is not organized and operated within the United States may be purchased without authorization by the Board of Directors to invest in such securities.

4. **MONEY MARKET MUTUAL FUNDS** registered under the Investment Company Act of 1940, provided they:

   - Have a constant daily net asset value per share of $1.00;
   - Are "no-load" (*i.e.*: no commission or fee shall be charged on purchases or sales of shares) and charge no 12b1 fees;
   - Limit assets of the fund to securities authorized by state statute;
   - Have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and
   - Have a rating of AAAm by Standard and Poor's or Aaa by Moody's, or AAAmmf by Fitch Investors Service.
   - A maximum of 100% of the portfolio may be invested in money market mutual funds.

5. **LOCAL GOVERNMENT INVESTMENT POOLS** authorized under C.R.S. § 24-75-701, *et seq*., provided they:

   - Limit assets of the fund to securities authorized by state statute;
   - Have and maintain a Triple-A rating or the equivalent by one or more NRSRO's.
   - A maximum of 100% of the portfolio may be invested in Local Government Investment Pools.

6. **CERTIFICATES OF DEPOSITS** with a maturity not exceeding five years in any bank that is a member of the Federal Deposit Insurance Corporation (FDIC).

   - Certificates of deposit that exceed FDIC insurance limits shall be collateralized as required by the Public Deposit Protection Act or the Savings and Loan Association Public Deposit Protection Act.
   - No more than 50% of the total portfolio may be invested in

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certificates of deposit.

- No more than 10% of the total portfolio may be invested in any one issuer except when deposited with a PDPA institution.

7. **REPURCHASE AGREEMENTS** collateralized with marketable U.S. Treasury, Agency or GSE securities listed in items #1 & 2 above and maintained at a market value plus accrued interest of at least 102% of the dollar value of the repurchase agreement.

    - Repurchase agreements are subject to a Master Repurchase Agreement between the District and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
    - Repurchase agreements shall be entered into only with dealers who have executed an approved Master Repurchase Agreement with the District and who are recognized as primary dealers with the Federal Reserve Bank of New York or have a primary dealer within their holding company structure.
    - For the purpose of this section, the term collateral shall mean purchased securities under the terms of the Master Repurchase Agreement and shall be delivered versus payment to the District custodian bank for safekeeping on behalf of the District.
    - The collateral for the repurchase agreement may have a maturity in excess of five years.
    - The market value plus accrued interest of the collateral securities shall be marked-to-the-market no less frequently than weekly.
    - The District may utilize Tri-party Repurchase Agreements provided that the District is satisfied that it has a perfected interest in the securities used as collateral and that the District has a properly executed Tri-party Agreement with both the counterparty and custodian bank.
    - The maximum maturity of the repurchase agreement shall not exceed one year.

8. **MUNICIPAL SECURITIES** of state or local governments with a maturity not exceeding five years from the date of trade settlement.
    - General obligation and revenue obligation securities of this state or any political subdivision of this state must be rated at the time of purchase at least "A-" or its equivalent by at least two nationally recognized statistical ratings organizations ("NRSROs").
    - General obligation and revenue obligation securities of any other state or political subdivision of any other state must be rated at the time of purchase at least "AA-" or its equivalent by at least two NRSROs.
    - No more than 30% of the total portfolio may be invested in

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municipal securities.
- No more than 5% of the total portfolio may be invested in the securities of any single issuer.

9. **SUPRANATIONALS**, provided that:
   - Issues are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the World Bank.
   - The securities are rated at the time of purchase at least "AA" or its equivalent by an NRSRO.
   - No more than 30% of the total portfolio may be invested in these securities.
   - No more than 10% of the portfolio may be invested in any single issuer.
   - The maximum maturity does not exceed five (5) years.

XII. Prohibited Investment Vehicles and Practices

State law notwithstanding, any investments not specifically authorized pursuant to this approved Investment Policy are prohibited, including but not limited to:

- Futures and options
- Investment in inverse floaters, range notes, or mortgage derived interest-only strips Investment in any security that could result in a zero-interest accrual if held to maturity.
- Trading securities for the sole purpose of speculating on the future direction of interest rates
- Purchasing or selling securities on margin
- The purchase of foreign currency denominated securities

XIII. Money Market Mutual Funds

The District shall conduct a thorough investigation of any money market mutual fund prior to making an investment, and on a continual basis thereafter. There shall be a questionnaire developed which will answer the following general questions:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities is safeguarded (including the settlement processes), and how often the securities are priced, and the program audited.
4. A description of who may invest in the program, how often, and what size deposit and withdrawal are allowed.

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5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how it is assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

XIV. Maximum Maturity

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The District will not invest in securities maturing more than 5 years from the date of trade settlement (3 years for corporate securities), unless the Board of Directors has by resolution granted authority to make such an investment.

Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. the District recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. the District will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The District further recognizes that certain types of securities, including variable rate securities, securities with principal pay downs prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The District, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The District shall maintain at least 10% of its total portfolio in instruments maturing in 90 days or less to provide sufficient liquidity for expected disbursements.
- The maximum percentage of callable securities (does not include "make whole call" securities as defined in the Glossary) in the portfolio will be 20%.
- The maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy.

XV. Review of Investment Portfolio

The Board of Directors, shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish

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protocols for reporting major and critical incidences of noncompliance to the Board of Directors.

XVI. Performance Evaluation

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the District risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Board of Directors shall monitor and evaluate the portfolio's performance relative to the market benchmark, which will be included in the Board of Directors quarterly report. The Board of Directors shall select an appropriate, readily available index to use as a market benchmark.

XVII. Review of Investment Policy

The investment policy will be reviewed and adopted at least annually within 120 days of the end of the fiscal year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by the District Manager to the Board of Directors for their consideration and adoption.

Approved and adopted this 6th day of November, 2026.

TIMBERS METROPOLITAN DISTRICT

Signed by:
By Matt Maher
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ATTEST:

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