

**POLICY FOR INVESTMENT OF RESERVE FUNDS  
OF  
STONEBURY HOMEOWNERS ASSOCIATION, INC.**

*Adopted January 19, 2006  
Amended December 5, 2006*

The following resolution has been adopted by Stonebury Homeowners Association, Inc. (the "Association") pursuant to Colorado law, the Subassociation Declaration for Stonebury Homeowners Association, Inc. ("Declaration") and Bylaws of the Association at a regular meeting of the Association.

**RECITALS**

WHEREAS, Colorado law provides that associations adopt policies, procedures and rules and regulations for the investment of reserve funds; and

WHEREAS, Article 6, Section 6.16 of the Declaration authorizes the Association to adopt, amend, repeal and enforce rules and regulations and policies and procedures; and

WHEREAS, the Association deems it prudent and desires to establish a policy for the investment of reserve funds; and

WHEREAS, the overriding objective of the Association's investment policy is the preservation of capital, while at the same time providing for liquidity requirements and optimizing the investment returns within the constraints of this policy; and

WHEREAS, the Association wishes to maintain appropriate levels of review and approval.

NOW THEREFORE, BE IT RESOLVED, that the reserves of the Association shall be invested in such amounts as may be authorized by the Board of Directors in accordance with the following policy:

1. Authorized Investments. No funds shall be deposited or invested except in authorized investments. Authorized investments are those that are in accordance with Colorado law and with the governing documents of the Association and which have been approved by the board of directors.

2. Account Approval and Review. All accounts, instruments, and other documentation of such investments shall be subject to the approval of, and may from time to time be amended by the board of directors as appropriate, and they shall be reviewed at least quarterly.

3. Investment of Reserves. Investments shall be guided by the following goals, listed in decreasing order of importance:

- a. Safety of Principal. The objective is to promote and ensure the safety of principal reserves.
- b. Liquidity and accessibility. Funds should be readily available for projected or unexpected expenditures. The goal of the Association is to have sufficient cash available to meet current obligations. In order to meet this objective a portfolio of investments whose maturities and liquidity matches future budgeted needs for cash will be purchased. Reserves in excess of projected liquidity requirements may be invested in longer-term investments in order to optimize investment returns.
- c. Minimal Costs. Investment costs (redemption fees, commissions, and other transactions costs) should be minimized.
- d. Professional Management. Funds should be invested with professional managers who have good reputations, sound credentials and appropriate levels of insurance, including fidelity insurance, for the services that are provided to the Association.
- e. Consultation with Experts. Prior to investing, the board of directors may consult with, obtain advice from and rely upon the opinions and advice of others such as qualified investment and financial advisors and the Association's legal counsel and accountants, provided that such persons will not directly benefit from the investment being considered by the Association.
- f. Return. Funds should be invested to achieve the highest level of return that is consistent with the preservation of the principal and accumulated interest and the constraints of this policy.

4. Distribution of Policy. A copy of this policy will be provided to all parties making investments on behalf of the Association with receipt of this policy to be confirmed in writing.

5. Reserve Study. In order to determine funding of the reserves of the Association, the Board of Directors may determine, with the assistance and advice of professionals, 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 (the "Reserve Study").

6. Review of Reserve Study. The Board of Directors shall cause the Reserve Study, if any, and reserved funding to be reviewed and updated periodically, at least once every three

years, to adjust and make changes in costs, inflation and interest yield on invested funds, plus modification, addition or deletion of components.

7. Standard of Conduct. The Board of Directors and officers shall make investment decisions in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the Director or officer reasonably believes to be in the best interests of the Association in accordance with the Colorado Revised Nonprofit Corporation Act.

8. Definitions. Unless otherwise defined in this Resolution, capitalized terms or terms defined in the Declaration shall have the same meaning herein as set forth in the Declaration.

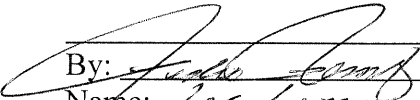
9. Supplement. The provisions of this Resolution shall be in addition to and shall supplement the terms and provisions of the Declaration, the Bylaws, and the laws of the State of Colorado governing the Association.

10. Deviations. The Board may deviate from the procedures set forth in this Resolution if, in its sole discretion, such deviation is necessary under the circumstances.

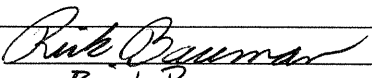
11. Amendment. The Board may amend this policy from time to time.

Adopted by the Board of Directors of Stonebury Homeowners Association, Inc. this 5th day of December, 2006.

STONEBURY HOMEOWNERS ASSOCIATION,  
INC.

By:   
Name: Les Gomez  
Title: President

ATTEST:

By:   
Name: Rick BAUMAN  
Title: Secretary