

**PROSPECT POINT TOWNHOME ASSOCIATION, INC.  
INVESTMENT OF RESERVES POLICY**

Effective Date: \_\_\_\_\_ 9/1/05

In compliance with the Colorado Common Interest Ownership Act, the Board of Directors desires to adopt a uniform and systematic policy regarding investment of reserve funds.

The Association hereby adopts the following policies and procedures for investing reserve funds:

1. With regard to investment of reserve funds, directors and officers shall be subject to the standard of care outlined below. Officers, for purposes of this policy only, means any person designated as an officer of the Association and any person to whom the Board delegates responsibilities, including, without limitation, a managing agent, attorney, or accountant employed by the Board.

A. Each director and officer shall perform their duties regarding investment of reserves in good faith, in a manner the director or officer reasonably believes to be in the best interests of the Association, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In the performance of their duties, a director or officer shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by: (a) one or more officers or employees of the Association whom the director or officer reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, professional property manager, public accountant, or other persons as to matters which the director or officer reasonably believes to be within such person's professional or expert competence; or (c) a committee of the Association on which the director or officer does not serve if the director reasonably believes the committee merits confidence.

B. A director or officer shall not be considered to be acting in good faith if the director or officer has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A director or officer shall not be liable to the Association or its Members for any action the director or officer takes or omits to take as a director or officer if, in connection with such action or omission, the director or officer performs his duties in compliance with this policy. A director or officer, regardless of title, shall not be deemed to be a trustee with respect to the Association or with respect to any property held or administered by the Association.

2. The Board of Directors shall establish the amount, if any, to be transferred to reserve funds on an annual basis.

3. Reserves may be invested in certificates of deposit, money market deposit accounts, money market funds, U.S. treasury and government obligations, municipal bonds and other state obligations, and other investments as may be recommended by a financial advisor pursuant to the Association's investment goals. No funds shall be deposited or invested except in authorized investment funds.

4. The reserve funds shall be invested to achieve the following goals, in descending order of importance:

- A. Promote and ensure the preservation of principal;
- B. Structure maturities to ensure liquidity and accessibility of funds for projected or unexpected expenditures;
- C. Mitigate the effects of interest rate volatility upon reserve assets;
- D. Seek the highest level of return that is consistent with preserving the principal and accumulated interest;

- E. Minimize investment costs.
5. The Board may consider the following circumstances in investing reserve funds:
- A. General economic conditions;
  - B. Possible effect of inflation or deflation;
  - C. Expected tax consequences;
  - D. Role that each investment plays in the overall investment portfolio;
  - E. Other resources of the Association.
6. 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 shall be reviewed at least once per year.
7. The President, Treasurer or Manager, if authorized by the Board, shall be authorized and empowered to purchase, invest in, acquire, sell or assign any and all types and kinds of investments meeting the goals in paragraph 3; and to enter into agreements, contracts and arrangements with respect to such security transactions and to execute, sign or endorse agreements on behalf of the Association. To withdraw or transfer funds, the signature of two of the aforementioned persons shall be required.
8. The Association shall carry fidelity insurance to protect against theft or dishonesty from anyone with access to the reserve funds.
9. The Association's manager or other person designated by the Board shall maintain monthly statements, including detailed accounting of current values, income and all transactions.

IN WITNESS WHEREOF, the undersigned certify that the Investment of Reserves Policy was adopted by resolution of the Board of Directors of the Association this \_\_1st\_\_ day of \_\_\_\_September\_\_\_\_\_, 2005.

PROSPECT POINT TOWNHOME ASSOCIATION, INC. a  
Colorado nonprofit corporation,

By: \_\_\_\_\_Malcolm Orton  
Its: President

ATTEST:

By: \_\_\_\_\_Kevin Lovett