

**RESOLUTION  
OF THE  
TAYLOR'S CROSSING CONDOMINIUM ASSOCIATION, INC.  
REGARDING INVESTMENT OF RESERVE POLICY**

**SUBJECT:** Adoption of an Investment Policy for reserves of the Association.

**PURPOSES:** To adopt a policy for the investment of reserve funds.

**AUTHORITY:** The Declaration, Articles of Incorporation and Bylaws of the Association and Colorado law.

**EFFECTIVE  
DATE:** January 1, 2007

**RESOLUTION:** The Association hereby adopts a Policy as follows:

1. Scope. In order to properly maintain areas in the Community that are the responsibility of the Association, to comply with state statutes, to manage reserve funds, and to protect the market value of Owners' homes and livability in the Community, the Board of Directors determines that it is necessary to have policies and procedures for the investment of reserve funds.
2. Purpose of the Reserve Fund. The purpose of the Reserve Fund shall be to responsibly fund and finance the projected repair and replacement of those portions of the Community that the Association is responsible for and for such other funding as the Board of Directors may determine. The portions of the Community that the Association is responsible for typically have limited but reasonably predictable useful lives.
3. Cash Management and Reserve Fund Guidelines. The objectives of this cash management and Reserve Fund program are to ensure that cash balances above those deemed necessary to support the Association's short-term need for liquidity are invested only in securities or in accounts with high credit quality, high liquidity, and appropriate maturities. This program is to be carried out in a prudent and ethical manner. The Association's cash management and Reserve Fund program will be conducted consistent with the following overall guiding principles:
  - (a) Credit Quality. The intent of this program is to ensure that excess funds are invested only in fully-insured accounts or in securities and accounts with very high credit quality, in order to minimize the risk of default or uninsured loss on the investment.

(b) Authorized Instruments. The Association will only utilize cash management instruments that are fully understood by the responsible parties as to the potential return and risk profile of the instrument. Acceptable cash management instruments which the Association is explicitly authorized to use for investment purposes include:

- (i) U.S. Treasury and Agency bills, notes, and bonds;
- (ii) Money market accounts with \$1 billion or more in assets, invested in securities with investment quality comparable to other investments explicitly authorized in this policy;
- (iii) Fully government-insured certificates of deposit up to a maximum of \$100,000 per bank or other financial institution;
- (iv) Commercial paper with credit ratings of A1-P1, or equivalent and maturities of six months or less.

The Board shall have the authority to evaluate the use of any other instrument or combine any of the above instruments to the extent it meets the risk management objectives of this policy.

(c) Maturities. The Association will only invest in instruments with maturities which are appropriate to and consistent with the projected liquidity needs of the Association. The Association will not speculate on future interest rate movements by investing in securities with maturities beyond projected liquidity requirements.

(d) Concentration of Credit Risk. The Association will avoid excessive concentration of its investment portfolio and maintain appropriate diversification to limit the potential loss from default or uninsured loss on its investments. There shall be no limit on the percentage of the investment portfolio which can be invested in U.S. Treasury and Agency bills, notes, and bonds, or in fully insured accounts and certificates of deposit. Investments other than U.S. Treasury and Agency instruments or fully insured accounts and certificates of deposit shall be limited to the greater of \$50,000 or 20% of the investment portfolio.

#### 4. General Procedures.

(a) Authority to Open Accounts. The authority to open new accounts regardless of type (bank, broker, futures, etc.) shall vest in and be approved by the Board of Directors. The Association's manager shall insure that proper documentation for each account exists in the Association's records.

(b) Bank or Broker Mandates. Each bank, broker, or other financial institution with which the Association conducts financial transactions shall be informed of and be required to follow the guidelines established in this policy. These financial institutions will be furnished with a list of authorized signors who are approved to initiate specific transactions, provide verbal and/or written confirmation, and transmit and receive settlement instructions. The Association's manager is responsible for maintaining current mandates and instructions with each institution.

(c) Documentation and Reporting. The Association's manager is responsible for compliance with the policies and procedures contained herein to ensure that all transactions are properly authorized by the Board of Directors, supported by adequate documentation, and accounted for and reported appropriately.

5. Independent Professional Investment Assistance. The Board of Directors of the Association may hire a qualified investment counselor to assist in formulating a specific investment strategy.

6. Review and Control. The Board shall review cash management and 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 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 (hereinafter referred to as a "Reserve Study").

8. Review of Reserve Study. The Board of Directors 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 and interest yield on invested funds, plus modification, addition or deletion of components.

9. Standard of Care. The officers and members of the Board of Directors 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.

10. Definitions. Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

11. Supplement to Law. The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Declaration and the law of the State of Colorado governing the community.

12. Deviations. The Board may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances. Any such deviation shall be documented in the minutes of the Board meeting at which such deviation is approved by the Board.


13. Amendment. This policy may be amended from time to time by the Board of Directors.

**PRESIDENT'S**

**CERTIFICATION:** The undersigned, being the President of the Association, certifies that the foregoing Resolution was adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board of Directors on 12/22/06 and in witness thereof, the undersigned has subscribed his/her name.

**TAYLOR'S CROSSING CONDOMINIUM  
ASSOCIATION, INC.**

By:

  
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President