

**RESOLUTION
OF THE
BEAVER MOUNTAIN ESTATES PROPERTY OWNERS 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: April 22, 2008

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 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. Investment of Reserves. The Board of Directors of the Association shall invest funds held in the Reserve Fund accounts to generate revenue that will accrue to the Reserve Funds accounts balance pursuant to the following goals, criteria and policies:
 - (a) Safety of Principal. Promote and ensure the preservation of the Reserve Fund's principal.
 - (b) Liquidity and Accessibility. Structure maturities to ensure availability of assets for projected or unexpected expenditures.
 - (c) Minimal Costs. Investments costs (redemption fees, commissions, and other transactional costs) should be minimized.
 - (d) Diversify. Mitigate the effects of interest rate volatility upon reserve assets.
 - (e) Return. Funds should be invested to seek the highest level of return.

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4. **Allocation of Investments.** The investment and allocation of the Reserve Fund will be set by the Board of Directors and may be modified as necessitated by changing conditions. Investment allocation is currently set as follows:

- (a) Minimum cash reserve in local bank checking is maintained at one month's operating expense as established by one-twelfth of the annual operating budget, or approximately \$3800 for the year 2008.
- (b) Money market investments will not exceed 50% of total Reserve Fund deposits as specified by items (b), (c) and (d) under the paragraph. Said fund(s) shall have check writing privilege.
- (c) Reserves deposited in FDIC certificate of deposit(s), Treasury Bills and/or bond fund(s) will not exceed 50% of total Reserve Fund deposits as specified by items (b), (c) and (d) under this paragraph.
- (d) Up to 40% of the Reserve Fund deposits may be placed in a quality growth mutual fund account. Reserves are as specified by items (b), (c) and (d) under this paragraph

Deposits, as indicated by items (b), (c) and (d) above, shall mean monies deposited by the Association. Percentages are exclusive of accumulated interest, dividends, capital gains and/or share appreciation. The total of items (b), (c) and (d) above exceed 100% thereby providing flexibility in the investment decision-making process.

When the local bank checking account balance exceeds the operating expense reserve specified in item (a) above by \$10,000 or more, the Directors and/or Investment Committee and/or Investment Advisor will agree on allocation of the excess funds. They will issue written instructions by way of meeting minutes for the Treasurer to transfer the excess funds into specific reserve accounts. Initial placement of the Reserve Fund will be to money market fund account(s) until the balance reaches a minimum of 25% of the reserve requirements as established by the Board. Once this level of liquidity is established additional reserves may be placed in other accounts as the Board deems prudent.

5. **Return Expectations.** Long-term capital appreciation combined with reasonable current income is the investment goal. The investment allocation target is a minimum of five percent (5%) annualized average return. With the allocation flexibility specified under Paragraph 4, a six to eight percent return is not unreasonable.

6. **Asset Quality.** Local bank reserves and certificate of deposit funds will be placed with FDIC insured institutions. Reserve funds placed with growth-oriented Mutual Funds will target funds with below average expense ratios, no-load funds; those that have historically shown an average rate-of-return of not less than 9% over a period of 10 years or greater.

7. **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.
8. **Review and Control.** The Board shall review Reserve Fund investments periodically to ensure that the funds are receiving competitive yields and shall make prudent adjustments as needed.
9. **Reserve Study.** In order to determine funding of the Reserve Fund, the Board of Directors has determined 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").
10. **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 three years, to adjust and make changes in costs, inflation and interest yield on invested funds, plus modification, addition or deletion of components.
11. **Reporting.** An annual financial report incorporating reserve fund performance shall be mailed to all Association Members within 45 days of concluding the annual meeting. The financial report along with the annual meeting minutes will be mailed to the last address of record. It is the responsibility of each Association Member to keep the Association's Secretary advised of their current contact information.
12. **Tax Consequences.** Tax consequences should be negligible and should not jeopardize the Association's exempt function income status. According to the tax code at least 60% of the association's gross income must consist of exempt function income. Exempt function income consists of membership dues, fees, or assessments from the property owners. Exempt function income does not include interest earned on reserve/sinking fund monies.
13. **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. In doing so, the Board shall consider short-term and anticipated long-term needs of the Association.
14. **Definitions.** Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

15. 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.

16. 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.

17. 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 April 22, 2008, and in witness thereof, the undersigned has subscribed his name.

BEAVER MOUNTAIN ESTATES PROPERTY OWNERS ASSOCIATION, INC.

By:


Robert H. Tonetti, Acting §President

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