

RESERVE FUND AND INVESTMENTS
POLICY #2

Pursuant to C.R.S. 38-33.3-209.5 and the Bylaws and Declaration of Covenants, Conditions and Restrictions ("Declaration") for Garfield Mountain Townhome Subdivision the following resolution and procedures have been adopted by the Garfield Mountain Townhome Association, Inc. ("Association") 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 of value of Owner's homes and livability in the community:

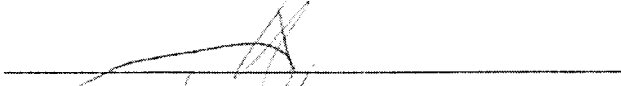
NOW THEREFORE, LET IT BE RESOLVED that the Association does hereby adopt the following policies and procedures for the reserve fund and investment of such:

1. **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 may determine. The portions of the community that the Association is responsible for typically have limited but reasonably predictable useful lives.
2. **Reserve Study.** In order to determine funding of the Reserve Fund, the Board shall 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.
3. **Review of Reserve Study.** The Board shall cause the Reserve Study and reserve funding to be reviewed and updated periodically, at least once every two years, to adjust and make changes in costs, inflation and interest yield on invested funds, plus modification, addition or deletion of components.
4. **Reserves.** The Board shall establish the amount, if any, to be transferred to the Reserve Fund on an annual basis. The Board may engage the support services of outside professionals, subject to the availability of budgeted funds and approval from the Board, to assist in formulating a specific investment strategy.
5. **Investment Strategy.** The investment strategy of the Reserve Fund for the Association should emphasize a long-term outlook by diversifying the maturity dates of fixed-income instruments within the portfolio utilizing a ladder investment approach.
6. **Investment of Reserves.** The Association shall invest funds held in the Reserve Funds 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. The investment portfolio shall remain sufficiently liquid to meet all planned reserve fund expenditures for the following fiscal year. To ensure that adequate reserve funds are available to pay the Association's reserve expenditures, annual reserve fund investments shall reasonably match the planned reserve fund expenditures for the following fiscal year.
 - c. **Minimal Costs.** Investment costs (redemption fees, commissions and other transactional costs) should be minimized.
 - d. **Return.** Funds should be invested to seek the highest level of return.
7. **Eligible Investments.** Unless otherwise approved by the Board, all investments will be FDIC insured and/or guaranteed by the United States Government. Approved FDIC investment classes include:
 - a. Savings accounts;
 - b. Money Market accounts; and
 - c. Certificates of Deposits in FDIC insured financial institutions with no more than \$100,000 in any such institution, unless additional private depositors insurance is provided.

8. Ineligible Investments and Transactions. The Association shall not invest in the following asset class(es):
- a. Individual stocks;
 - b. Equity mutual funds domestic or foreign;
 - c. Mutual funds consisting of bonds or mortgages and or derivatives;
 - d. Options on equity, debt or commodities;
 - e. Floating rate securities of floating rate certificates of deposit; and
 - f. Investment in a single institution in excess of FDIC insurance limits.
9. Review and Control of Reserve Fund. All investments will be purchased in the name of the Association. The signatures of the President and Treasurer are required for withdrawals or transfers of reserve funds. The Board shall review Reserve Fund investments periodically to ensure that the funds are receiving competitive yields and shall make prudent adjustments as needed.

The undersigned hereby certify that the foregoing resolution (Policy #2) was adopted and made a part of the minutes of the meeting of the Board of Directors of the Association conducted on the 25th day of July, 2013.

Garfield Mountain Townehome Association, Inc.

By: 
JOSE HENRIQUEZ, President

Attest: Kathleen Threet
KATHLEEN THREET, Secretary