

THE VILLAGE AT COPPER ASSOCIATION, INC.
RESERVE FUND INVESTMENT POLICY

Adopted April 28, 2006

The following reserve fund investment policy has been adopted by The Village at Copper Association, Inc. ("VAC") pursuant to C.R.S. 38-33.3-209.5, at a regular meeting of the Board of Directors.

Purpose: To protect and ensure the safety of the assets and capital improvements of the VAC and the Board and VAC staff who participate in the investment process and to further provide guidance to those who offer investment services to the VAC, including brokers/dealers, banks, consultants, savings institutions, and investment advisors.

The following investment policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal investment management of the VAC's reserve funds. This policy does not set forth: (1) the minimum reserve fund balance required of the VAC; (2) any mandate for an annual reserve fund study; or (3) the tax consequences of the investment options contained herein.

NOW, THEREFORE, IT IS RESOLVED that the VAC does hereby adopt the following policies and procedures for the investment of the VAC's reserve funds:

1. Investment Objectives

All funds which are held for capital expenditures as a part of the reserve fund shall be deposited and invested by the VAC in accordance with Colorado Revised Statutes and resolutions enacted by the VAC's Board of Directors in a manner to accomplish the following objectives:

- A. Safety of Funds: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital, with the objective of mitigating investment risk and interest rate risk.
1. Investment Risk: The VAC will minimize investment risk, the risk of loss due to the failure of the financial institution, by:
 - a. Limiting investments to the safest types of investments as provided for herein;
 - b. Pre-qualifying the financial institutions, brokers/dealers, and advisors with which the VAC does business; and
 - c. Subject to the limitations herein, diversifying the investment portfolio so that potential losses on individual investments will be minimized.

2. **Interest Rate Risk:** The VAC will minimize the risk of the market value of investments in the portfolio due to changes in general interest rates by:
 - a. Structuring the investment portfolio so that investments mature sufficiently close to cash requirements for ongoing operations, thereby minimizing the potential need to sell investments prior to maturity; and
 - b. Investing all funds primarily in short- to intermediate-term investments.
- B. **Liquidity of Funds:** 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 VAC's reserve expenditures, annual reserve fund investments shall reasonably match the planned reserve fund expenditures for the following fiscal year.
- C. **Types of Investments:** The reserve fund portfolio shall consist largely of money market accounts and/or certificates of deposit. No more than 10% of the reserve fund portfolio may be invested in municipal bonds, and no more than 10% of the reserve fund portfolio may be invested in equity or bond mutual funds, and no more than 15% of the reserve fund portfolio may be invested in a combination of municipal bonds and equity or bond mutual funds.
- D. **Yield:** Subject to the restrictions on the types of investments, the VAC's portfolio shall earn a competitive market rate of return on available funds throughout budgetary and economic cycles. In meeting this objective, the VAC, through the Board of Directors, will take into account the VAC's investment risk, constraints, and cash flow needs.

2. Delegation of Authority

Responsibility for conducting investment transactions for the VAC resides with the Finance Manager. The Executive Director will be considered an authorized person to assist the Finance Manager in performing investment management, cash management, or treasury functions. Persons authorized to transact investment business for the VAC are limited to these two parties. The Finance Manager will provide a copy of this investment policy to all of the VAC's investment service providers. VAC Members will receive a copy of this investment policy from the VAC upon request. The Finance Manager may engage the support services of outside professionals, subject to the availability of budgeted funds. Any new Board members shall be provided a copy of this policy upon the assumption of office.

3. Ineligible Investments and Transactions

The VAC shall not invest in the following asset classes:

- A. Individual stocks;
- B. Mutual funds consisting or mortgages and/or derivatives;

- C. Options on equity, debt or commodities;
- D. Floating rate securities; and
- E. Investment in a single institution in excess of FDIC insurance limits.

4. Selection of Banks as Depositories and Providers of General Banking Services

Banks and savings institutions shall be approved by written resolution by the Board of Directors to provide depository and other banking services for the VAC. To be eligible for authorization, a bank must be domiciled in the United States, be a member of the FDIC and must meet the minimum criteria of credit analysis provided by commercially available bank rating services. Banks failing to meet the minimum criteria, or, in the judgment of the Finance Manager or Executive Director, no longer offering adequate safety to the VAC funds, shall be unauthorized to provide depository and other banking services for the VAC.

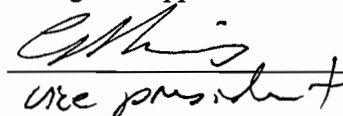
5. Reporting

On an annual basis, an investment report shall be prepared and submitted by the Finance Manager or an outside advisor, who will provide such report to the Board of Directors in a timely manner, listing the reserve fund investments held by the VAC and the current market valuation of the investments. The report shall include a summary of investment earnings during the prior fiscal year, and will also include the proposed portfolio investment strategy for the upcoming year for the Board's approval. The Board shall make available to requesting Members a listing on an itemized basis as to amount, type and rate of return, of the instruments, funds and accounts in which VAC funds are invested or deposited.

6. Policy Revisions

The Board of Directors shall review this reserve fund investment policy periodically and may amend the policy as conditions warrant. The Executive Director may recommend amendments to this policy as necessary.

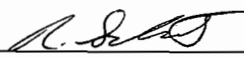
The Village at Copper Association, Inc.

By:  President

Attest


Secretary

This Reserve Fund Investment Policy was adopted by the Board of Directors on the 28 day of April, 2006, effective the 28 day of April, 2006, and is attested to by the Secretary of The Village at Copper Association, Inc.


Secretary