

THE POND HOMEOWNERS ASSOCIATION, INC.
RESERVE FUND INVESTMENT POLICY

EFFECTIVE JANUARY 1, 2006

In compliance with Colorado Statutes, the Board of Directors of The Pond Homeowners Association, Inc. (hereinafter "Association") adopts the following policy for investment of the reserve fund:

1. The Board of Directors will determine the amount to be transferred to the reserve fund on an annual basis. This amount will be included in the Association's yearly budget.
2. Reserves may be invested in the following financial instruments which may be recommended by the Association's financial advisor and in accordance with the Association's financial goals:
 - a. Certificates of deposits
 - b. Money Market deposit accounts or funds
 - c. US treasury bonds and zero coupons
 - d. Municipal bonds
3. The principal objective for reserve funds is to maintain, repair, and replace those capital items, which the Association is responsible to periodically maintain, repair or replace. Reserve funds shall be invested to achieve the following goals in order of priority as follows:
 - a. Preservation and safety of principal
 - b. Liquidity of funds to meet expected and unexpected capital expenses
 - c. Maximization of yield
4. All reserve fund investments decisions will be subject to the approval of the Board of Directors and should be reviewed on a yearly basis.
5. Any expenditure of Association reserve funds will require the signature of at least two Board Members. However, the managing agent shall have the authority to transfer funds between the reserve accounts and operating account, as needed.
6. The Association shall maintain adequate fidelity coverage to protect against theft or dishonesty as stated in the Association's governing documents.
7. The Association shall maintain monthly reserve fund statements including detailed accounting of current values, income and all transactions.
8. In the event of any conflict between this Policy and Procedure and the Association's declarations and covenants, or Colorado law, the Association's declarations and covenants and/or Colorado law shall prevail.

IN WITNESS THEREOF, the undersigned certify that this RESERVE FUND INVESTMENT POLICY was adopted at a duly called meeting of The Pond Homeowners Association, Inc. held on the 17th day of November 2005.

THE POND HOMEOWNERS ASSOCIATION, INC.

BY: _____
President

ATTEST:

By: _____