

**Castle Valley Ranch PUD Homeowners Association
POLICY AND PROCEDURE
INVESTMENT OF RESERVE FUNDS**

Adopted June 20, 2007

The following policy and procedure has been adopted by the Executive Board ("Board") of Castle Valley Ranch PUD Homeowners Association ("Association") pursuant to Colorado statutes, for investment of the Association's reserve funds.

PURPOSE

The purpose of this policy is to institute proper guidelines for the ongoing management of the Association's investment of its reserve funds; should the Board of Directors decide that reserve funds are needed for the association.

INVESTMENT OBJECTIVES

The association shall establish a reserve fund. The purpose of the reserve fund is for maintenance, repair, and replacement of those items for which the Association is responsible and that must be periodically maintained, repaired, or replaced at the Board's discretion. Reserve funds are to be invested in a manner that assures maximum safety and appropriate liquidity and, secondarily, maximizes yield within such constraints. The investment objectives are, in order of priority, as follows:

Preservation and safety of principal;
Liquidity to meet expected and unexpected expenditures; and
Maximization of yield;

INVESTMENT RESPONSIBILITIES

The Board has sole authority to approve and amend, alter or otherwise make changes to this Policy. Any modifications to this policy shall be in writing and approved by the Board.

The Board shall have direct control with regard to opening appropriate bank accounts and establishing safekeeping accounts or other arrangements for the custody of securities and execute such documents as may be necessary. The Board may employ the service of a qualified investment advisor to direct a portion or all of the investment activities of the Association consistent with guidelines set forth in this investment policy.

The Board will monitor ongoing investment activities to ensure proper liquidity is being provided and that the investment strategy is consistent with the Association's objectives. The Board of Directors shall review investment performance no less than quarterly.

INVESTMENT GUIDELINES

Eligible Investments

The portfolio will be limited to the following investments:

Certificates of deposit (CDs);
Money market deposit accounts;
Money market funds; and

U.S. treasuries and U.S. treasury zero coupons.
Savings accounts

Credit Quality Restrictions

All investments shall be AAA-rated or U.S. Treasury securities

Maturity Limits

No individual investment may exceed 2 years in maturity; and
The weighted average maturity of the portfolio will not exceed 2 years. The company must structure its investment portfolio in order to meet anticipated cash requirements.

Strategy

Investments shall be structured so they mature in successive years allowing the Association to minimize the interest rate risk.

Custodian

Investments will be held in custodial accounts with approved banks or financial institutions federally insured either through FDIC or the US Government, with no more than \$200,000.00 held in any one bank.

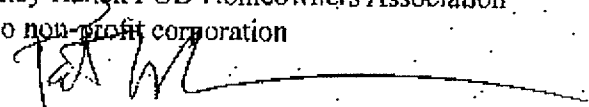
PROCEDURES

Transfers of budgeted additions to reserves shall be made on a yearly basis;
A quarterly report of earnings shall be prepared by management, financial advisor, or the treasurer and presented at a Board meeting;
In addition to any requirements provided by the Association's governing documents, the Association shall obtain coverage by fidelity insurance to protect the Association from loss due to theft for any person with access to its investments.

PRESIDENT'S

CERTIFICATION: The undersigned, being the President of Castle Valley Ranch PUD Homeowners Association, a Colorado non-profit corporation, certifies that the foregoing policy and procedure was adopted by the Executive Board of the Association, at a duly called and held meeting of the Board on June 20, 2007, and in witness thereof, the undersigned has subscribed his/her name.

Castle Valley Ranch PUD Homeowners Association
a Colorado non-profit corporation

By: 

President