

Resolution of the Townhomes at Red Hawk Homeowner's Association Regarding Policies/Procedures

Subject: Investment of Reserves Policy

Purpose: To adopt a procedure and policy to be followed for Reserve funds

Authority: The Declaration, Bylaws and Articles of Incorporation of the Association and Colorado law.

Effective Date: January 1, 2006

Resolution: The Association hereby adopts the following procedures to be followed for investment of reserves.

1. Scope: To define procedures to be followed for investment of reserve funds held by the Association.

2. Specifics:

The Association's reserve fund is to be used to pay for capital improvements, major repair of capital items, and replacement of capital items as necessitated. These capital items include but are not limited to: sidewalks within common areas, fencing within common areas, irrigation and associated parts within common areas, trees, bushes, sod, roofs, windows, exterior of buildings that do not fall under homeowner control. (Items that are exterior that are covered by homeowners: exterior front lighting, door bells, screen doors, air conditioning, skylights, garden windows, water spigots, and other items that may not be listed here.)

Money will be placed in accounts at FDIC insured institutions to allow for limited risks to the Association which may include money market accounts and CD's with varying maturity dates. If after review by a qualified investment counselor it is recommended that a portion of the reserve funds should be placed in an investment portfolio to provide a better return, the Board of Directors may move a portion of the reserve funds, not more than 30%, from an FDIC insured institution.

Reserve studies are not inexpensive. A reserve study is currently under way to provide a forward look for the community to cover expenses for capital items in the future including the painting of all buildings, grading within common areas, etc. In the future, the Board of Directors will look to either conduct a full reserve study every 10 years to ensure that the reserves are growing at a rate necessary for the community.

Reserve funds will be placed in accounts to allow for maximum return and minimum fees allowing the best overall rate of return for the Association.

3. Definitions: Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

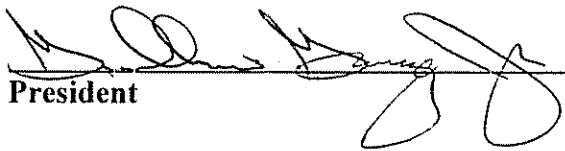
4. Supplement to Law: The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Declaration and the law of the State of Colorado governing the Project.

5. 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.

6. Amendment: This procedure 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 and in witness thereof, the undersigned has subscribed his/her name.

Townhomes at Red Hawk Homeowners Association

By: 
Its: President