

**VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION
POLICY AND PROCEDURE
ENFORCEMENT OF THE DECLARATION, BY LAWS, RULES
AND REGULATIONS AND SCHEDULE OF FINES**

June 1, 2007

The following policy and procedure has been adopted by the Executive Board of **VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION** pursuant to Colorado statutes, for (i) the enforcement of the Amended Association's Declaration, Bylaws, Rules and Regulations (including any design guidelines or architectural controls), collectively referred to as the "Governing Documents," and (ii) a Schedule of Fines.

The Board requests that an owner address any complaint, as part of a cordial discussion, with the other owner concerned and try and work out an amenable solution before looking to the Board for guidance. The Board encourages all owners and tenants to be good neighbors and courteous.

1. **Notice of Alleged Violation.** Notice of Alleged Violation of any provision of the Governing Documents shall be provided to the applicable Owner as soon as is reasonably practicable after the Board's receipt of such violation. The Board may also, at its option, provide a copy of such Notice to any non-owner violator ("Related User"). The Notice shall describe the nature of the violation and shall further state that the Board may seek to protect its rights as they are specified in the Governing Documents.
2. **Service of Notices.** Services of all notices required or permitted to be given hereunder shall be made as follows.

If to an Owner and/or Related User: By personal delivery to the Owner and/or Related User; or by U.S. Mail, certified with return signature receipt, addressed to the last registered address of the Owner and/or Related User as contained in the Association's records. At the Board's discretion, service made is made by certified mail.

If to the Association: By personal delivery or U.S. Mail, postage prepaid, addressed to the Association in care of its registered agent and office, as maintained with the Colorado Secretary of State or such other address as the parties may be advised of in writing.

Any notice personally delivered shall be deemed received on the date of delivery, and any notice shall be deemed received on the fifth day following the date of mailing.

3. **Request for Hearing.** If an Owner desires a hearing to challenge or contest any alleged violation and possible fine, the Owner must request such hearing, in writing, within ten (10) days from receipt of the Notice of Violation. The request for hearing shall describe the grounds and basis for challenging the alleged violation. If hearing is not requested within the 10 day period, the Board shall determine if there was a violation, and if so, may assess a reasonable fine within the guidelines contained in this Policy and Procedure within sixty (60) days or the expiration of the 10 day period.

The Association's managing agent shall give notice of said assessment to the applicable Owner as provided in the Association's governing documents or the Policy and Procedure. Unless otherwise provided in the Association's governing documents, the fine assessment is due and payable immediately upon receipt of notice of the fine assessment.

4. **Board to Conduct Hearing.** The Board shall decide cases set for hearing pursuant to these Policy and Procedure. The Board may appoint an officer or other Owner to act as the Presiding Officer at any of the hearings.
5. **Conflicts.** Any Board member with a conflict of interest must disclose that conflict in an open meeting; however, after the conflict of interest is disclosed, the board member is permitted to vote on the issue.
6. **Hearing.** The Board shall inform the Owner of the scheduled time, place and date of the hearing, provided that the Presiding Officer may grant continuances for good cause. At the beginning of each hearing, the Presiding Officer shall explain the rules, procedures and guidelines by which the hearing shall be conducted and shall introduce the case before the Board by reading the Notice of Violation. Each party may make opening statements, may present evidence and testimony, may present witnesses, and may make closing statements. Neither the complaining parties nor the Owner must be in attendance at the hearing. However, the decision of the Board at each hearing shall be based on the matters set forth in the Notice of Violation, Request for Hearing, and such evidence as may be presented at the hearing. Unless otherwise determined by the Board, all hearings shall be open to attendance by all members of the Association.
7. **Decision.** After all testimony and other evidence have been presented to the Board at a hearing, the Board shall render its written findings and decision, and impose a reasonable fine, if applicable, within ten (10) days after the hearing. A decision, either a finding for or against the Owner, shall be by a majority of the members of the hearing board present at the hearing.
8. **Fine Schedule.** Unless otherwise provided in the Rules and Regulations, any violation of the Governing Documents will subject the Owner to a reasonable fine assessment imposed by the Association as follows:

(i) Notice of Violation: Written warning letter or posting of notice or posting of notice advising owner of 7 days to cure violation.

(ii) Set schedule

OR

(iii) Fines shall be determined by the hearing board for each finding of a violation based on the type, severity, repetition and circumstances of each violation based on the following guidelines:

First time or minor violations between \$25 - \$50*

Repeated minor violations between \$50 and \$100*

Repeated or flagrant violations between \$100 and \$200*

(a) Fines may not exceed \$500 for any one finding of a violation.

(b) In the event of a continuing violation, a weekly fine may be levied and will continue to be assessed until the violation is cured.

(c) Repeat violations occurring within the same calendar year of the original violation will be treated as such (without the association giving another warning) and may be subject to increased fine schedule.

(d) Notwithstanding any provision of this fine schedule or Policies and Procedures, the Association may use any legal means available at any time to enforce the terms of the Governing Documents.

* These fines can be modified by a vote of the Board of Directors

PRESIDENT'S CERTIFICATION: The undersigned, being the President of the

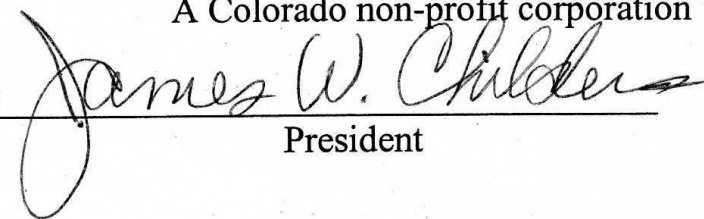
VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

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 1, 2007, and in witness thereof, the undersigned has subscribed his/her name.

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

A Colorado non-profit corporation

By:


President

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION POLICY AND PROCEDURE CONDUCT OF MEETINGS

June 1, 2007

The following policy and procedure has been adopted by the Executive Board
(“Board”) of

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION
(“Association”) pursuant to Colorado statutes, for the conduct of meetings.

MEMBERS/OWNERS MEETINGS

1. Meetings of the Members/Owners (“Members”) shall be held at such times and locations as may be provided in the Association’s Amended Declaration, Bylaws, Articles of Incorporation or Rules and Regulations (“Governing Documents”) or by applicable Colorado statutes, but at least once annually.
2. Only Members in good standing are eligible to vote. For purposes of this policy, “good standing,” shall mean all of the following: (i) ownership of a Unit; (ii) no outstanding amounts due to the Association; (iii) no outstanding violation of any provision of any Governing Document.
3. Notice of Members meeting shall be distributed as may be provided in the Association’s Governing Documents or by applicable Colorado statutes.
4. The Association’s Board shall determine the agendas for the meetings, subject to any requirements in the Association’s Governing Documents, and distribute such agendas with notices of the meetings.
5. The President of the Association’s Board or such other person as may be designated by the President, shall preside over all meetings.
6. Items of business and/or discussion must be presented by Motion and such Motion seconded, prior to discussion.
7. Any person not in compliance with these rules of conduct, may be ejected from the meeting:
 - a. No one may speak until called upon by the Chairperson to do so;
 - b. Only one person may speak at a time;
 - c. Personal attacks or abusive language will not be tolerated; and
 - d. Only the individual presiding over the meeting may interrupt a speaker only for purposes of limiting the time of the discussion or due to personal attacks or abusive language.

8. Voting by Members to fill positions on the Board shall be by secret ballot. Any other matter put before the assembly for a vote may be by any means acceptable to the assembly or by secret ballot if requested.
9. The Declarant maintains certain rights defined within the Governing Documents with respect to the appointment of individuals to the Board. Other Board positions may be elected by a vote of the Members ("Elected Positions"). For these Elected Positions, unless otherwise provided by the Governing Documents or by applicable Colorado statutes, the affirmative vote required for the election of Members of the Board shall be the candidates receiving the largest number of votes. Unless otherwise provided by the Governing Documents or by the applicable Colorado statutes, the affirmative vote required for the passage of any other matter put before the assembly for a vote shall be a majority of those present (as defined by the Rules and/ or Bylaws) and voting at this meeting.
10. Written ballots may be used in lieu of any Member meeting.

BOARD MEETINGS

1. Meetings of the Board shall be held at such times and locations as may be provided in the Governing Documents or by applicable Colorado statutes.
2. Notice of Board Meetings shall be distributed as may be provided in the Governing Documents or by applicable Colorado statutes.
3. The Board members or Managing Agent may create agendas for Board meetings, but are not required to do so. To the extent that an agenda is created for a Board meeting, it shall be provided to owners requesting a copy of same.
4. Notwithstanding paragraph 3 above, Board Meetings shall include a "Homeowners Forum" conducted as follows:
 - a. There will be a sign in list at the front desk who wish to speak at the meeting;
 - b. Only those present who have entered their names on the list of speakers shall speak;
 - c. Speakers will be called upon to speak in the same order in which they entered their names;
 - d. No one may speak until called upon by the Chairperson to do so;
 - e. Only one person may speak at a time;
 - f. Each person shall have three (3) minutes to speak;
 - g. Personal attacks or abusive language will not be tolerated; and
 - h. Only the Chairperson may interrupt a speaker and then only for purposes of limiting the time of the discussion or due to personal attacks or abusive language.

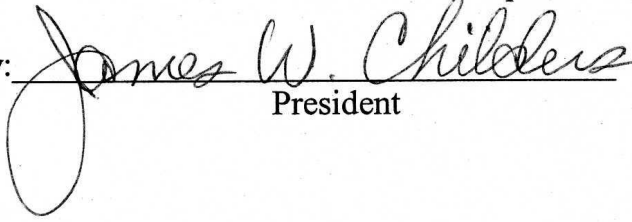
5. The President of the Board or such other person as may be designated by the President shall preside over Board meetings.
6. For each matter upon which the Board anticipates taking action, a motion must be made stating the proposed action followed by discussion. Owners who are not Board members may not participate in such discussion unless requested by a majority vote of the Board to do so.
7. At the conclusion of discussion, but prior to vote on the motion by the Board members, any owner may request to be heard on the matter discussed. In order to maintain a timely meeting and discussion a time limit of three minutes will be given to each speaker.
8. Board meetings shall be open to attendance by all members of the Association or their representatives.
9. The members of the Board may hold an executive session and restrict attendance to only Board members and such other persons requested by the Board during a regular or special meeting for discussion of the following:
 - a. Matters pertaining to employees of the Association or the Managing Agent's contract or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the Association;
 - b. Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client;
 - c. Investigative proceedings concerning possible or actual criminal misconduct;
 - d. Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy; and
 - e. Review of or discussion relating to any written or oral communication from legal counsel.
10. Prior to holding an executive session, the President or other person designated to preside over the meeting, shall announce the general matter of discussion as stated above.
11. No Rule or Regulation shall be adopted during an executive session. A Rule or Regulation may be validly adopted only during a regular or special meeting or after the Board returns from its executive session.
12. The minutes of all meetings at which an executive session was held shall indicate that an executive session was held and the general subject matter of the executive session.

PRESIDENT'S CERTIFICATION: The undersigned, being the President of the
VILLAS AT THE PEAKS TOWNHOMES 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 1, 2007, and in witness thereof, the undersigned has subscribed his/her
name.

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

A Colorado non-profit corporation

By:


President

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION COLLECTION POLICY AND PROCEDURE

June 1, 2007

The following policy and procedure has been adopted by the Executive Board
("Board") of

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION
("Association") pursuant to Colorado statutes, for collection of unpaid assessments.

1. Due Date. The monthly installments of the Association's Annual Common Expense Assessment shall be due and payable, on the 1st day of each month. Assessments or other charges not paid to the Association within 30 days of the due date shall be considered past due and delinquent.
2. Late Charge and Interest Imposed. Once a payment is past due and delinquent, a Late Charge equal to \$25 per month will be assessed to compensate the Association for the additional administrative costs in processing a delinquent payment.
3. Return Check Charges. In addition to any and all charges imposed under the Declaration, the Bylaws, the Rules and Regulations or the Articles of Incorporation (collectively, the "Governing Documents") or pursuant to Colorado statutes, or this Policy, a fifty dollar (\$50.00) fee or other amount deemed appropriate by the Board shall be assessed against an owner in the event any check or other instrument attributable to or payable for the benefit of such owner is not honored by the bank or is returned by the bank for any reason whatsoever, including but not limited to insufficient funds. Such return check charge shall be due and payable immediately, upon demand. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law. Returned check charges shall be the obligation of the owner(s) of the Unit for which payment was tendered to the Association. Returned check charges shall become effective on any instrument tendered to the Association for payment of sums due under the Governing Documents or this Policy.
4. Attorney Fees on Delinquent Accounts. As an additional expense permitted (collectible as a Common Expense Assessment) under the Amended Declaration and Colorado statutes, the Association shall be entitled to recover its reasonable attorney fees and collection costs incurred in the collection of assessments or other charges due the Association from a delinquent owner. The reasonable attorney fees incurred by the Association shall be due and payable immediately when incurred, upon demand.

5. Application for Payments made to the Association. Regardless of inscriptions or notations on the front of the check, all payments received on the account of any owner shall be applied in the following order: 1) any and all attorney fees, legal fees and costs incurred for collection of assessments or for owner's failure to comply with provisions of the Association's Governing Documents, including lien fees; 2) fines, late charges and interest; 3) returned checks charges, and other costs owing or incurred with respect to such owner pursuant to the Declaration, Colorado statutes, Rules and Regulations, or this Policy; 4) Past-due Special Assessments (if any); 5) Currently due Special Assessments (if any); 6) Past-due installments of Annual Assessments; 7) Current installments of annual Assessments. Checks containing a restrictive endorsement on the back will be returned to the owner and the amount tendered shall be considered unpaid.
6. Collection Procedures.
- (a) After an installment, or other charge due the Association, becomes 45 days past due, the Board may cause, but shall not be required to send, a "late notice" to the owner who is delinquent in payment.
 - (b) If payment in full is not received within 60 days of the date due, the Board may, but shall not be required to send the account to the Association's attorney for collection.
7. Referral of Delinquent Accounts to Attorneys. The Board may, but shall not be required to refer delinquent accounts to its attorneys for collection. Upon referral to the attorneys, the attorneys shall take all appropriate action to collect the accounts referred, including recording of a Notice of Assessment Lien against the Owner's Unit. After an account has been referred to an attorney, the account shall remain with the attorney until the account is settled, has a zero balance or is written off. All payment plans involving accounts referred to an attorney for collection shall be set up and monitored through the attorney.
8. Appointment of a Receiver. The Board may seek the appointment of a receiver if an owner becomes delinquent in the payment of installment of Annual Assessments. A receiver is a disinterested person, appointed by the court that manages the rental of the property, collects the rent and disburses the rents according to the court's order. The purpose of a receivership for the Association is to obtain payment of current assessments, reduce past due assessments, and prevent the waste and deterioration of the Unit.
9. Judicial Foreclosure. The Board may choose to foreclose on the Association's lien in lieu of or in addition to suing an owner in county for a money judgment. The purpose of foreclosing is to obtain payment of all assessments owing in situations where neither a money judgment lawsuit has been or is likely to be unsuccessful in obtaining payment, or other circumstances favoring such action.

10. Waivers. The Board may, at its sole discretion vote to waive any fines. Such relief granted an owner shall be appropriately documented in the files with the name of the person or persons representing the Board granting the relief and the conditions of the relief.
11. Ongoing Evaluation. Nothing in this policy shall require the Board to take specific actions at a specific time but the Board shall not take any action in less than the time stated herein for a particular action. The Board has the option and right to continue to evaluate each delinquency on a case by case basis.

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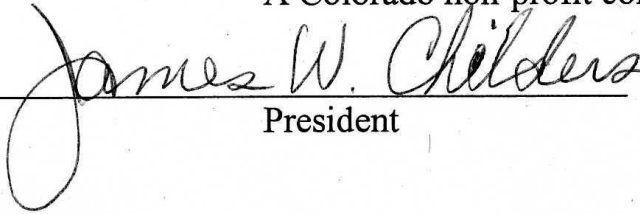
VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

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 1, 2007, and in witness thereof, the undersigned has subscribed his/her name.

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

A Colorado non-profit corporation

By: _____


President

**VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION
POLICY AND PROCEDURE
ADOPTION AND AMENDMENT OF POLICIES, PROCEDURES
AND RULES**

June 1, 2007

The following policy and procedure has been adopted by the Executive Board ("Board")
of

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION
("Association") pursuant to Colorado statutes, for adoption and amendment of policies,
procedures and rules.

1. Adoption or amendment of any policy, procedure or rule shall be performed only at a meeting of the Board which is open to all Members/Owners or their representatives.
2. The Board shall consider the following criteria when adopting or amending a policy, procedure or rule:
 - a. Reasonableness and necessity;
 - b. Impact does not create separate groups of Members/Owners;
 - c. Clear and unambiguous;
 - d. Reasonably relates to the preservation, protection and enhancement of property values; and
 - e. Consistent with (i) the Association's governing documents; (ii) applicable federal and state statutes and case law; and (iii) local laws and ordinances;
3. Adoption or amendment of any policy, procedure, or rule and regulation requires an affirmative vote of a majority of members of the Board members who are in attendance at the meeting.
4. Any policy, procedure, or rules and regulations and any amendment shall be effective fifteen days after delivery of written notice to each Member/Owner (including posting on the Association's web site or publication in the Association's newsletter) of its adoption.

PRESIDENT'S CERTIFICATION: The undersigned, being the President of the
VILLAS AT THE PEAKS TOWNHOMES 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 1, 2007, and in witness thereof, the undersigned has subscribed his/her name.

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

A Colorado non-profit corporation

By: _____

President

**VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION
POLICY AND PROCEDURE
INSPECTION AND COPYING OF ASSOCIATION RECORDS**

June 1, 2007

The following policy and procedure has been adopted by the Executive Board
("Board") of

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION
("Association") pursuant to Colorado statutes, for the inspection and copying of
Association records.

1. Inspection of Association Books and Records by Members/Owners ("Members").
A Member or his/her authorized agent is entitled to inspect and copy, at the Member's expense and during regular business hours at a reasonable location specified by the Association, any of the records or papers of the Association (except as specifically limited or excluded by Section 3 below) if the Member gives the Association written demand at least five (5) business days before the date on which the Member wishes to inspect and copy such records and:
 - 1.1 The demand is made in good faith and for a proper purpose;
 - 1.2 The Member describes with reasonable particularity the purpose and the records or papers the Member desires to inspect; and
 - 1.3 The records or papers are directly connected with the described purpose.

"Proper purpose" means a purpose reasonably related to the demanding Member's interest as a Member of the Association.

It is within the reasonable discretion of the Board to determine whether a Member's demand to inspect and copy is made in good faith and for a proper purpose.

2. Proper Purpose/Limitation. Without the consent of the Board, a membership list or any part thereof may not be obtained or used by any person for:
 - 2.1. Any purpose unrelated to a Member's interest as a Member; or
 - 2.2 To solicit money or property unless such money or property will be used solely to solicit the votes of the Members in an election to be held by the Association; or
 - 2.3 Any commercial purpose; or
 - 2.4 To be sold to or purchased by any person.
3. Exclusions. The following records and documents may be kept confidential by the Association:
 - a. Attorney-Client Confidential Documents. In order to protect the attorney/client privilege existent between the Association and its attorneys, all attorney created

documents, including, but without limitation, memos, opinion letters, and draft documents prepared at the behest of the Board, are not available for the inspection or copying by any Member or his/her authorized agent, without the consent and authority of the Board and upon advice of the legal counsel involved.

- b. Personnel Confidential Documents. Documents pertaining to employees of the Association or involving employment, promotion, discipline, or dismissal of an officer, agent or employee.
 - c. Applicable Law. Any documents which are confidential under constitutional, statutory or judicially imposed requirements.
 - d. Individual Privacy. Any documents the disclosure of which would constitute an unwarranted invasion of individual privacy are confidential.
4. Copy and other Document Fees. The Association will impose a reasonable charge, covering the costs for copies of any documents the Association provides to a Member. The charge may not exceed the actual cost for copies as incurred by the Association, said cost to be determined from time to time by the Association. If a Member requests copies of Association documents which are not in the possession of the Association, the Member is responsible for whatever fees and costs are imposed by the entity (CPA, attorney, etc.) holding such records for copy and related costs, including but not limited to labor, materials and postage.

If a Member requests a copy of an Association document which must be retrieved from archives, compiled, generated, certified or authenticated in any way, the Member is responsible for all fees and costs incurred in the retrieval, compilation, generation, certification or authentication and reproduction (copying) of the requested document(s), including but not limited to labor, materials and postage.

PRESIDENT'S CERTIFICATION: The undersigned, being the President of the

VILLAS AT THE PEAKS TOWNHOMES 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 1, 2007, and in witness thereof, the undersigned has subscribed his/her name.

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

A Colorado non-profit corporation

By: James W. Chibbers
President

**VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION
BOARD POLICY AND PROCEDURE
REGARDING CONFLICTS OF INTEREST**

June 1, 2007

The following resolution has been adopted by the Executive Board ("Board") of **VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION** ("Association") pursuant to Colorado statutes, at a meeting of the Board to establish a policy and procedure for handling conflicts of interest by Board members.

RECITALS

- (a) The Board wishes to avoid self-dealing, actual or apparent, in its administration of the Association.
- (b) The Board wishes to adopt requirements for members of the Board/Directors ("Board Members") in order to assure sound management of the Association.

NOW, THEREFORE, BE IT RESOLVED that the following shall apply:

Requirements Upon All Members of the Board/Directors.

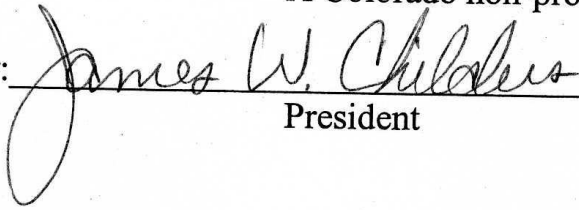
- A. All Board Members shall exercise their power and duties in good faith and in the interest of, and with utmost loyalty to the Association and owners. All Board Members shall comply with all lawful provisions of the Association's Governing Documents.
- B. Any Board member with a conflict of interest must disclose that conflict in an open meeting; however, after the conflict of interest is disclosed, the Board member is permitted to vote on the issue
- C. Any breach or suspected breach of this resolution by a Board Member shall be brought to the attention of the remaining Board members for appropriate action.
- D. This Policy shall be effective commencing June 1, 2007

PRESIDENT'S CERTIFICATION: The undersigned, being the President of the **VILLAS AT THE PEAKS TOWNHOMES 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 1, 2007, and in witness thereof, the undersigned has subscribed his/her name.

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

A Colorado non-profit corporation

By:

A handwritten signature in cursive script, reading "James W. Chikara", is written over a horizontal line.

President

**VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION
POLICY AND PROCEDURE
INVESTMENT OF RESERVE FUNDS**

June 1, 2007

The following policy and procedure has been adopted by the Executive Board
("Board") of

VILLAS AT THE PEAKS TOWNHOMES 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.

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. 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:

1. Preservation and safety of principal;
2. Liquidity to meet expected and unexpected expenditures; and
3. 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

A. Eligible Investments

The portfolio will be limited to the following investments:

1. Certificates of deposit (CDs);
2. Money market deposit accounts;
3. Money market funds; and
4. U.S. treasuries and U.S. treasury zero coupons.
5. Savings Accounts

B. Credit Quality Restrictions

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

C. Maturity Limits

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

D. Strategy

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

E. 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

1. Transfers of budgeted additions to reserves shall be made on a yearly basis;
2. A quarterly report of earnings shall be prepared by management, financial advisor, or the treasurer and presented at a Board meeting;
3. Two Board member signatures must be required to withdraw funds from investment accounts. An exception may be made for transfers between accounts

of the Association so long as both accounts require two Board member signatures for withdrawals of funds; and

4. 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;

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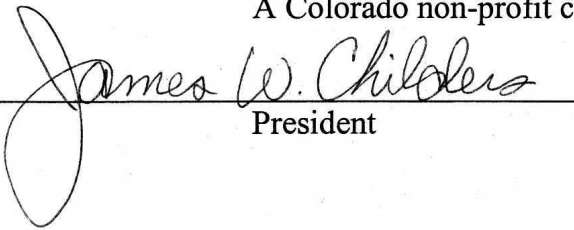
VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

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 1, 2007, and in witness thereof, the undersigned has subscribed his/her name.

VILLAS AT THE PEAKS TOWNHOMES ASSOCIATION

A Colorado non-profit corporation

By:



President