INVESTMENT GUIDELINES
THE KEN-CARYL RANCH MASTER ASSOCIATION
Adopted February 21, 2006

1. Preservation of the principal of all investments shall be the first priority.

2. All funds shall be invested in such a manner as to provide the maximum investment income consistent with preservation of principal.

3. All funds shall be invested with consideration of potential liquidity needs.

4. Investments shall be diversified to minimize the risk of loss, unless under the circumstances it is clearly prudent not to do so. For example the purchase of a Certificate of Deposit in an amount less than $100,000 (or the maximum amount insured by the government of the United States), even if that amount represented most or all of the investments of the Association, would be prudent.

5. Any debt instrument investment shall be limited to federal or federal agency obligations.

6. At least 50% of the total investment portfolio shall be invested in instruments with a remaining maturity of 2 years or less. Equity investments shall be considered to have a 6 year maturity.

7. All of the investment portfolio must be invested in instruments with a remaining maturity of 6 years or less; Equity investments shall be considered to have a 6 year maturity.

8. Any portion of the equity or fixed income investments may be held in short-term reserve. Such funds shall be invested in prime quality short-term, liquid assets to obtain a reasonable rate of interest while providing liquidity, including U. S. Government and Agency securities, certificates of deposit, commercial paper, and money market funds.

9. Investments in Certificates of Deposit in a total amount less than the maximum insurable amount, as provided by current law, may be made in any commercial bank in the United States insured by the Federal Deposit Insurance Corporation (FDIC), or in savings and loan associations and credit Unions similarly insured by a U.S. Government insurance plan.
10. Investments in Certificates of Deposit which total more than the maximum insurable amount, shall either be spread among several banks, so the amount at each is less than the $100,000 maximum insured amount, or be restricted to the obligations of commercial banks insured by the FDIC, having total assets of $100,000,000 or more.

11. Investments in money market instruments, and funds investing in the same (except as noted in #6 and #7, above), shall be limited to obligation of the U.S. Government and its Agencies, obligations of commercial banks insured by the FDIC and having total assets of $100,000,000 or more, commercial paper of the two highest grades and corporate obligations of the two highest grades.

12. Equity investments shall not total more than twenty percent of the total investment portfolio at any time.

13. Equity investments shall not be made in individual stocks, but rather in mutual funds investing primarily in the common stock of U.S. Corporations. No-load mutual funds, as defined by the SEC (charging no sales, redemption, or 12-b-1 fees) shall be the preferred investment, although funds with 'loads' may be purchased if the finance committee specifically approves such funds. Preferred funds are those which attempt to mirror the entire "market", rather than one segment. Consideration shall be given to the overall level of operating expenses of the mutual funds.

14. Under no circumstances shall investments be made, or investment transactions entered into, involving naked stock options, short sales, purchase on margin, lettered stock (stock with restricted trading rights), commodities, or ventured capital. Investment in venture activities where the Ken-Caryl Ranch Master Association retains control and ownership, and that are related to increased investment on the Ranch, are permissible upon resolution by the Board of Directors.

15. Uninvested, non-earning cash balances should be kept at a minimum through careful management of interest bearing checking, pass-through savings, and other similar accounts. Careful forecasting of cash needs is required.

16. The Finance Committee will meet regularly, not less frequently than quarterly, to review the forecast cash needs of the association, and the current investment position. Staff and the Finance Committee will prepare a written report, not less frequently than quarterly, outlining the current investment position, current and forecast cash needs, and recommendations. This report, signed by the Treasurer and at least one other member of the Finance Committee, will be provided to the Board of Directors, and to residents.

17. Any investment in securities other than U. S. Government or Agency securities, will
conform to the provisions of these guidelines, and must be pre-approved, in writing, by the Finance Committee. All equity investments must be pre-approved, and written notification from the Finance committee provided to the entire board as soon as possible, but not later than the next business meeting. Staff may advise the Finance Committee on investments of this nature, but the decision rests solely with the Finance Committee. Staff shall not be responsible for the performance of the investments referred to in this section.

Ken-Caryl Ranch Master Association, Inc.

By: ____________________________

President

Attest

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Secretary

This policy regarding investment guidelines was adopted by the Board of Directors at a regular meeting held on the 21st day of February, 2006, and is effective the 21st day of February, 2006, and is attested to by the Secretary of the Ken-Caryl Ranch Master Association, Inc.

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Secretary