

Resolution #8 Establishing a Policy for the Investment of Reserve Funds

WHEREAS, under the Declaration, Article XXV, Section 25.2, the Executive Board is empowered to administer to the affairs of the Association and to adopt and amend Bylaws, Rules and Regulations; and

WHEREAS the Executive Board is empowered to collect and invest funds dedicated to the replacement of capital assets of the Association and that the Board desires to manage these funds as good stewards;

THEREFORE, BE IT RESOLVED that the replacement reserve funds shall be invested in such amounts as may be authorized by the Executive Board in accordance with the following policy:

A. No funds shall be deposited or invested except in obligations of, or fully guaranteed by, the United States Government.

B. All accounts, instruments, and other documentation of such investments shall be subject to the approval of, and may from time to time be amended by, the Executive Board as appropriate, and they shall be reviewed at least annually to determine that they continue to meet the financial objectives of the Association.

C. Investments shall be guided by the following:

a. *Safety of Principal.* The long-term goal is safety of the replacement reserves, i.e., not risk loss of principal. Approved FIDC or United States Government backed investments include:

- Money market accounts (used only when short-term liquidity is required)
- Certificates of deposit
- Treasury bills

The deposit in any single institution shall not exceed the FIDC insurance limits.

b. *Liquidity and Accessibility.* Funds should be invested in a manner that provides for ready availability for projected expenditures.

c. *Laddering Strategy.* Funds should be invested in accounts and/or securities that have maturity dates of three months or more. If funds permit, securities should be purchased with varying maturity dates rather than investing a lump sum in one security with one maturity date. If interest yields are relatively low, The Board should invest for shorter terms with the anticipation that rates will rise in coming months. If rates are relatively high, the Board should invest for longer terms to take advantage of the higher yields.

d. *Minimal Costs.* Investment costs (redemption fees, commissions, and other transaction costs) should be minimized. Redemption dates for securities shall be scheduled to ensure the availability of funds for capital projects in a timely fashion without the need for pre-maturity withdrawal penalties.

e. *Review and Control.* All investments will be purchased in the name of the Association. The signatures of the Treasurer and President (or another Director or the Property Manager) are required for the creation of accounts and withdrawals or transfers of reserve

funds. All transactions regarding reserve funds shall be documented within the Board minutes. All reserve accounts shall be segregated from the operating accounts.

f. *Return.* Funds should be invested to seek the highest level of return that is consistent with preservation of the purchasing power of the principal and accumulated interest. All such earnings shall be reinvested in the reserve account.

D. On an annual basis, an investment report shall be prepared and submitted by the Treasurer to the Executive Board in a timely manner, listing the reserve fund investments held by the Association and the current market valuation of the investments. The report shall include a summary of investment earnings during the prior fiscal year. The Board shall make available to requesting Unit Owners a listing on an itemized basis as to amount, type and rate of return, of the instruments, funds and accounts in which Association funds are invested or deposited.

E. The Association shall maintain a fidelity insurance policy to protect the Association from loss by theft by any person with access to its investments.

A copy of this policy shall be provided to all Unit Owners.

Effective on January 12, 2009.

Adopted by vote of the Executive Board on January 12, 2009.

President, James Greeson

Secretary, Diane Gerber