

THE BOULDERS AT LA RESERVE HOMEOWNERS ASSOCIATION  
RESERVE FUND INVESTMENT POLICY

NOW, THEREFORE, IT IS RESOLVED that The Boulders at La Reserve Homeowners Association does hereby adopt the following policy to govern the 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 and to protect and ensure the safety of the assets and capital improvements of the Association and to protect and guide those volunteers who participate in the investment process.

The following investment policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal investment management of the Association's reserve funds. This policy does not set forth: (1) the minimum reserve fund balance required of the Association; (2) any mandate for an annual reserve fund study; or (3) the tax consequences of the investment options contained herein.

INVESTMENT OBJECTIVES

Reserve funds are for the 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:

Preservation and safety of principal;

- Liquidity and accessibility to meet expected and unexpected expenditures; and
- Maximization of yield

INVESTMENT RESPONSIBILITIES

The Board of Directors has sole authority to approve and amend, alter or otherwise make changes to the investment 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 and that the investment strategy is consistent with the Association's objectives.

#### Delegation of Authority

Responsibility for conducting investment transactions for the Association resides with the Treasurer. The President of the Board of Directors will be considered an authorized person to assist the Treasurer in performing investment management, cash management, or treasury functions. Persons authorized to transact investment business for the Association are limited to these two officers. Paul Ash Management ("the Agent") may be authorized by the Board of Directors to communicate with the financial institutions holding investments of the Association for purposes of maintenance of accounts only. The Treasurer will provide a copy of this investment policy to all of the Association's investment service providers. Association Members will receive a copy of this investment policy from the Treasurer upon request.

The Treasurer may engage the support services of outside professionals, subject to the availability of budgeted funds and approval from the Board of Directors. The Board of Directors shall provide a copy of this policy to the newly elected Treasurer at the assumption of office.

#### INVESTMENT GUIDELINES

##### A. Eligible Investments

The portfolio shall consist largely of the following investments:

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

##### B. Maturity Limits

No individual investment may exceed 5 years in maturity;

- The weighted average maturity of the portfolio will not exceed 3 years; and
- The Association must structure its investment portfolio in order to meet anticipated cash requirements.

##### C. Strategy

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet

anticipated demands. Investments shall be structured so they mature in successive years by diversifying the maturity dates of fixed-income instruments utilizing a laddered investment approach.

#### D. Custodian

Investments will be held in custodial accounts with approved banks or financial institutions federally insured either through FDIC or through the US Government, with no more than \$250,000 held in any one bank.

#### E. Yield

The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the aforementioned safety and liquidity objectives.

#### Prudence

All Board members involved in the investment process shall act responsibly as fiduciaries of the Association members' trust. Such persons shall invest and manage the Association's assets as a prudent investor would, by considering the purposes, terms, risks, and goals. In satisfying this standard, all such persons shall exercise reasonable care, skill, and caution.

#### Ethics and Conflicts Of Interest

Board members involved in the investment process shall refrain from personal business activity that could create an appearance of impropriety or could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Board members shall disclose to the Board and members any financial interests in financial institutions that conduct the Association's investment business and any relationships with entities issuing securities held by the Association and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Association's portfolio.

The Board of Directors adopted this Reserve Investment Policy on the 9<sup>th</sup> day of April 2012.