

RHYGATE HOMEOWNERS ASSOCIATION

RESOLUTION NO. 8

Policy relating to investment of Association funds

WHEREAS, under the provisions of the Covenants and Bylaws the Board of Directors is charged with safekeeping of Association funds,

NOW, THEREFORE, BE IT RESOLVED THAT the following policy and guidelines for investment of Association funds are hereby adopted by the Board.

INVESTMENT POLICY STATEMENT

I. GENERAL

This statement of investment policy has been adopted by the Board of Directors of the Rhygate Homeowners Association (Association) to provide guidelines for the investment of funds held by the Association. The following definitions identify the types of funds held by the Association:

Operating Fund: Those funds the Association expects to spend in the normal course of business during the current budget cycle or committed to the next budget cycle.

Reserve Fund: Those funds held for specific capital projects which benefit the Association over more than three budget cycles and their cost exceed what can be accumulated in two budget cycles. These funds are not designed for growth, but are specifically designed to preserve capital, provide income to the Operating Fund and provide funds in a specific or designated budget cycle.

II. PROCEDURES

To ensure the investment policy is consistent with the current mission of and accurately reflects the current financial condition of the Association, the Board of Directors shall review it annually.

The Treasurer is responsible for implementing the investment program.

The Treasurer, in consultation with the current President, shall determine amounts to be transferred between funds.

It is anticipated that from time-to-time the services of an investment advisor may be sought to manage portions of Association funds. The following procedure shall be followed to engage a new or replace a current investment advisor.

- A. The Treasurer and President shall recommend the hiring or replacing of an investment advisor to the Board of Directors.
- B. The Board of Directors shall have final approval.
- C. The Treasurer and President will evaluate any managers and report to the Board of Directors at least annually.

OPERATING FUND

I. PURPOSE

The purpose of the Operating Fund is to provide sufficient cash to meet the financial obligations of the Rhygate Homeowners Association in a timely manner.

II. INVESTMENT OBJECTIVES

The investment objectives of the Operating Fund are as follows:

- A. Preservation of capital.
- B. High liquidity.
- C. Optimize the investment return within the constraints of the above, minimizing any risk to principal caused by changes in investment value.

III. ALLOWABLE INVESTMENTS

The Treasurer, and any registered investment advisor retained by the Association, shall be authorized to invest the Operating Fund as follows:

- A. Federally insured Certificates of Deposit not to exceed \$100,000.00 including interest at commercial banks or savings and loan institutions.
- B. Money Market Funds that invest predominantly in United States government backed securities.

IV. MATURITY

The maturity on investments for the operating funds shall be limited to twelve months or less. The Treasurer will be responsible for scheduling maturities.

V. RESTRICTIONS

The intent of this policy is to restrict the assets in the Operating Fund to cash and cash equivalents. Accordingly, the Operating Fund will not be invested in any security in which it is expected that the net asset value will fluctuate.

VI. REPORTING

The Treasurer shall prepare the following reports for presentation monthly to the Board of Directors:

- A. Schedule of investments held including market value.
- B. Interest income year to date.

RESERVE FUND

I. PURPOSE

The purpose of the Reserve Fund is to provide financial stability, a conservative investment vehicle to provide income to the Operating Fund and to manage investment risk. The investment time horizon is at least three years.

The intent of this investment policy is to document an investment approach and strategy based on the primary need to preserve capital. The mandate from the Board of Directors is one in which principal must be maintained.

II. INVESTMENT OBJECTIVES

The broad investment objectives of the long term Reserve are as follows:

- A. To maintain the financial stability of the organization.
- B. Provide income to the Operating Fund.

III. INVESTMENT GUIDELINES

The investment policies and restrictions presented in this statement serve as a framework to achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives and to minimize excluding any appropriate investment opportunities.

A. Fixed Income

Investments in fixed income securities will be managed to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The investment may be selected from United States Treasury bills, government agency obligations and certificates of deposit. These investments will be subject to the following limitations:

- 1. Any investment appropriate for the Operating Fund.
- 2. Investments will be laddered up to three years.

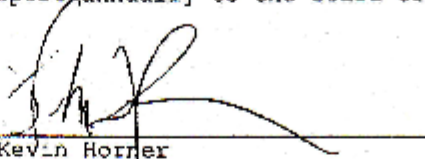
B. Prohibited Investments

The following investments are prohibited:

- 1. Private placement
- 2. Equities
- 3. Options
- 4. Commodity or futures trading
- 5. Short selling
- 6. Margin transactions
- 7. Corporate bonds.

IV. PERFORMANCE REPORTING

The Treasurer will prepare a report annually to the Board of Directors.



Kevin Horner
President
Rhygate Homeowners Association

Board Members:

Scott Clapper, Vice President *SC*
Kevin Goodale, Treasurer *KAG*
Phyllis Meyen, Secretary *PM*
Steven Heywood *SH*
Max Anzell *MA*
Susan Francipane
Jake Behr *JB*
Cecelia Bordenet *CB*

Adopted October 8, 2002