

**RESOLUTION  
OF THE  
MYSTIC SHORES PENINSULA PROPERTY OWNERS ASSOCIATION, INC.  
REGARDING INVESTMENT OF CASH RESERVE FUND**

**PURPOSE:** To adopt a policy for the investment of cash reserve funds (Reserve Fund), and structure and investment program which is sufficiently uncomplicated to ensure the preservation of the Reserve Funds' principal.

**AUTHORITY:** The Declaration, Articles of Incorporation and Bylaws of the Association

**EFFECTIVE DATE:** April 30, 2011

**RESOLUTION:**

The Association hereby adopts a Policy as follows:

1. Scope: In order to properly maintain components in the Community that are the responsibility of the Association and to manage reserve funds, the Board of Directors "Board" determines that it is necessary to have policies and procedures for the investment of Reserve Funds.
2. Purpose of the Reserve Fund: Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability. The replacement costs and predicted replacement dates are estimated as part of a Reserve Study that is commissioned by the Board from time to time.
3. The Board along with the ad-hoc financial committee will meet on an as needed basis to make decisions on investing the Reserve Funds
  - a) Cash Reserve: Monitor the cash reserve to ensure adequate liquid cash is available to fund the repair and replacement of Reserve Components as identified in either the reserve study or by the maintenance committee. Cash Reserves will be maintained in the General Fund and invested in Money Markets (to restrictive? – CD's). The goal is to maintain 2 years of operating expenses and 6 years on projected Reserve Spending in this fund.
  - b) Maturing Investments: As investments mature, replenish Reserve Fund Layers identified in this policy.
  - c) New Money: At the beginning of most budget years, new money comes into the reserve fund. The Board and the ad-hoc committee will make decisions for the allocation of these funds in accordance with the requirements of the Reserve Fund Layers and budgeted expenditures of the reserve fund.
  - d) Evaluation of Investments: The Board and ad-hoc committee will evaluate options and invite experts in for presentations to make wise investment decisions.

- e) **Monitoring Investments:** In the event one or more investments fail to meet an acceptable rate of return or the safety of principal becomes a question, the investment will be sold and the process to reinvest will begin anew.
  - f) **Conduct an asset allocation review** at least semi-annually and asset liability review as needed
4. **Investment of Reserves:** The Board shall invest funds held in the Reserve Funds accounts to generate revenue that will accrue to the Reserve Fund accounts balance pursuant to the following goals, criteria and policies, listed in order of importance:
- a) **Safety of Principal.** Promote and ensure the preservation of the Reserve Fund's principal.
  - b) **Liquidity and Accessibility.** Structure maturities to ensure availability of assets for projected or unexpected expenditures for Reserve Components.
  - c) **Minimal Costs.** Investments costs (redemption fees, commissions, and other transactional costs) should be minimized.
  - d) **Income.** Mitigate the effects of inflation upon reserve assets.
5. **Independent Professional Investment Assistance:** The Board may hire a qualified investment counselor to assist in formulating a specific investment strategy.
6. **Review and Control:** The Board shall review Reserve Fund investments quarterly to ensure that the funds have been invested in accordance with the policy and are receiving competitive yields.
7. **Permitted Investments.** Unless otherwise approved by the Board, the Reserve Fund will be invested as follows:

Reserve Fund Layer	Amount	Permitted Investments
Current Year	Cash & CD's	FDIC insured Accounts and/or Certificates of Deposit maturing prior to the anticipated expenditure as identified in the annual budget
Reserves for Years 2-5	Amounts in excess of the contingency and reserve layers for years 2-5	Intermediate term investments including indexed stock and bond funds
Reserves for Years 6 and later	Amounts in excess of the contingency and reserve layers for years 1-5	Long term investments including indexed stock and bond funds

**Limits:** In addition to the layers identified above, the percentage of total reserve funds investments will not exceed the following limits:

- 1. **Cash and CD's:** At least 30% , but no greater than 50% of total assets
- 2. **Intermediate 2-5 years:** At least 30% but no greater 40% of total assets
- 3. **Long term 6+ years:** At least 20% but no greater 30% of total assets