

The Estates at Stone Ridge Owners Association, Inc.

Policy Regarding Investment of Reserve Funds

Effective: May 18, 2020.

I. Policy Purpose

This policy sets forth the methodology and standards to be used by the Board in deciding how to invest and manage reserve funds.

II. Goals and Objectives

A. The reserve assets shall be invested to achieve these objectives:

1. Not risk loss of principal;
2. Ensure that adequate liquid funds will be available for coming year reserve needs; and
3. Achieve highest long-term investment performance.

III. Investment Strategy

A. **Base Liquid Funds.** On an annual basis, the Board will review the reserve schedule for the upcoming year to determine anticipated funds required for expected expenditures plus a twenty percent (20%) cushion. This amount constitutes the "Base Liquid Funds."

B. **Non-Liquid Funds.** Funds over and above the Base Liquid Funds will be invested as follows:

1. In federally insured accounts and maturities of three (3) months or more.
2. If Certificate of Deposits are used, the Certificates should be with varying maturity dates (laddering strategy).

3. If interest yields are relatively low, the Board will invest for shorter terms with the anticipation that rates will rise in coming months.
4. If rates are relatively high, the Board will invest for longer terms to take advantage of the higher yield.

As Reserve assets grow from interest earnings, as well as from reserve contributions, they become investable if they are in excess of the Base Liquid Funds. These funds can be combined with proceeds from laddered funds as they mature or can be used to purchase new laddered securities.

IV. Approved FDIC Investment Classes

- A. Savings accounts
- B. Money market accounts
- C. Certificates of deposit in FDIC insured financial institutions with no more than \$100,000 in any such institution, unless additional private deposit insurance is provided by the bank.
- D. Treasury bills, notes or bonds.

V. Review & Control

- A. All investments will be purchased in the name of the Association.
- B. The signatures of the President and Treasurer are required for all withdrawals or transfers of reserve funds.
- C. The Board will review regular financial statements and make adjustments as needed to ensure goals and objectives are being met.