

**BELROSE COMMUNITY ASSOCIATION  
ADMINISTRATIVE RESOLUTION #2  
INVESTMENT POLICY**

Passed at April 1, 2009 Annual Meeting

WHEREAS, Article III, Section 3.2 of the Bylaws creating the Association gives the Board the responsibility to manage the business affairs of the Association; and

WHEREAS, Article III of the Bylaws for the Belrose gives the Board the power to handle and invest funds of the Association; and

WHEREAS, the Belrose Community Association has a professional management agreement with Mid-Atlantic Management Corporation; and

WHEREAS, the Board and Mid-Atlantic desire to set policies regarding how funds are to be handled and invested for the Association,

NOW THEREFORE BE IT RESOLVED, that Mid-Atlantic is hereby authorized to administer and the Board will retain its responsibilities for those funds as follows:

**I. Prudent Investor Rule and Ethics**

Investments on behalf of the Community will be made in accordance with the Prudent Investor Rule. The Prudent Investor Rule is a legal doctrine which provides guidance to investment managers regarding the standards for managing an investment portfolio in a legally satisfactory manner.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

**II. Investment Objectives**

The primary objectives in order of priority are safety, liquidity, and yield. The Board of Directors seeks to balance the three objectives:

- Diversifying investments among asset class to ensure safety of principal;
- Maintaining sufficient liquidity to meet financial obligations;
- Earning a market rate of return.

The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index.

**III. Investment Strategy**

Selection of securities will be made with an emphasis on the preservation of capital, the quality of the investment, maturity dates, and continued liquidity of funds. Securities shall be structured to mature in 6 months to five years. Structuring should

insure that securities are laddered to spread maturities equally over a five-year period. Once established, a consistent purchase of securities at the long end of maturity will be undertaken with new or maturing funds. A majority vote of the Board of Directors is required for all investment transactions. The Association will maintain readily available operating funds.

#### **IV. Independent Professional Investment Assistance**

The Board of Directors of the Association in consultation with the Finance Committee may hire a qualified investment counselor to assist in the formulation of a specific investment strategy.

#### **V. Limitation on Investments**

All funds shall be invested in authorized investments. Authorized investments include, Bank or Brokerage firm CD's and AAA rated Municipal or US Treasury securities having a maturity of 5 years or less. No bank or investment firm shall have a balance of more than, the FDIC or SDIC limit. The associations' funds may not be invested where the principle thereof is at risk in any way whatsoever.

#### **VI. Accounting and Control**

Monthly Reserve Fund statements will be developed by our professional management company or by a qualified investment counselor. The Board of Directors shall review these reports to insure that the funds are receiving competitive yield and meeting our objectives and shall make recommendations to the Board of Directors should prudent adjustments be needed.

The monthly accounting report shall include, but not limited to the following:

- All investment transactions.
- Brief review of money market and interest rate conditions.
- Composition of investment portfolio, including par value, book value, market value, average life and maturity schedule.
- Net interest income earned to date (portfolio yield).
- Portfolio performance comparison to recommended benchmark.
- All reserve accounts and investments need to be in the name of the association
- Only the Board Members are to be signers on any Reserve or Investment Account
- While Mid-Atlantic may investigate interest rates and return rates for alternative investments to assist the Board, **it is not acting as an investment advisor or any similar capacity.**
- Mid-Atlantic shall continue to provide the regular financial reports which reflect the status of investments and any transactions. Therefore, Mid-Atlantic must receive all information regarding any funds or investments on a timely basis, including those handled directly by the Board or designated Board member.

#### **VII. Investment of Reserves**

The Board of Directors shall invest funds held in reserve in a separate Reserve Fund account. By law the Reserve Fund contains only reserves and cannot be combined with other funds, e.g. operating funds. The purpose of the Reserve Fund is to responsibly

fund and finance the projected repair and replacement of those portions of the Community that the Association is responsible for and for such other funding as the Board of Directors and Finance Committee may determine.

By a majority vote of the Board of Directors, funds may be withdrawn for the purpose of which they were deposited. However, in the rare situation where unforeseen extraordinary operating expenses temporarily exceed the available operating funds, the Board of Directors may authorize a loan from the Reserve Account. The maximum loan is 20% of the Reserve Account balance and must be repaid, with interest (the interest rate will be derived from the current investment acct. from which funds were borrowed, within 6 months.

Mid-Atlantic shall administer to or assist the Board in the routine investment transactions with funds, lending institution, or other sources as approved by the Board or designated Board member

### **VIII. Securities Selection Guidelines**

The Board of Directors is responsible for establishing, maintaining, and amending general guidelines and procedures for investing Community funds. The Board along with the Finance Committee shall review, revise if necessary, and approve the investment selections. This program will be presented at a quarterly meeting and will outline appropriate action to be taken with respect to the investment of new monies over the next ninety days.

The Board of Directors shall, at each scheduled meeting, review investment transactions made since the last meeting to insure conformance with the approved investment policy and established procedures. The Board shall require a review of internal controls as part of an annual Community audit.

### **IX. Policy Changes**

The Board of Directors may deviate from the procedures set forth in this Policy if in their discretion such deviation is reasonable under the circumstances. Changes will require a majority vote by the Board of Directors.

### **X. President's Certification**

The undersigned, being President of the Board of Directors of The Belrose Community Association, Inc., a Pennsylvania Non-Profit Corporation and a Pennsylvania Planned Community in Chester County, certifies that the foregoing Investment Policy was adopted by a majority vote by the Board of Directors of the Association at a duly called and held meeting of the Board of Directors on October 25, 2007 and in witness thereof, the undersigned has subscribed his name.

By: \_\_\_\_\_  
Belrose Community Association, Inc