

PARK WEST COMMUNITY ASSOCIATION, INC.

POLICY RESOLUTION 16-05

REGARDING THE INVESTMENT POLICY OF THE RESERVES

WHEREAS, Park West Community Association (the “Association”) is a Virginia nonstock corporation subject to the provisions of the Virginia Nonstock Corporation Act; and,

WHEREAS, Park West Community Association is an association subject to the Virginia Property Owners’ Association Act; and,

WHEREAS, Article V, Section 1 of the Declaration specifies that a general operating reserve and a reserve for replacements be established where appropriate; and,

WHEREAS, Article V, Section 3 of the Declaration invests the Board of Directors with the authority to designate, deposit into, withdraw from and otherwise manage a fund established as the Reserve for Replacements and other such reserves as are necessary or appropriate,

NOW, THEREFORE, BE IT RESOLVED THAT the following policy is established and adopted for maintaining the Reserves:

1) TERMS

- a) ‘Governing Documents’ refers to, but is not limited to, the Articles of Incorporation, the Declaration, the By-Laws, any Resolution, any Rules and Regulations, and any Community Guidelines duly adopted by the Association.
- b) ‘FDIC’ refers to the Federal Deposit Insurance Corporation – an American corporation insuring deposits in the United States against bank failure.
- c) ‘SIPC’ refers to the Securities Investor Protection Corporation – a nonprofit corporation created to insure the assets investors have deposited in brokerage firms.
- d) ‘STRIPS’ refers to the Treasury's Separate Trading of Registered Interest and Principal Securities.
- e) ‘S&P’ refers to the Standard and Poor’s – an American financial services company, considered one of the Big Three credit-rating agencies.
- f) ‘Moody’ refers to Moody’s Investor Services – an American bond credit rating business, considered one of the Big Three credit-rating agencies.
- g) ‘A1’ refers to the fifth highest rating in Moody’s Long-Term Corporate Obligation Rating. Obligations rated A1 are judged to have strong capacity to meet financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. Rating one notch higher is Aa3. Rating one notch lower is A2. This rating is the highest upper medium grade and the fifth of ten investment grade ratings.

- h) 'A+' refers to the fifth highest S&P Long-Term Issue Credit Rating. Obligations rated 'A+' are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. The plus (+) sign indicates relative standing within the rating category. Rating one notch higher is AA-, one notch lower is A. This rating is the highest upper medium grade and the fifth of ten investment grade ratings.
- i) 'Reserves' refers to the Reserve for Replacements and the General Operating Reserve.
- j) 'Community' refers to any lot which is subject by covenants of record to assessment by the Association.
- k) 'Management Agent' refers to the entity employed by the Board of Directors to perform such duties and services as authorized in writing at an established rate of compensation.
- l) 'Member' refers to person or entity who is a record owner (resident or non-resident) of a fee or undivided fee interest in any Lot within the Community.

2) **OBJECTIVE OF RESERVE INVESTMENTS:** The objective of the Association is primarily to preserve the principal amounts of the Reserves invested into any depository account(s) and secondly to obtain competitive rates of return on its investments. Any such investments should be in accordance with applicable state and local laws.

3) **GUIDELINES FOR RESERVE INVESTMENTS**

- a) In order to preserve the principal amounts of the Reserves, the Board instructs that any and all funds comprising parts or the whole of the Reserves be restricted to the following types of investments and/or securities:
 - i) U.S. Treasury Notes
 - ii) U.S. Treasury Bills
 - iii) U.S. Treasury Bonds
 - iv) U.S. Treasury Inflation-Protected Securities
 - v) U.S. Treasury Zero-Coupon Bonds
 - vi) U.S. Treasury STRIPS
 - vii) Municipal Bonds guaranteed by the full faith and credit of the Commonwealth of Virginia
 - viii) Certificates of Deposit insured by the FDIC
 - ix) Managed Bond Funds holding short-duration municipal bonds
 - x) Managed Bond Funds holding commercial paper
 - xi) Money Market Funds and other appropriate accounts insured by the FDIC

- b) In order to preserve the principal amounts of the Reserves, the Board instructs that any and all funds comprising parts of the whole of the Reserves be restricted to investments and/or securities that are considered Investment Grade by the rating agencies Moody's and S&P and, further, be rated by said rating agencies at minimum as A1 and/or A+, respectively.
- c) In order to preserve the principal amounts of the Reserves, the Board instructs that, of the total investments, securities and any other accounts comprising part of the Reserves, the proportion of funds held that are insured by the FDIC be thirty (30) percent (%) at minimum.
- d) Notwithstanding the foregoing, only securities enumerated in Title 26, Section 26-40 of the Code of Virginia are authorized for investment of Park West Community Association funds.
- e) All investment accounts will be in the name of Park West Community Association with the President, Treasurer, and Managing Agent listed as authorized signatories.

4) RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND TREASURER:

- a) The Board of Directors is ultimately responsible for all investment decisions regarding funds invested and is accountable for the investment objectives indicated herein.
- b) The Treasurer of the Association is the principal officer of the Board of Directors responsible for the oversight of the Reserves. In the event that the Treasurer is not available, the President shall act in his capacity. The Treasurer shall, in accordance with the guidelines included in this resolution, and in consultation with the managing agent, financial advisor or other designee, as directed by the Board of Directors, invest and/or otherwise direct the investment of the Reserves of the Association.
- c) The Treasurer shall develop and present a schedule of investments and their related maturities to the Board of Directors that shall coincide with the projected liquidity levels and timing needed to fund major repairs and replacements of common elements and other components, as primarily indicated by the current Reserve Study of the Association, or as otherwise designated by the Board of Directors.
- d) The Treasurer of the Association shall regularly, on a monthly basis, present a report on any purchases, redemptions, swaps or other exchange of securities to the Board of Directors indicating the amount of the transaction, any premium paid or discount taken, any fees incurred, and any gains or losses arising therein.
- e) The Treasurer and President of the Association shall both have signature authority and on-line access to any and all accounts comprising part or the whole of the Reserves and shall furnish a monthly statement and annual 1099-MISC, 1099-DIV or other year-end reports to the Board of Directors and the Managing Agent of the Association.

- 5) RESALE DISCLOSURE PACKET.** A copy of this Resolution shall be included as an attachment to Association-issued resale certificates or disclosure packets.

RESOLVED and adopted by the Board of Directors for the Park West Community Association at a duly convened meeting held on SEPTEMBER 20TH, 2016 and incorporated into the Book of Resolutions of the Association.

By: Mark A. Griffin 6 OCT 16
Mark Griffin, President of the Board of Directors DATE

Attest: Joan Murphy 6 Oct 16
Joan Murphy, Secretary of the Board of Directors DATE

