

STATEMENT OF INVESTMENT POLICY

I. PREAMBLE

The Provence Townhouse Association (hereinafter referred to as PTA) has established the Capital Reserve Fund (hereinafter referred to as "the Fund").

The purpose of this document is to set forth the objectives, policies, and guidelines that are to govern investment of the Fund. These basic guidelines shall apply to the members of the Board of Directors, members of the Finance Committee, and any investment manager* so engaged by the authority of the PTA Board of Directors.

II. INVESTMENT OBJECTIVES

- A. Real Rate of Return Objective: The objective of the Fund will be maximum income with minimum risk. The goal of the Fund is to maintain principal value while earning an investment return exceeding the inflation rate as measured by the Consumer Price Index (CPI). "Investment return" is defined as total return calculated to recognize all cash income plus realized and unrealized capital gains and losses.
- B. Measurement Period: Although investment performance will be reviewed biannually by the PTA Board and Finance Committee, a fair market cycle of three to five years is required for judging whether the Real Rate of Return objectives have been met.
- C. Fiduciary Standards: The Fund shall be invested in a manner that is consistent with generally accepted standards of fiduciary responsibility. The safeguards which would guide a prudent expert will be observed.

III. INVESTMENT GUIDELINES

- A. Permissible Investments: The Fund shall be invested in interest-bearing instruments only, subject to the following guidelines:
 - 1. Certificate of Deposit accounts which bear the highest earning rate over a fixed period of time.
 - a. Such deposits should be no more than Fifty-Thousand and No/100 Dollars (\$50,000.00) each, and should be of staggered maturity dates, allowing for maturation within a six-month period at any time during a calendar year.
 - b. Any portion of the Fund which will be distributed within one year shall be limited to time deposits which mature on or before the distribution date.
 - 2. Money Market accounts.
- B. Prohibited Investments: Assets of the Fund may not be invested in the following:
 - 1. Fixed Income Investments: The following are not permissible:

- a. Bonds, notes or other indebtedness for which there is no public market (private placements).
 - b. Commercial paper.
 - c. Letters of credit guaranteed by the Fund.
- 2. Options and Futures: Transactions are not permitted in "options" or "futures" contracts of any kind.
- 3. Common Equity Investments: All individual common equity investments are prohibited.

IV. INVESTMENT PROCEDURES

- A. New cash in:
 - 1. "New cash in" is defined as:
 - a. Transfer of money from operating funds to a money market account.
 - b. Cash from interest or dividend.
 - 2. In such circumstances where the PTA Board is working with a broker or other outside investment manager, immediate contact between that agent and the PTA Board of Directors will determine the holding period of the current cash in. If new cash in is available for investment, the procedures of Paragraph B shall be followed.
- B. Investment procedure for buy/sell/transfer of positions.
 - 1. Changes may be made by the investment manager without approval of the PTA Board of Directors; however, the Finance Committee must be apprised of any changes to the accounts prior to said changes and grant approval for that change.
 - 2. All withdrawals shall be reviewed by the Finance Committee of PTA and, if approved by the Board of Directors, shall require pre-execution approval signatures of at least two allowable individuals listed in the Board Resolution drafted for this purpose.

V. REVIEW PROCEDURES

- A. Review and Modification of Investment Policy Statement: The Finance Committee of the PTA shall review this Investment Policy Statement with the investment manager at least annually to determine if modifications are necessary or desirable.
- B. Meetings with Investment Manager*: The investment manager is expected to meet at least annually with the Finance Committee of the PTA, and review portfolio holdings and investment results within the context of this investment Policy Statement. The investment manager is expected to meet more often with PTA representatives if requested to do so or if market conditions warrant.
- C. Conformance/Performance Review: The Board of Directors of the PTA shall review annually the performance of the Fund relative to the objectives and guidelines described herein.

VI. SELECTION OF AN INVESTMENT MANAGER

- A. Selection of an investment manager shall be made by the PTA Board of Directors upon the