

Heritage Ranch Homeowners' Association Investment Policy

Purpose:

To implement an investment policy that will be used by the Board of Directors (BOD) of Heritage Ranch Homeowner's Association (HRHOA) for the purpose of investing Reserve, Operating and Other Appropriate funds in a safe and sound manner.

Responsibility:

The BOD of HRHOA is charged with general supervision of all investment activities. This will include, but not be limited to, the responsibility for the formulation, modification and implementation of investment policies and strategies. The BOD may delegate formulation of investment strategies, selection of institutions, internal investment procedures, and investment decision making as to specific purchases and sales of investments. Any investment activity that would constitute an exception to the approved investment policy shall be approved in advance by the BOD of HRHOA. The BOD may review the investment policies as needed.

The Finance Committee may serve as a financial advisor to the BOD and HOA Management and may provide research and recommendations regarding investment policies, strategies, institutions, and procedures.

The HRHOA Management Company may utilize the services of an investment broker to facilitate investment transactions subject to approval by the Treasurer.

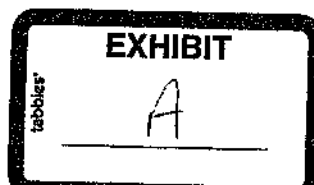
Objectives:

Because of the HRHOA's unique structure, a not-for-profit legal entity, investment programs and policies must be maintained that ensure all funds are invested in a safe and sound manner. Investment activities shall be in accordance with applicable state and federal laws and regulations. Safety is the primary objective. Secondary objectives are as follows:

- To maximize earnings and generate income on invested funds within the safety and liquidity constraints established by the BOD of HRHOA.
- To diversify the investment of funds, so as to limit credit risk.
- To develop investment alternatives and strategies that enable HRHOA to have a broad range of investment options.

Reserve Funds:

Reserve Funds are restricted HRHOA funds to be used in the future to refurbish or replace HRHOA assets. These funds are available for longer term investments since



they are not needed to meet day-to day operations.

Operating Funds:

Operating Funds are non-restricted funds to be used in the conduct of HOA business. These funds are generally needed for short term liquidity and are held in checking or interest-bearing accounts at financial institutions selected by HOA Management and approved by the Treasurer.

Other Appropriate Funds:

Other Appropriate Funds are non-restricted funds which are placed in checking or interest-bearing accounts and designated for a specific purpose. Examples are capital expenditures, erosion and drought related expenditures, Performing Arts and the like.

Authorized Investment Instruments for Reserve Funds, Operating Funds and Other Appropriate Funds:

HRHOA may only invest in those instruments which are specifically authorized in this Investment Policy:

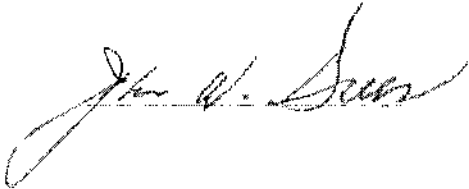
- HRHOA may invest in debt obligations guaranteed by the full faith and credit of the United States Government, United States Government-sponsored agencies and United States Government-sponsored corporate enterprises.
- HRHOA may invest in accounts in financial institutions which are insured by FDIC or SIPC to a maximum of the then current applicable insurance limits. The BOD acknowledges that fund amounts in the HRHOA primary bank may exceed FDIC limits from time to time and encourages the Management Company to utilize reasonable methods of oversight and actions to minimize any potential exposure.
- HRHOA may invest in money market funds to meet current liquidity needs.

Approved by the Finance Committee on July 26, 2018.

Approved by:

HOA Board of Directors

Date



9/4/18