

RECREATION CENTERS OF SUN CITY WEST, INC.
POLICY STATEMENT – Fi 12
Investment of Association Funds

1.0 General:

The Association's Board of Directors has the fiduciary responsibility to Owner Members to ensure that the Association funds are invested in a prudent and conservative manner. The Association Bylaws entrust the Treasurer of the Association to oversee the implementation and investment of Association funds.

2.0 Purpose:

The purpose of this policy is to establish a fiscally responsible investment strategy for the Association, subject to periodic review by the Treasurer and Chief Financial Officer.

2.1 Goals & Objectives

The primary objective of the investment program is a conservative and prudent approach to the management of the assets in its investment portfolio(s). The specific goals shall target the preservation of capital, liquidity, and rate of return, in that order.

2.1.1 Preservation of Capital

Preservation of capital is the foremost objective of the investment portfolio(s). Investments shall be made based on an investment strategy that considers the following risk factors:

2.1.1.1 Credit risk

The Association shall minimize credit risk by limiting investment activities to the types of securities detailed in this investment policy.

2.1.1.2 Interest Rate Risk

The Association shall minimize interest rate risk by diversifying its portfolio(s) with approved securities that have differing impact levels to interest rate fluctuations.

2.1.1.3 Market Risk

The portfolio(s) shall provide broad diversification by investing into multiple asset classes within the specified investment parameters set forth in this policy.

2.1.2 Liquidity

Investments shall be made based on cash flow requirements described in section 3.0 of this investment policy. Since all possible cash demands cannot be anticipated, the investment portfolio(s) shall include securities that are easily redeemable or sold in an active secondary market.

2.1.3 Rate of Return

A rate of return shall be sought to address capital needs, operating costs and inflation.

3.0 Investment of Funds:

3.1 Investment of funds shall be guided by cash flow requirements.

3.1.1 Operating funds used for day-to-day operations may only be invested in:

- U.S. Treasury and Federal Agency obligations backed by the full faith and credit of the U.S. Government.

3.1.2 Reserve funds for capital expenditures may be invested based on the specific annual liquidity needs using the following instruments:

- Instruments backed by the full faith and credit of the U.S. Government;
- Open-end Index or actively managed Mutual Funds or Exchange Traded Funds (ETFs) that trade in:
 - High-credit investment grade quality domestic and international bonds rated by Moody's, Standard & Poor's and/or Fitch rating agencies.
 - Domestic and international stocks.

3.1.2.1 No individual fund shall exceed more than 20% of the investment value of a portfolio.

3.1.2.2 No investments are to be purchased on margin.

4.0 Structure and Operations:

4.1 Investments and cash management of Operations funds shall be performed by the Chief Financial Officer (CFO).

4.2. Investments of the Capital Project funds/portfolio(s) and Reserve funds/portfolio(s) shall be monitored by the Budget and Finance committee.

4.2.1 This committee shall strive to achieve a wise investment strategy with consideration of the following:

- Association documents addressing investment of funds;
- Consultation with appropriate management and investment professionals;
- Annual review of investment strategy;
- Investment costs.

4.3 Investment Advisory Firm

The Capital Projects and Reserve investment portfolio(s) shall be managed by a professional investment advisory firm that follows the investment guidelines set in this investment policy.

4.3.1 Selection Criteria

4.3.1.1 The Governing Board, working in conjunction with Budget and Finance committee, shall select an investment advisory firm based on a review of at least three parties to provide objective investment advice.

4.3.1.2 Investment advisory firm candidates shall be fee-based, not paid with commissions. Additional criteria for selection and continued use shall include:

- Fee structure;

- Proper and current certifications;
- Strong code of ethics which ensure fiduciary responsibility;
- Portfolio recommendations based on investment policy criteria;
- Portfolio performance after the investment manager/firm has been selected.

4.3.2 Performance Management/Reporting

4.3.2.1 The Chief Financial Officer shall present quarterly updates on the investment portfolio to the Budget and Finance committee and Governing Board.

4.3.2.2 The Budget and Finance committee shall provide an annual assessment of the performance of the investment advisory firm(s) based on the goals and objectives of this policy.

4.4 Internal Controls

4.4.1 The CFO shall establish a system of internal controls, available for review by an independent auditor, to protect the investment portfolio(s) from fraud and/or poor management.

4.4.2 All investments shall be held in banks and brokerage firms that are members of the FDIC and SIPC, respectively.

4.4.3 All transfers of investment portfolio monies to and from a bank or a brokerage firm shall require the authorization of at least two of the following three officials of the Association: The Treasurer, the General Manager, and the CFO. The Governing Board may designate other persons to authorize a transfer if two these officials are not reasonably available.

4.5 Conflicts of Interest

Members of the Budget and Finance committee, the Governing Board, and the Association employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment portfolio(s).