

PAGOSA LAKES PROPERTY OWNERS' ASSOCIATION

INVESTMENTS POLICY

I. Purpose

It is the purpose of this document to set forth the Policies and Procedures of the Pagosa Lakes Property Owners Association, Inc. (PLPOA) Board of Directors relating to the investment of PLPOA monies and management practices.

II. Scope

The investment policy applies to all monetary assets of the PLPOA. These funds are accounted for in the Annual Financial Statements and include:

- A. Operating Fund
- B. Reserve/Replacement Fund
- C. Settlement Fund
- D. Any new Fund or portion thereof created by the Board.

III. Objective

The primary objectives in priority order of the PLPOA's investment activities shall be:

Safety: The single most important objective of this investment program is the preservation of all funds of the PLPOA. Investments shall be made only with financial institutions that are members of the Federal Deposit Insurance Corporation's (FDIC) or Securities Investor Protection Corporation (SIPC). And, no single investment shall exceed the \$250,000 FDIC or \$500,000 SIPC insurance limit.

Liquidity: The objective of liquidity is the ability to change an investment into its cash equivalent on short notice at its prevailing market value.

Return on Investment: The portfolio shall be designed and managed to earn a market rate of return, taking into account the primary objectives of safety and liquidity.

IV. Appointment of Investment Committee

An Investment Committee shall act within the written procedures and authorization of the Board of Directors. The Committee shall be comprised of the Treasurer of the Board, Finance Committee Chairperson and the Comptroller.

V. Standard of Care

The standard of care applicable to the Investment Committee shall be the "Prudent Person Rule." The rule shall be applied in the context of managing the overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence,

discretion, and intelligence exercise in the management of their own affairs; considering primarily, the preservation of capital, as well as, the possible income to be derived therefrom.

VI. Delegation of Authority

Fiduciary responsibility for the investment program under the authority of the PLPOA Declarations of Restrictions, Articles of Incorporation, and Bylaws lies with the Board of Directors and its Investment Committee.

VII. Ethics and Conflict of Interest

The PLPOA Board members and, Investment Committee 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. Board Members and the Investment Committee members shall disclose in writing to the Board of Directors any material interests in financial institutions that conduct business or may be under consideration to conduct business with the Association. They shall further disclose any significant personal financial/investment positions that could be related to the performance of the portfolio. The Conflict of Interest Policy adopted by the Board of Directors in Resolution 2022-08 is also applicable to the Investment.

VIII. Investment Committee Job Description

The Investment Committee is responsible for working with financial institutions or investment companies to purchase authorized investments for PLPOA funds. The Investment Committee shall make certain that FDIC insurance coverage is adequate by ensuring that investments, including interest, do not exceed \$250,000 per any account at any financial institution. The investment committee shall make certain that SIPC insurance coverage is adequate by ensuring that investments, including interest, do not exceed \$500,000 per any account at any financial institution.

The Investment Committee is responsible for tracking PLPOA investments, so that when they mature, proceeds, if not needed within the next 6 months, are reinvested as soon as possible. Occasionally, PLPOA cash requirements may require transfers of investments between accounts. If so, the investment committee will act as a liaison between the PLPOA and the financial institution or investment company to ensure the transfers are made timely and correctly.

IX. Authorized Financial Dealers and Institutions

The Treasurer shall provide oversight of the investment activities of the PLPOA accounting department. This oversight will involve a partnership with the Comptroller to invest only in financial institutions that are members of the SIPC, or FDIC and meet its rating criteria. The Treasurer shall also, at least every 6 months, conduct a comprehensive review of all financial institutions holding PLPOA investments, to ensure that they meet SIPC or FDIC criteria.

1. The FDIC rating information can be found at:
cdr.ffiec.gov/public/managfacsimiles.aspx . To access a bank or thrift, Enter Institution name.
2. Enter Unique Identifier-FDIC certificate number.
3. Enter latest quarterly report date.
4. Download consolidated report of condition and income in pdf format.

5. Scroll down to Schedule RC-Regulatory Capital.
6. Go to lines 31-33 for capital ratios:
 - a. Line 31-Tier 1 leverage ratio
 - b. Line 32-Tier 1 risk-based capital ratio
 - c. Line 33-Total risk-based capital ratio

Banks should exceed the schedule RC-R (regulatory capital) baselines: tier one leverage ratio (line 31)-5%, tier one risk-based capital (line 32)-6%, and total risk-based capital (line 33)-10%. Thrifts must exceed the schedule CCR (capital) baselines: Tier 1 core capital (line CCR810)-5%; tier 1 risk-based capital (CCR830)-6%, and total risk-based capital (CCR820)-10%.

A schedule is attached showing all local banks and the latest FDIC ratings. The attached schedule shall be updated on a quarterly basis.

Finally, the brokerages Edward Jones in Pagosa Springs, AG Edwards in Durango and Raymond James in Durango are approved for investments. However, any banks recommended by these brokerages for PLPOA investments, should first be screened by the PLPOA accounting department to ensure that they meet the aforementioned FDIC rating criteria.

X. Strategy

To the extent feasible, maturities of all investments should be matched to projected future cash flow needs and outlay requirements. All securities purchases/sales will be transacted using a competitive process requiring the solicitation and evaluation of at least two institutions.

XI. Authorized Investments

No investments other than those allowed in the subsections below may be made without the approval of the Board of Directors:

Sweep accounts backed by US Treasury and Agency obligations at approved institutions.

Certificates of deposit fully insured by the FDIC with approved institutions.

Checking accounts with approved institutions may exceed insured limits, as necessary, to meet short term cash flow requirements.

United States Treasury fixed rate bills, notes and bonds.

Institutional money market funds with approved institutions investing only in direct US Treasury obligations.

XII. Safekeeping and Custody

All authorized investments (section XI) shall be held by third party custodial/trustee institutions designated or approved by the Board of Directors. All confirmation statements must be held at the PLPOA office.

XIII. Diversification

All PLPOA funds which are not required for short term cash flow or to maintain required compensating cash balances shall be invested in interest bearing investments or accounts. Such investments shall be allocated among investment classes and institutions to avoid any concentration of risk with any individual investment vehicle. Any exception(s) must be recommended by the Finance Advisory committee and approved by the Board.

XIV. Maturities

To the extent possible, the PLPOA will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific expenditure the PLPOA will not invest in securities maturing more than three years from the date of Purchase.

XV. Investment Committee

The Investment Committee is an advisory committee to the PLPOA Board. The purpose of this Committee is to provide financial guidance on policies, general strategies, long-term planning, budgeting, and procedures. The committee will meet at least annually, or at the request of any two committee members, or the Board of Directors. At such meetings, the Committee will review the investment performance, policies and procedures, and exchange information and ideas on investment outlook. The PLPOA Board of Directors may convene as Investment Committee on an emergency basis.

XVI. External Review

The established process of independent review shall be performed annually by a CPA firm designated by the PLPOA Board. This review will provide internal control by assuring that this policy and the attendant procedures are followed. Such reviews may also result in recommendations to change operation procedures to improve internal control.

XVII. Internal Control

A report shall be submitted monthly by the Treasurer to the Board of Directors for ratification of all purchases, sales, and maturities of securities and investments.

RECORD OF REVISIONS

Resolution 98-32
Resolution 99-46
Resolution 2005 -14
Resolution 2006 -03
Resolution 2006-15
Resolution 2008-03
Resolution 2009-01
Resolution 2010-03
Resolution 2011-06
Resolution 2013 -06
Resolution 2021-04

