

ARTICLE 20
INVESTMENT POLICY
HOT SPRINGS VILLAGE
PROPERTY OWNERS' ASSOCIATION

Objectives:

- I. Ensure safety of funds.
- II. Maintain adequate liquidity for operation.
- III. Maximize income from investable funds subject to I. and II. above.
- IV. Safety of Funds
 - A. The Research and Special Projects Committee shall review as needed, a list of security types deemed suitable for investment of association funds. The list is set forth in Addendum B.
 - B. The general factors to be considered in approving a bank are listed in Addendum B where Funds deposited in any one institution which exceeds U.S. guaranties should be secured by that institution.
- V. Liquidity

Treasurer shall make estimates of operational funds required for current operations and use short to medium term investments of non-current operational funds until needed.
- VI. Maximize Income
 - A. Treasurer shall determine investable funds and maturities required to obtain most favorable yield on parked funds.
 - B. Reserve funds and restricted funds for projects in excess of one year hence where suitable should be funded in maturities up to the time the cash is required.

Adopted 1-10-91, Amended 4-24-91, 7-1-96, 5-1-97, 5-28-97, 10-27-99, 9-12-01,
10-17-01, 4-23-04, 5-19-04

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ADDENDUM A
AS OF
5-28-97, Rev. 10-27-99

1. Treasury Bills
2. Approved agencies of U.S.A.
3. C.D.'s in approved banks.
4. C.D.'s in any financial institution which do not exceed amount of U.S. guarantee.
5. Bank money management funds in approved banks.
6. Brokerage management funds to 95% of the guaranteed limit or to limit of approved securities pledged to security safety of P.O.A. funds.
7. Repurchase agreements.
8. Investments or deposits with any financial institution to the extent same are secured by U.S. Government Securities.
9. Any approved government securities portfolio which is secured by the customary U.S. Government type insurance.
10. A1 or P1 commercial paper with amount limited to 50% of idle operating funds and for no longer than a term of 60 days.

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ADDENDUM B
AS OF
5-28-97

Banks should have a minimum capital/asset ratio of 6 – 1, should have been profitable 3 of the last 4 quarters and profitable for the prior 12 months period. Factors such as non-performing loans and ratios of 1) loans to deposits, 2) types of deposits to total deposits, 3) types of loans to types of deposits and GAP analysis, etc. should also be considered.

In addition, if rated, the approved banks or their holding company should have a satisfactory rating from a recognized rating agenda.