



# Investment Policy

## Bethany Proper Townhomes Owners Association

### Investment Policy Statement

[Version #7—Approved June 09, 2017]

#### **1.0 Establishment:**

Funds generated by the Bethany Proper Townhomes Owners Association (hereinafter referred to as “BPTHOA”) are used to pay current as well as future liabilities and are currently managed by the Board of Directors (hereinafter referred to as “the Board”). In line with State of Delaware regulations, reserve funds are held to pay costs associated with future maintenance and capital improvements. As is outlined in the attached Treasurer’s report, funds are adequate to meet legal requirements and will continue to grow over future years to cover these costs as well as meet regulatory requirements. The Board has appointed an Investment Committee to establish an Investment Policy for the association. The Investment Policy Statement shall be approved by a majority of the homeowners.

##### **1.1 Reserve Fund:**

The Reserve Fund receives deposits as assessed and the balance in the account is currently invested only in bank insured deposits, currently bank certificates of deposits.

##### **1.2 Operating Account:**

The operating account is utilized to collect assessments and pay current expenses in line with the annual budget. These funds are currently held in non-interest bearing checking accounts.

#### **2.0 Investment Committee:**

2.1 The Board has established the Investment Committee to develop an Investment Policy for BPTHOA, and once approved, oversee the investments in line with the policy, with the further authorization to delegate certain responsibilities to professional investment managers.

2.2 The Investment Committee may use professional investment advisors, but is not required to do so. Membership of the committee shall be a minimum of four and maximum of seven BPTHOA homeowners. Whenever there are two persons serving as Investment Committee Members, such members shall act by unanimous decision, and whenever there are three or more persons serving as Investment Committee Members hereunder, such members shall act by majority decision. Whenever any Investment Committee Member is absent, incapacitated or otherwise unavailable, the other Investment Committee Member or Members may act without such unavailable Member or Members. Each Investment Committee Member appointed pursuant to the BPTHOA Board of Directors and this Investment Policy Statement shall have the power to delegate to one or more Co-Members any right, power, privilege, discretion and option herein granted to the Investment Committee Member.

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- 2.3 The Investment Committee shall send any recommendation for a change in the BPTHOA investment portfolio to the President of the BPTHOA Board or his/her designee in writing (via email). The Investment Committee Chairperson shall contact the President of the BPTHOA Board within 24 hours (via telephone and/or email) if an acknowledgement of receipt from the President of the BPTHOA Board of the recommendations has not been received by the Investment Committee Chairperson.
- 2.4 The President of the BPTHOA Board shall distribute the recommendations of the Investment Committee to all members of the Board within 24 hours of receipt from the Investment Committee Chairperson.
- 2.5 Members of the Board shall review the recommendations of the Investment Committee and send any response back tot the President of the BPTHOA Board within five calendar days of receipt.
- 2.6 The President of the BPTHOA Board shall review any and all feedback that is received from members of the Board and determine whether or not the Board is in favor of the recommendations. The President of the BPTHOA Board shall send a response to the recommendations to the Investment Committee Chairperson within 24 hours of this determination.
- 2.7 Recommendations of the Investment Committee shall be approved or not approved electronically (via e-mail) by a majority of the Board within seven calendar days of receipt of a Request for Approval. The President of the BPTHOA Board shall contact the Investment Committee Chairperson within 24 hours (via telephone and/or email) if an acknowledgement of receipt of the notification of approval/disapproval has not been received.
- 2.8 Alternatively, recommendations of the Investment Committee shall be approved or not approved during the course of a Board Meeting by a majority of the Board within seven calendar days of receipt of a Request for Approval.

### **3.0 Investment Objectives:**

Investments shall be managed to meet the objectives of each fund:

#### **3.1 Reserve Fund:**

The primary objective is to preserve principal consistent with obtaining a reasonable yield. It should be assumed that these funds would not be needed immediately (no earlier than 12 months) after the need is identified, so liquidity is a secondary objective and higher levels of appropriate risk can be considered.

#### **3.2 Operating Fund:**

High levels of liquidity are required to pay current expenses, but, attention will be given to cash flows during the year, and where and when appropriate, short term excess funds will be maintained in interest bearing bank insured money market funds.

### **4.0 Use of Income:**

Income generated by these investments shall be re-invested and used to grow the assets of each fund until such time as it is needed for the stated purpose of each fund.

### **5.0 Investment Priorities:**

At the discretion of the Investment Committee and with consideration of the timing of future capital requirements, the Investment Committee may exercise the right to invest in a less conservative portfolio that may be considered to be a moderate/ conservative portfolio in order to achieve growth, as stated in the investment policies below:

- 5.1 To invest principal in a moderate/conservative manner
- 5.2 To maintain purchasing power relative to inflation
- 5.3 To grow the assets

### **6.0 Asset Allocation:**

To accomplish BPTHOA's investment objectives, asset allocation shall be based on market conditions and the advice of a financial advisor, should the Investment Committee desire to use that type of expertise. The advice of the financial advisor shall be reviewed and evaluated on a regular and continual basis (but not less frequently than yearly).

### **7.0 Asset Quality:**

It is the intention of BPTHOA to avoid undue risk. Quality standards will be established by the Investment Committee for final approval by the Board.

## **8.0 Investment Restrictions and Prohibited Transactions:**

To provide for the safety and liquidity of the funds, the investment portfolio will be subject to the following restrictions:

- 8.1 No short selling, no margin purchases, no private placements
- 8.2 No options trading, and no commodities or other futures
- 8.3 No investment in individual securities in emerging markets
- 8.4 No investment in securities issued by an investment manager of BPTHOA
- 8.5 No investments in non-marketable securities
- 8.6 No more than 20% of the total portfolio in any one industry group
- 8.7 No single company shall exceed 10% of the value of the portfolio
- 8.8 Any deviation from the established policy by the advisor shall require the approval of the Investment Committee.

## **9.0 Monitoring of Objectives and Results:**

All objectives and policies are in effect until modified by the Board.

The Investment Committee shall review investments and performance on a semi-annual basis. Investments will be monitored for adherence to investment policies and attainment of investment goals. Investment performance will be evaluated over running three and five year periods. The Investment Committee will present a report on investments and performance to the Board on a semi-annual basis and the homeowners on an annual basis.

## **10.0 Liability of Investment Committee Members**

- 10.1 To the extent permitted by law, except for willful default or gross negligence, no Investment Committee Member shall be liable for any act, omission, loss, damage or expense arising from the performance of his or her duties under the By-Laws of the BPTHOA, the Investment Committee, or any other committee created by the Board, including the act, omission, loss, damage or expense of or caused by any agent appointed by the Investment Committee.
- 10.2 In the event that any Investment Committee Member is a party, or is threatened to be made a party, to any action, claim, suit or proceeding by reason of the fact that he or she is or was an Investment Committee Member, the BPTHOA shall, and is hereby obligated to, fully and entirely, indemnify and hold harmless such Investment Committee Member from any and all costs, expenses and attorneys' fees incurred by such Investment Committee Member with respect to such action, claim, suit or proceeding, except that no such indemnification shall be made where, in such action, claim, suit or proceeding, it is determined by a court of competent jurisdiction (or it is admitted in settlement or Compromise of the case) that such Investment Committee Member was in willful default or, or was grossly negligent in, the performance of his or her duties, responsibilities or obligations hereunder.
- 10.3 No Investment Committee Member appointed under this Investment Policy Statement shall be liable for any act, transaction or omission of any predecessor, nor shall any successor be obligated to inquire into the validity or propriety of any such act, transaction, or omission.

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10.4 To the extent permitted by law, no bond or other security shall be required of the Investment Committee Members hereunder.

10.5 Under no circumstance shall any Investment Committee Member be paid for, or financially benefit, or receive compensation for their services from their services performed for BPTHOA or the Investment Committee.

<b>VERSION SUMMARY CHART</b>			
Version No.	Change Initiated By/Change Description:	Approved By/ Date:	Date Effective:
1	[H. Calloway] New Document	DRAFT	03/02/13
2	[N. Wilkie] Update Format	DRAFT	07/30/12
3	[N. Wilkie] Inclusion of Paragraph 10.0 (Indemnity Clause) and Paragraph 2.2 (Investment Committee)	DRAFT	08/13/13
4	[N. Wilkie] Deletion of Paragraph 11.0 (Recommendations)	DRAFT	08/14/13
5	[N. Wilkie] Modifications to Paragraphs 2.2, 2.3, 8.3, and 10.2—Declared FINAL	BPTHOA Board	08/21/13
6	[N. Wilkie] Definition of procedure for submitting a Request for Approval (Section 2.0)—Declared FINAL	BPTHOA Board	05/02/14
7	[H. Calloway] Clarification of investment options (Section 5.0)	BPTHOA Board	06/09/17