

**RESOLUTION F-01**  
**INVESTMENT GUIDELINES**

1. **Purpose.** To provide for changing investment strategies for differing interest rate environments. It is understood that in a normal rate environment intermediate term investments should be rewarded with higher yields. During low interest rate periods little benefit may be gained from longer terms which may not be practical.
  2. **Overview:** Investment cash, referred to as Reserve funds, is primarily received from Ocean Pines Association member assessments as well as fees and revenues generated from OPA operations. Reserve funds are generally divided into two categories:
    - a. Funds required for operations during the fiscal year;
    - b. Restricted funds for long term maintenance of fixed assets, capital improvements and replacements.
2. **Guidelines:** The following guidelines are required for the care and maintenance of Reserve funds:
- a. **Preservation of Capital:**
    - i. Promote and assure the preservation of principal of all liquid assets.
    - ii. The following are acceptable liquid asset investment categories:
      1. Bank or financial institution deposits, including checking accounts, savings accounts, money market accounts and certificates of deposit in amounts not to exceed FDIC insurance coverage.
      2. Notwithstanding the aforementioned limitations, deposits that may be in excess of FDIC coverage must be collateralized specifically by securities in the bank's U. S. Governments or Agencies portfolio in an amount that exceeds the uninsured deposit amount by at least five percent (5%).
      3. Deposits under the "Certificate of Deposit Account Registry Service" (CDARS®), are included as FDIC insured deposits.
      4. Individual short and intermediate term General Obligation U.S. Government Bonds, Bills, Notes and U. S. Agency Securities in Investment Grade as defined by Moody's or Standard & Poor's.
      5. All securities must be purchased with the intent to hold to maturity.
      6. When investing in individual U. S. Agency Securities (GSE) the duration period of the security, as well as the reinvestment strategy for prepaid principal, must be identified and considered.
      7. Maturities should not exceed five (5) years.
      8. At no time will derivatives or complex structured securities be purchased, including those derived from U. S. Government securities.
  - b. **Investment Liquidity:**

- i. Maturities must be structure to ensure that assets will be liquid for anticipated needs.
- ii. A laddering strategy by maturity should be employed.

**c. Guiding Principles for Asset Investment Performance:**

- i. Achieve short and intermediate term investment performance appropriate for the asset class selected.
- ii. Except for funds required for liquidity, assets must be invested in an appropriate manner for yield while simultaneously adhering to the principles associated with credit risks and interest rate risks.
- iii. Interest from Restricted Reserve Investments must be reinvested into the same or similar reserve category to help ensure the growth and sustainability of replacement reserves.

**d. Financial Services Selection:**

- i. Financial institutions providing general banking and/or investment services to the Ocean Pines Association shall be approved by written resolution of the Board of Directors. The condition and qualifications of these financial institutions shall be reviewed at least annually by the Budget and Finance Advisory Committee which will report their findings to the Board of Directors and the General Manager.

**e. Delegation of Authority:**

- i. Responsibility for conducting investment transactions for the Ocean Pines Association resides with the Treasurer and the General Manager.

Effective Date: March 24, 2016

Approved by the Board of Directors on: March 24, 2016

President: /S/ Patrick Renaud Attest: /S/ Tom Herrick Secretary

Review History

General Manager: \_\_\_\_\_ Date: \_\_\_\_\_

Legal \_\_\_\_\_ Date: \_\_\_\_\_

By-Laws & Resolutions Adv. Committee: /S/ Doug Parks Date: 3/26/16