

Investment Strategy Policy

Tremont Club Master Association

INVESTMENT POLICY:

The Board's primary investment objective is the preservation of principal and should be used as a reference while making financial decisions throughout the year. Specific investment objectives and approved investments should be selected. Liquidity is also a concern since a reserve fund is often needed to pay for unexpected expenses and could be needed at any time.

The investment options that fit this criteria are:

- Money Market Funds — stable principal and liquid
- Certificates of Deposit (CDs) — FDIC insurance up to maximum (per tax id, per bank)
- US Government Securities-Treasury Bills-mature in less than 1 year
- Treasury Notes-mature in 1-10 years
- Treasury Bonds-mature in 10-30 years
- Zero Coupon Bonds-US Government or US Treasury — generally 1 to 30 years
- US Government Agency Securities- generally 1 to 30 years

To obtain the investment objective the first two options of Money Market Funds and Certificates of Deposit (CDs) are the only ones that guarantee preservation of capital while permitting access to the money. Bonds and notes have a much longer time horizon to obtain higher interest rates than CD's which subjects the funds to interest rate risk and possible capital losses if money is needed immediately during a rising interest rate environment.

Ineligible Investments and Transactions. The Association shall not invest in the following asset classes:

- Individual stocks;
- Equity mutual funds, domestic or foreign;
- Mutual funds consisting of bonds or mortgages and or derivatives;
- Options on equity, debt or commodities;
- Floating rate securities; and
- Investment in a single institution in excess of FDIC insurance limits.

Certificate of Deposit (CD) Investment Strategy

The Tremont Club Master Board (TCMB) shall establish a set of at least 4 CD's that will be purchased on staggered dates: The first set of purchases shall be as follows: One 90 day, one 180 day, one 270 day and one 365 day CD shall be purchased. These shall be nearly equal in original value as they can be based on the available amount to be invested. Upon maturity the 90, 180 and 270 day CDs will be renewed for a period of one year. This will provide for a CD that will mature approximately every quarter. These will be established using the funds available in the account for regular reserve funds. The TCMB shall determine the financial institution in which the funds will be deposited.

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The TCMB intends to establish that it will maintain in the Regular Reserve account a minimum balance of \$25,000.00. The Treasurer or other officer defined below will work with the property management company to establish the amount of initial purchase for the CDs' This will be the current reserve balance less, \$25,000.00 divided in nearly equal CD's (total of 4 to be purchased). The Treasurer or other officer will subsequently on maturity date of a CD determine the amount of funds that may be transferred to the maturing CD consistent with maintaining the aforesaid minimum regular reserve cash balance.

Should the TCMB determine that a CD will have funds withdrawn to meet current or anticipated needs the TCMB will take action to specify an amount to be withdrawn and deposited in the regular reserve or operating fund account.

Authority to authorize the withdrawal and/or deposit of reserve funds:

The TCMB officers (President, Vice President, Secretary and Treasurer) are all authorized to ensure that the provisions of this Investment Strategy are carried out. This includes authorization to instruct our property manager to withdraw and deposit funds in accordance with this policy.

Reporting

On an annual basis, an investment report shall be prepared and submitted by the Treasurer, an outside advisor or property management company, who will provide such report to the Board of Directors in a timely manner, listing the reserve fund investments held by the Association and the current market valuation of the investments. The report shall include a summary of investment earnings during the prior fiscal year. The Board shall make available to requesting members a list of investments as to type, amount and rate of return of the instruments, along with funds and accounts in which Association funds are invested or deposited. The total Reserve Fund Balance is to include the regular reserve funds and the CD reserve funds.

Original investment strategy was adopted on August 14, 2014.

Revision 1 adopted on October 14, 2015 by TCM Board



Clyde R. Seidle, President

TCM Board