

**FOREST HEIGHTS HOMEOWNERS ASSOCIATION  
INVESTMENT POLICY (Revised June 12, 2007)**

The Forest Heights Homeowners Association (Association) investment portfolio includes assets for capital, contingency and operating reserves. This investment policy is set forth so that there is a clear understanding of the guidelines and objectives for the Association investable assets between the Board of Directors, Budget and Finance Committee, General Manager and any investment managers retained by the Association.

The overriding goal for all invested assets is principal preservation with inflation protection. Return on investment is secondary; however, it should be noted that all investment income (net of allocated expenses) is taxable at the rate of 36.6% (30% federal plus 6.6% state). Liquidity requirements will vary with the underlying reserve anticipated payouts. Other considerations are summarized below:

<b>Reserve Type:</b>	<b>Maintenance and Operating</b>	<b>Private Streets</b>	<b>Capital</b>
<b>Type of Risk:</b>			
Investment credit	AA risk for checking; AAA for remainder	AAA	AAA
Liquidity	Maximum	Moderate	Moderate
Interest rate	Minimum	Low	Low
Inflation protection	Low	High	High
Maximum term	N/A	10 yrs on TIPS/5 yrs all other	
<b>Allowable Investments:</b> (including any mutual fund with underlying assets that match allowable investments)	<ul style="list-style-type: none"> <li>• Checking a/c (balance should be less than 1.25 x avg. monthly disbursements)</li> <li>• Money market</li> </ul>	<ul style="list-style-type: none"> <li>• Money market (25% max)</li> <li>• S.T. Bonds (50% max)</li> <li>• TIPS (inflation protected US Treasuries) (50% max)</li> <li>• T-Bills (50%)</li> <li>• C.D.'s (50%)</li> </ul>	<ul style="list-style-type: none"> <li>• Money market (25% max)</li> <li>• S.T. Bonds (50% max)</li> <li>• TIPS (90%)</li> <li>• T-Bills (90%)</li> <li>• C.D.'s (90%)</li> <li>• Municipal Bonds (75%)</li> </ul>

The Budget and Finance Committee will approve investments to be made, the Treasurer will execute approved investment transactions and the Board of Directors will ratify such transactions at the next meeting following the investment. Overall review of investment performance and monitoring of policy compliance will be the responsibility of the Budget and Finance Committee. No conflict of interest for any Board member or the General Manager will be allowed, i.e. no benefit or income from any investment transaction shall be received or accrued.