

INVESTMENT POLICY
OF
SOVEREIGN OAKS HOMEOWNERS' ASSOCIATION, INC.

[Approved by the Sovereign Oaks HOA Board of Directors on March 12, 2024.]

ARTICLE I. PURPOSE OF POLICY

The purpose of this investment policy document is to clarify the processes and guidelines related to management of funds of the Sovereign Oaks Homeowners' Association, Inc. ("HOA") and to define the roles and responsibilities of the HOA Board ("Board") and the HOA Investment Advisory Committee ("IAC") regarding investment of those funds. This policy document:

- 1.1 establishes the investment objectives, eligible securities and investment guidelines pertaining to the HOA funds;
- 1.2 describes the purpose, makeup and role of the IAC which the Board may create to assist it in investing HOA funds, as described below;
- 1.3 clarifies and distinguishes the respective responsibilities and limitations of the IAC in contrast to the broad powers of the HOA Board to invest HOA funds; and
- 1.4 describes the Board's review, reporting and governance responsibilities related to HOA investments and implementation of this policy.

ARTICLE II. INVESTMENT OBJECTIVES, ELIGIBLE SECURITIES, INVESTMENT GUIDELINES

- 2.1. The investment objectives of the HOA (excluding those funds held in the HOA checking account) are to preserve capital while providing income on invested assets with no risk of loss of principal.
- 2.2. All eligible securities available for investment by the HOA shall be drawn from the following three investment classes:

(a) Fixed income investments

Allowable investments are:

- US Treasury bills and notes
- Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insured certificates of deposit (CDs) with no more than \$250,000 (to the extent practical) held in one bank or credit union. The exception is regarding the HOA's CD investments held as of January 2024.

Investment maturities may be ladderred, though maximum maturity for any one fixed income investment should be 18 months, unless approved otherwise by the Board.

(b) Bank and Credit Union Money Market and High Yield Savings Accounts

Allowable investments are:

- FDIC and NCUA insured Money Market Accounts with no more than \$250,000 held in any one bank or credit union
- FDIC and NCUA insured High Yield Savings Accounts with no more than \$ 250,000 held in any one bank or credit union

(c) Other Market Funds

Allowable investments are:

- Government Money Market Funds
- Treasury Money Market Funds
- Prime Money Market Funds

A quality money market fund will invest in money market instruments with remaining maturity period under 13 months, and are U.S. Government issued or that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities.

- 2.3. All investment shall be managed solely for the benefit of the HOA and shall be managed, and investments and performance reported, in accordance with the applicable requirements of the “Declaration of Covenants, Conditions and Restrictions for Sovereign Oaks” as filed with Buncombe County, North Carolina, the “Bylaws of the Sovereign Oaks Homeowners Association,” the North Carolina Planned Communities Act (Ch. 47F) and the North Carolina Nonprofit Corporation Act (Ch 55A).

ARTICLE III. INVESTMENT ADVISORY COMMITTEE (IAC) PURPOSE, ROLE, MEMBERSHIP

- 3.1. Purpose: The Board may establish an IAC, to provide investment suggestions and processes to the Board as it exercises its role in protecting and growing the HOA capital reserves on behalf of its members.
- 3.2. IAC Role: The IAC’s assistance may include advice regarding the HOA’s risk tolerance, investment horizons, diversification and asset allocation objectives; establishment of reasonable and consistent investment objectives and guidelines to direct the investment of assets; and processes for monitoring existing and potential investments. The IAC will perform due diligence on investments at the request of the Board. The IAC may also provide the Board with research and due diligence investigation results supporting IAC recommendations. The IAC may also assist the Board in developing the investment policy document of the HOA and suggest modifications to the same for the Board’s consideration, as well as suggesting guidelines for the operation, structure and duties of the IAC. IAC members can be removed from IAC service by the Board.

No investments made by the HOA shall result in commissions, fees or other consideration paid to IAC members, Board members or relatives of the IAC or Board members, investment individual/company or anyone except that an annual fee of up to \$250/year is allowed to be paid to a financial institution in order to invest at a single

institution for FDIC insurance purposes (e.g., multiple FDIC insured investments of up to \$250,000 can be held at a single financial institution, such as Wells Fargo).

- 3.3. Membership: The IAC members shall be appointed by the Board and shall include the current HOA Treasurer as a permanent member and the Chair of that committee. The other members of the IAC shall be appointed by the Board to a term of two years, which may be adjusted by the Board. All IAC Members shall be HOA Members.

ARTICLE IV. RESPONSIBILITIES, LIMITATIONS, OUTSIDE ADVICE

- 4.1. Board's Overall Responsibilities: The Board is responsible for the management of the HOA's assets, including investment thereof.
- 4.2. Limitations: This Policy is not intended to replace the independent judgement of the members of the Board. The Board shall not delegate authority for management of investments to the IAC. This Policy document does not create any contract with any IAC or Board member, nor does it constitute investment advice. To the extent there is any conflict between the recommendations of this Policy and the implementation of this Policy by the Board, or to the extent this Policy is ambiguous, the actions of the Board in interpreting or disregarding this Policy document shall control.
- 4.3. Outside Investment Managers/Advice: The Board, with or without the recommendation of the IAC, may confer with outside investment managers or consultants to assist with the Board's investment responsibilities.

ARTICLE V. REVIEW, REPORTING, GOVERNANCE

- 5.1. The Board shall review the HOA's assets, and review the performance of the investments with the Treasurer on a quarterly basis.
- 5.2. The Board shall make the HOA's financial statements, including information about its investments and investment performance, available for review by all HOA members upon request within a reasonable time.
- 5.3. The Board may review and update this policy as needed and is responsible for overall governance regarding implementation of this investment policy including:
 - (a) Selecting qualified individuals to serve on the IAC, determining the terms and structure of the IAC and evaluating the performance of the IAC;
 - (b) Developing and enforcing proper control procedures with respect to this policy.