

LAKE FOREST COMMUNITY ASSOCIATION, INC. INVESTMENT POLICY

The Lake Forest Community Association, Inc. (the “Association”) Board of Directors (the “Board”) desires to establish an Investment Policy that provides for preservation of capital and liquidity, and yet maximizes the investment return on the revenues and reserves of the Association.

The Finance and Audit Committee of the Board shall at least annually review the investment strategy in effect and recommend changes, if any. The Board shall have the ultimate authority to approve any changes to this Investment Policy or the Association’s investment strategy in effect at any given time. The Board shall authorize the Association’s Management Company to establish accounts in accordance with the annual investment strategy, and to transfer funds as needed to fund the activities and obligations of the Association, all in accordance with the investment strategy approved by the Board at the beginning of each fiscal year.

Each annual investment strategy must be developed in consideration of the following:

Preservation of Capital

Association accounts shall be established only at financial institutions that provide FDIC insurance on accounts or Investment Banking Companies that provide SIPC insurance on investments and accounts held by the Association. In the event it becomes necessary to maintain fund balances in excess of the FDIC limits (currently \$100,000), such investments shall be restricted only to those financial institutions that are publicly traded, FDIC insured and have assets of at least \$1 billion.

Association funds shall be invested only in Money Market Accounts, Certificates of Deposit, Treasury Bills, short term (1 year or less) Bonds or Notes guaranteed or issued by the U.S. Government; AAA rated Corporate bonds; or Institutional Investment Accounts that contain a combination of the above instruments.

Liquidity

A substantial portion, if not all, of the assessments or revenue collected in any given year are intended to fund the operations and obligations of the Association for that year. As such, maintaining funds in accounts that allow for the transfer of those funds, without penalty and at minimal cost, is crucial to any investment strategy.

Investment Yield

Investments selected according to the investment strategy must provide the best possible return on investment while minimizing any risk.