CAMERON STATION COMMUNITY ASSOCIATION, INC.

ADMINISTRATIVE RESOLUTION NO. 2014–01

INVESTMENT POLICY
Supersedes all prior Cameron Station Community Association Investment Policy Resolutions

WHEREAS, Article III, Section 3.4 of the Amended Bylaws of the Cameron Station Community Association, Inc. (the "Association") grants the Board of Directors all of the powers necessary to administer the affairs of the Association, in accordance with applicable law and the Project Documents, except for those matters which the applicable law or Project Documents require the Association’s membership to approve; and

WHEREAS, Section 13.1-826 of the Code of Virginia empowers the Association to “... invest and reinvest its funds...”; and

WHEREAS, Section 26-40 of the Code of Virginia establishes presumed lawful investments for the funds of certain Virginia quasi-governmental agencies; and

WHEREAS, while Section 26-40 of the Code of Virginia is not directly binding on common interest communities, it may serve to provide guidance to the Board of Directors as to those investments that are appropriate and prudent; and

WHEREAS, the Board of Directors deems it necessary and prudent to amend and supersede the previously-adopted Investment Policy Administrative Resolution 03-09-01 that is needed to govern the management of the Association’s funds;

NOW THEREFORE, BE IT RESOLVED THAT the Board of Directors (“Board”) of the Cameron Station Community Association, Inc. ("the Association") hereby adopts this Administrative Resolution for the purpose of administering the investment of Association funds.

I. PURPOSE

This Resolution outlines the investment objectives of the Association and provides operating guidelines for the Financial Advisory Committee (“FAC”) and the Board of Directors responsible for overseeing the management of the Association’s assets. This Resolution further documents a specific Investment Policy which governs how these objectives are to be achieved. This Policy:

- Defines an appropriate risk posture for the investment of the Association’s assets;
- Establishes guidelines regarding the selection of Investment Managers, permissible securities and the diversification of assets;
- Specifies a process and criteria for evaluating the performance of the Association’s Investment Managers.

II. DEFINITIONS

A. OPERATING FUND: Those Association funds expected to be spent in the normal course of business during the current annual budget cycle. This fund may be subdivided into an Operating Account (for expenses enumerated in the current
annual budget) and an Operating Reserve Account (for operating expenses not explicitly included in the annual budget).

B. RESERVE STUDY: A periodic analysis of the Association’s physical assets and infrastructure, commissioned by the Management Agent and performed by a licensed professional engineer, with the purpose of estimating the future lifetime of each property element and its related repair or replacement cost over a 20- to 30-year period.

C. RESERVE FUND: Funds invested to meet the anticipated and unanticipated expenses of the Association’s repair and replacement obligations consistent with the Association’s reserve study, and for any identified capital improvement projects approved for implementation by the Board.

D. CAPITAL EXPENDITURES ("CAPEX") PLAN: The schedule of funding requirements needed to meet the extraordinary maintenance obligations and capital improvements for which the Reserve Fund assets are held by the Association.

III. INVESTMENT OBJECTIVES

The Association’s primary objective is capital preservation, which is a strategy to protect invested assets from adverse changes in value, specifically by choosing only U.S. government debt obligations or government-insured accounts. A second objective is to align liquidity consistent with the cash flow requirements implied by the Association’s annual operating budget, the potential for operating expenses not anticipated in the annual budget, and the Capital Expenditures Plan as defined in Section II.D. A third, but still significant, objective is to maximize investment return, net of all expenses and fees borne by the Association, after the first two objectives are met.

IV. PROCEDURES

A. Beginning January 1, 2018, this Investment Policy shall be reviewed by the FAC at least once in every four year period, or more frequently at the request of the Board, with the purpose of recommending any appropriate revisions for approval by the Board.

B. The Association shall engage a registered securities firm ("Investment Manager") to provide professional management of all investment transactions involving the Association’s Reserve Fund. The following procedure shall be followed to select, renew or replace the Association’s Investment Manager.

1. At least once within each five year period beginning April 1, 2014, the FAC will oversee, on behalf of the Board and facilitated by the Management Agent, a public solicitation of investment management service providers. The purpose of this periodic solicitation will be to secure and maintain the best value of comprehensive investment services from a sound and reputable provider.

2. The FAC and the Treasurer will review the candidates’ proposals and presentations and make a recommendation to the Board, which will have final approval authority.
3. The FAC and the Treasurer shall review and approve any initial investment transactions proposed by the Investment Manager as part of the selection process.

V. ONGOING RESPONSIBILITIES OF THE BOARD/TREASURER/FAC

A. The Board, with the advisory support of the FAC, is responsible to define, and update as appropriate, the specific investment objectives for the Association’s assets, subject to the overall guidelines set forth in this Policy.

B. The Treasurer, as the principal Board officer responsible for the Association’s funds and securities, will serve as primary point of contact with the Investment Manager, either directly or through the FAC. If the Treasurer is not available, the Board President shall act in his capacity. Within the guidelines of this resolution, the Treasurer has the authority to act directly, or through the FAC, to instruct the Investment Manager to purchase or sell securities on behalf of the Association. The Treasurer further has the responsibility to report to the Board at its regular meetings on the status of these investments.

C. The FAC is responsible for making recommendations to the Board concerning any change in this Investment Policy. To the extent the Board adopts any such change, the Treasurer will submit written authorization to the Investment Manager of any related adjustments in the portfolio of investments.

D. The Treasurer and the FAC, in consultation with the Investment Manager, shall develop and maintain a current securities allocation strategy aimed at optimizing performance against the three prioritized objectives described in Section III.

E. The Board is ultimately responsible for all investment decisions regarding funds invested and will be fully accountable for adherence to the principles and guidelines described in this Policy.

VI. RESPONSIBILITIES OF THE INVESTMENT MANAGER

A. FIDUCIARY RESPONSIBILITIES: The Investment Manager is expected to manage the selection of Reserve Fund investments consistent with the objectives, guidelines, and constraints outlined in this policy statement. The Investment Manager will monitor the performance of the portfolio and report quarterly to the Board, in writing through the Treasurer, on the investment performance for the quarter, including all fees incurred by the Association for the services provided.

B. SECURITY SELECTION/ASSET ALLOCATION: The Reserve Fund portfolio shall be managed within an overall asset allocation strategy defined by the Board and advised by the FAC. This strategy will set limits on amounts to be invested in any one asset class. The FAC is responsible, on an annual basis, for monitoring the aggregate asset allocation and maturity schedule of fixed-term investments to ensure consistency with the cash flow requirements defined by the Association’s Capital Expenditures Plan.
C. ADDITIONAL DUTIES OF INVESTMENT MANAGER

The Investment Manager shall:

1. Consult with the Treasurer in advance of any pending or proposed transaction, to recommend and secure Board approval for the transaction.

2. Be available promptly to answer questions posed by the Board via the Treasurer and/or the FAC in person, as well as by letter, e-mail or telephone.

3. Meet with the Board and the FAC to present a report on investment performance, semiannually and at such other times as may be requested by the Treasurer or the FAC.

4. Coordinate financial recordkeeping with the Management Agent and the Association’s Auditor to ensure the timely inclusion of the schedule of investments and interest earnings in the Management Agent’s monthly financial reports.

5. Supply such information as needed by the auditing firm appointed to prepare the Association’s annual audit report.

VII. INVESTMENT GUIDELINES

A. The Board intends that Association funds be invested in only the following assets, denoted as “Permitted investments:”

1. Cash in an FDIC-insured depository account, not to exceed the current federal deposit insurance maximum

2. U.S. Treasury Bills, Notes or Bonds


4. Treasury Inflation-Protected Securities (“TIPS”)

5. FDIC-insured Certificates of Deposit.

6. Money Market funds which invest in the assets listed above

B. Derivative-type investments and transactions, index funds, synthetic securities and all other indirect investment forms are specifically excluded from the set of Permitted Investments.

C. The Investment Manager will report monthly all investment transactions and net income to the FAC and Treasurer via the Management Agent. The Investment Manager will propose to the Treasurer and the FAC in advance any changes in investment strategy within the standards defined in A. above. Investments in securities other than Permitted Investments represent a variance from this Investment Policy and must be approved by the Board.

D. All investment accounts shall be in the name of the Cameron Station Community Association, with the President and Treasurer named as authorized co-signatories.
E. interest earned on Reserve Fund investments shall be reinvested by the 
Investment Manager following the principles and guidelines of this Investment 
Policy, unless the Board directs the Investment Manager to apply such funds in 
some other way.

VIII. ALLOCATION OF FUNDS

A. OPERATING ACCOUNT AND OPERATING RESERVE ACCOUNT

Combined balances in the Operating Account and the Operating Reserve Account 
(“ORA”) shall not exceed the total forecasted annual operating expenses in the 
Association’s most recent annual budget, as approved by the Board. Any excess 
funds will be immediately transferred to the Reserve Fund.

Funds deposited in the ORA shall be invested in Money Market funds or FDIC- 
insured Demand Deposits. At least quarterly, the Management Agent, with the 
approval of the Treasurer, shall carry out any required reallocation of the funds in 
the ORA within the guidelines of this resolution.

B. RESERVE FUND

The Reserve Fund shall be invested in Permitted Investments with maturities that 
are consistent with the Capital Expenditures Plan according to the most recent 
Reserve Study and any capital improvement plans approved by the Board. The 
specific maturity allocation of funds shall be fulfilled in order of priority according 
to the following parameters:

1. 150% of CAPEX expected to be incurred within one (1) year of any date shall 
be invested following the allocation guidelines for funds in the ORA.

2. Funds needed to pay for scheduled CAPEX to be incurred between one (1) and 
three (3) years from any date shall be invested in Permitted Investments 
maturing no later than one (1) year from such date.

3. Funds needed to pay for scheduled CAPEX to be incurred between three (3) 
and five (5) years from any date shall be invested in Permitted Investments 
maturing no later than three (3) years from such date.

4. Funds needed to pay for CAPEX to be incurred between five (5) and 10 years 
from any date shall be invested in Permitted Investments maturing no later 
than five (5) years from such date.

5. Funds needed to pay for CAPEX to be incurred more than 10 years from any 
date shall be invested in Permitted Investments maturing no later than 10 
years from such date.

No later than 30 days from the Board’s approval of any updates to the existing Reserve Study, 
the Management Agent shall carry out any required reallocation of the funds deposited in the 
ORA within the guidelines of this resolution, as instructed by the Treasurer following the 
recommendations of the FAC and the Investment Manager.
IX. PERFORMANCE EVALUATION

As specified in Section VII.C, the Investment Manager will provide monthly reports of the Reserve Fund’s new investments and overall financial results to the FAC and the Treasurer. Based on the quarterly reports described in Section VI.A, the Board will monitor the fund’s performance and evaluate the Investment Manager’s success during the engagement period in achieving the objectives outlined in Section III.

X. APPROVAL

Deviation from the Policy may be authorized in writing as a change in the Policy by the Board of Directors.

If at any time the Investment Manager believes that such deviations constitute a risk to the goal of capital preservation, the Investment Manager shall within three business days notify the Treasurer and the President of the Board of this opinion and provide written communication for presentation to the full Board. By initial and continuing acceptance of these objectives and guidelines, the Investment Manager concurs with the provisions of this document effective as of March 25, 2014.

The effective date of this Resolution shall be April 1, 2014.

CAMERON STATION COMMUNITY ASSOCIATION, INC.

By: [Signature]

President
RESOLUTION ACTION RECORD

ADMINISTRATIVE RESOLUTION NO. 2014-01

Duly adopted at a meeting of the Board of Directors held Tuesday, March 25, 2014.

Motion by: Nicholas Giannotti  Seconded by: Alvin Boone

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ATTEST:

Secretary  Red Prefor Secr.  Date: 3/26/14

Resolution effective: 3/25/14