

TANOAN COMMUNITIES EAST ASSOCIATION, INC. POLICY FOR INVESTMENT OF RESERVE FUNDS

The following resolution has been adopted by the Board of Directors ("Board") of Tanoan Communities East Association, Inc. pursuant to New Mexico Statutes, at a meeting of the Board to establish a policy for investment of reserve funds.

AUTHORITY: The Declaration, Articles and Bylaws of the Tanoan Communities East Association, Inc.

RESOLUTION: The Association hereby adopts the following Policy:

1. Policy Purposes.

The purposes of this Policy are to:

- a) Manage the Association's reserve funds in a prudent manner to promote the preservation of those funds for their intended uses.
- b) Structure the maturities of investments to ensure the Association will have liquid assets available for its anticipated needs.
- c) Realize appropriate returns on the Association's investments.

2. Segregated Accounts.

All liquid and non-liquid reserve fund investments shall be maintained in an account or accounts separate from the Association's trust account or accounts.

3. Types of Investments.

The Board shall invest the Association's reserve funds in one or more of the following types of investments:

- a) FDIC-insured interest bearing liquid bank accounts (money market deposit accounts) with no more than \$100,000 in any one financial institution.
- b) FDIC-insured certificates of deposit with no more than \$100,000 in any one financial institution.
- c) Money market funds that invest only in United States Treasuries and Treasury backed securities.
- d) Treasury bills, notes or bonds purchased with the intent to hold to maturity.
- e) Any other type of investment that is (1) FDIC-insured or guaranteed by the United States government (but only to the extent of such insurance or guarantee), or (2) an obligation of the United States government.

4. Liquidity.

The Board shall maintain from time to time a sufficient portion of its reserve funds in one or more liquid accounts to meet required expenditures for repairs or replacement that the Association will incur before its non-liquid assets mature.

5. Laddering of Non-Liquid Investments.

The Association's non-liquid investments should be structured with laddered maturity dates so that the investments mature during successive time periods. The length of maturities should be based on market conditions and the Association's anticipated repair and replacement needs. This laddering strategy is intended to provide the Association with the benefit of longer term interest rates, which are customarily higher than short-term rates, while maintaining sufficient liquidity from time to time to meet the Association's repair and replacement schedule.

6. Investment Advisor.

The Board may retain a professional investment advisor to assist in investing its reserve funds pursuant to this Policy.

7. Control and Review of Investments.

All reserve fund investments will be made in the name of the Association. Any expenditure requires the signatures of at least two parties; the Board President, Treasurer or Property Manager. The Board will periodically review the account statements. Based on this review, the Board may make any adjustments to the investments as necessary to maintain competitive yields.

8. Disbursements from the Reserve Account.

A written request for disbursements with attached invoices to verify appropriate capital expenditures is to be presented to the Board for verification. This request must have signatures from the Board President, Treasurer, and Property Manager. The request is then submitted to the financial institution holding the liquid funds of the Reserve Account. Disbursement from the Reserve Account will be made by the financial institution in the name of the Association by written check or debit instrument only. Management will deposit the check into the trust account of the Tanoan Community East Association. Complete audit trail of the transaction will be maintained by Manager in the Association records.

9. Reserve Studies.

To determine the appropriate level of the Association's reserve funds, the Board may commission from time to time reserve studies evaluating the life expectancy of those areas of the community maintained by the Association, and the anticipated cost of maintaining, repairing and replacing those areas.

10. Variances.

The Board may from time to time vary from the requirements set forth in this Policy if the Board determines in its sole discretion that such variance is appropriate under the circumstances. The variance must be supported by written documentation that will be maintained with the Association's financial records.

This Policy may be amended from time to time by the Board.

This Policy supersedes any previously adopted Policy on the same subject matter.