

**SOUTH RIDING PROPRIETARY
ADMINISTRATIVE RESOLUTION A2002-03
INVESTMENT GUIDELINES
October 19, 2000
(Revised June 6, 2002)**

Objective

The investment objective of South Riding Proprietary, Inc. (Association) is to obtain the maximum rate of return available with the primary goal of preserving principal. Such investments must be permitted by section 24-40 of the Code of Virginia (in what securities fiduciaries may invest, Fiduciaries Generally).

Authority

Article 4, section 4.1 of the Bylaws of the Association gives the responsibility for investment of the funds and securities of the Association to the Board of Directors (Board).

Professional Assistance

The Board deems it prudent to hire a professional management company (Financial Management Agent) and a financial consultant (Investment Manager) to provide assistance in investing Association funds.

Investment Guidelines

1. In accordance with section 26-40 of the code of Virginia and for the preservation of capital, the Board intends that funds only be invested in U.S. Treasury Bills, Notes, Bonds, U.S. Government Agency obligations to include Federal Home Loan Mortgage Corp. (FHLMC), Federal National Mortgage Association (FNMA), and FDIC insured Certificates of Deposit. Financial institutions used for such investments must undergo due diligence review by the Investment Manager. The Financial Management Agent and/or Board may from time to time request evidence of such review. Investments in other types of securities will be considered on a case-by-case basis by the Board. Moneys in excess of operating expenses, including reserves for capital replacement, are to be invested in interest bearing securities. Moneys needed for operating expenses will be invested in a money market account or short-term investments. Investments should be as free from loss of risk or price fluctuations as possible and should be marketable securities. The Board understands and accepts the fact that if insured securities are sold before maturity, a loss of principal could result.
2. Notwithstanding the foregoing, only securities enumerated in section 26-40 of the Code of Virginia are authorized for investment of Association funds.
3. Under no circumstances will any Association funds be invested in any of the following securities: commodities, options, futures, annuities, or partnerships.
4. All investment accounts will be in the name of the Association with those persons designated by the Board named as authorized signatories.
5. Interest earned will be invested by the Investment Manager unless the Investment Manager is directed to transfer such interest to the Association through its Financial Management Agent.

Responsibilities of the Investment Manager and Financial Management Agent

The Agreement or the Contract between the Association and the Investment Manager will provide that the responsibilities of the Investment Manager include, but are not limited to:

1. Consulting with the Association's Financial Management Agent in advance of any pending or proposed transaction to recommend and receive approval for appropriate action. The Financial Management Agent is required to consult with the Treasurer or other Board authorized representative prior to taking any action on behalf of the Association.
2. Being reasonably available to answer questions posed by the Board via the Association Financial Management Agent or other Board authorized representative in person, in writing, or via the telephone.
3. Meeting with the Board and/or the Budget and Finance Committee to present an annual report on investment performance and at such other times as may be necessary.
4. Coordinating financial record keeping with the Financial Management Agent and Auditor to assure the timely inclusions of the schedule of investments and interest earnings in the Financial Management Agent's monthly statements.
5. Supplying such information as needed to the Auditor for preparation of the annual audit report.

Responsibilities of the Board, Treasurer, and Financial Management Agent

1. The Treasurer is the principal Board officer responsible for Association funds and securities. The Treasurer has the authority to act within the guidelines of this resolution to direct the Investment Manager, via the Financial Management Agent, to purchase and sell securities on behalf of the Association. The Financial Management Agent has the responsibility to report to the Budget and Finance Committee at its regular meetings on the status of these investments. The Treasurer has the responsibility to report to the Board at its regular meetings on the status of these investments.
2. The Treasurer and/or Financial Management Agent, in consultation with the Investment Manager, will develop a schedule of securities aimed at maximizing return while assuring that the Association has the necessary cash on hand to fund future capital replacement expenses.
3. The Board is ultimately responsible for all investment decisions regarding funds invested and will be accountable for the objectives indicated herein, with the exception of:
 - a. Violation of any specific guidelines set forth in this document; or
 - b. Actions taken by the Investment Manager that are not consistent with this document.

To assure the orderly transition of management of the funds by the Financial Management Agent to the Investment Manager, the Board hereby directs the Financial Management Agent to provide the Investment Manager with a current schedule of Association investments, including the issuer, rate of return, and expiration date.

Purchase of Investments

In furtherance of the primary objective outlined in these Guidelines, the Board of Directors hereby authorizes the following procedure for the purchase of investments of not more than \$250,000 at any one time, and for periods no longer than five years:

1. From time to time as fund balances in short term, low interest bearing accounts reach levels where purchase of higher interest bearing instruments is warranted, the Investment Manager and Financial Manager will be requested to provide to the Chairman of the Budget & Finance Committee (Chairman) and the Treasurer recommendations for such purchase. Such purchases
2. The Chairman shall evaluate such recommendations and thereupon notify members of the Budget & Finance Committee (Members) of his/her decision. The Members shall be requested to respond within twenty four (24) hours in accordance with the procedures outlined in the Association's Electronic Voting Policy.
3. The Chairman shall thereupon notify the Treasurer of the action to be taken. The Treasurer shall approve or disapprove such recommendation within twenty four (24) hours. Approval by the Treasurer of a recommended purchase shall thereupon authorize the Chairman to notify the Investment Manager or Financial Manager to make the recommended purchase.
4. The Treasurer shall report the action taken to the Board. The members of the Board shall ratify the action at the next regularly scheduled meeting of the Board.
5. In the absence of the Committee Chairman the Vice Chairman is authorized to act under the terms of these Guidelines. Likewise in the absence of the Board Treasurer the President is authorized to act. In the event the Board Treasurer and the Committee Chairman are the same person then the Board shall appoint another individual to act in the Treasurer's place.

The guidelines stated herein will be in force at all times and apply to any Investment Manager and Financial Manager employed until the Board directs otherwise in writing.

The Investment Manager selected by the Association and the Financial Management Agent agree to accept and abide by the foregoing resolution, as amended.

Investment Manager

Financial Management Agent

**SOUTH RIDING PROPRIETARY
RESOLUTIONS ACTION RECORD**

Resolution Type: Administrative No. A2002-3

Pertaining to: Investment Guidelines

Duly adopted at a meeting of the Board of Directors held June 6, 2002

Motion by: Mr. Seconded by: Mr.

VOTE:
YES NO ABSTAIN ABSENT

Mr. Harris

Mr. Plzak

Mr. Gilligan

Mr. Dei

Mr. MacPherson

ATTEST:



President



Date

FILE:

Book of Minutes - 2002

Book of Resolutions:

Book No.

Page No.

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Special
General

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Resolution effective: June 1, 2002