

FOREST LAKES

POLICY ON THE TRANSFER OF FUNDS

Definitions:

SONA BANK Direct Dep. Acct.-Cash Receipts: This account is used to deposit income received that is not assessment fee based. This would include Newsletter Income, Pool passes, etc., and is a quicker and more convenient method than creating many small individual transactions through the standard Community Group system. This account allows for the timely deposit of cash receipts. This account has no fees and earns market rate interest, and is FDIC insured up to the maximum levels in effect (currently \$250,000).

First Associations Bank (FAB) (FAB Direct Dep. Acct.-Operating): This is the main operating account. All assessment fees are deposited into this account and standard Operating and Reserve invoices are paid via this account. Management currently has an internal flagging system established that prevents this account balance from dropping below \$20,000.00 -- transfers from the Money Market Account below would be made by Community Group in this case. There are no monthly fees and no interest is paid on this account. Currently, all funds are FDIC insured with no maximum dollar limit, under a new FDIC program for non-interest bearing accounts. In the event of changes to this regulation, this account together with the Money Market Account, would be considered a single account and subject to whatever maximum limits on FDIC insurance apply at that time. This figure had been \$100,000 until recently changed to \$250,000.

FAB Money Market Account: This account is used to place funds in excess of those needed for the day-to-day operation of the community. Funds are transferred into and from this account based on cash flow needs. The account earns interest at money market rates (typically 1-3%). There are no monthly fees, but transfers out are limited to 6 per month (no limit on transfers in). This account is FDIC insured, with a current maximum limit of \$250,000.

FAB Certificates of Deposit (CDs). When amounts in the Money Market Account approach or exceed the FDIC insurance limit, "excess" funds are placed into CDs. FAB acts as the agent for these CDs, which are each with separate banks, and never with FAB directly. Each CD is FDIC insured up to the maximum currently in effect (\$250,000). Durations can vary, but the typical duration is likely to be 3 to 6 months, depending on the projections for future cash needs. 3 to 6 month CDs typically pay approximately 3 % annual interest, often paid at maturity; longer durations typically pay slightly higher rates. CDs can be redeemed at any time, but have early withdrawal penalties equal to one-quarter's worth of interest. When a CD has matured, FAB will place the proceeds into the FAB Money Market Account.

Wachovia – Site Checking-Misc. Payments: This account maintains a balance of \$5,000 and is used to provide reimbursements for facility rental deposits, to pay for on-line office supply and related payments (through debit card) and to make payments for miscellaneous

vendors/materials in situations that cannot wait until regular Community Group payments can be made. The account incurs no fees provided a modest minimum balance is maintained, and earns no interest.

Procedures:

SONA BANK: This account will be reviewed quarterly by Community Group and any funds in excess of \$1,000.00 will be transferred to the FAB Operating Account.

FAB Operating Account: A review of the needs of this account will be conducted by Community Group on the first and third Tuesday of each month. The first review of the month will be to determine cash flow needs for the entire month. Any amounts that exceed fifty percent of the level of funds required for that month will be transferred to the FAB Money Market Account. The second review of the month will look at the cash flow experience from the first half of the month and the updated projection of funds needed for the second half of the month, and funds will be transferred to or from the Money Market Account as needed. If experience matches projections, then the second review will result in a second transfer of fifty percent of monthly cash flow needs, from the Money Market Account to the Operating Account. In addition, funds will be transferred from the Money Market Account to the Operating Account in situations where the cash balance in the Operating Account has fallen below \$20,000 and a notification has been triggered by the system (see above).

FAB Money Market Account: Each of the two monthly reviews above by Community Group will include a review of the FAB Money Market Account to insure that it does not exceed the FDIC insurance limit currently in effect. In the event that the limits are projected to be exceeded, Community Group will make longer term cash flow projections to determine appropriate CD durations and work with FAB on a recommended plan for specific CDs to be purchased. Prior approval will be obtained from the FLCA Treasurer for all CD purchases.

Wachovia – Site Checking-Misc. Payments: This account is replenished a minimum of once per month. When funds are expended amounts are posted to relevant accounts and replenishment of this account is made via the FAB-DDA Account (operating).

Please refer to the attached spread sheet for information on transfer calculations.

Approved by the Board of Directors 5/27/2009
Updated 8/8/2009