

# Condominium Home Owners' Association

*Serving BC's Strata Property Owners since 1976*

Bulletin: 300-301

## Condo Smarts

Headline: Financial Disasters

Topic: Contingency reserve funds

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**Dear Condo Smarts:** Our strata council have done something rather stupid, and now we're about to face the owners admitting we've probably lost almost \$100,000 of their money. Our strata has always been self managed and extremely well run. Local agents often refer to us as the model community. Unfortunately we've let our guard down. In 2005, our treasurer invited a broker from an investment firm to talk to our council about managing our reserve funds. We took advantage of the advice and decided to place our contingency funds with the investment broker to gain the highest yield possible. Unbeknown to us, the funds were extremely risky. They did pay a great rate over 10% in 2006, but now with the current challenges in the markets our broker has advised us that our portfolio is worth half its value due to devaluation. Here's our dilemma, do we tell the owners and admit to the risk or wait and see if this is recoverable? My fellow council members are concerned that we may be personally at risk for this loss. Gary G, Okanagan Valley.

risks. You have received some incorrect advice regarding the investment of your reserve funds. You need legal advice regarding the liability of your council members, and the actions of your investment broker, who may also have incurred liability if they knowingly invested contrary to the Act & Regulations. You will also need to advise your owners and at this time it may be necessary to convene a special general meeting and seek their instructions. The owners may very well consider a court action against the council members for this error, and if your directors and officer's liability policy does not cover the loss, or the investments don't recover, you may well be personally facing the costs. Go to [www.choa.bc.ca](http://www.choa.bc.ca) and click on the Strata Property Act, then follow the link to the Regulations and print off regulation 6.11. No matter what, every strata needs to confirm that all of their investments are in trust in their name and comply with Regulation 6.11.

**Dear Gary:** Unfortunately your strata is not the first to report this error in the past few weeks. While no investment is an absolute guarantee, our legislation in BC is specifically designed to significantly limit the types of investments that strata corporations can invest to reduce the

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