

Your Company

Investment Policy

- **Investment Objectives** -- To invest in US Government and agency securities and bank managed money market funds in order to ensure safety of principal and a high degree of liquidity while maximizing yield. Liquidity and preservation of capital are the paramount considerations. Yield is important but secondary to these objectives. In order of priority, the specific investment objectives are as follows:
 - ***Maintain sufficient liquidity:*** The portfolio will be managed to provide timely funding for the company's operating needs. Short and long-term cash forecasts will be utilized to determine feasibility of each investment made. Investment duration will be matched against expected cash flow requirements.
 - ***Limit Credit Risk:*** Protection of principal will be given high priority by limiting the company's investments to US Government and agency securities and bank managed money market funds.
 - ***Limit Interest Rate Risk:*** In order to limit interest rate or market risk, effective investment duration will be one year or less. An attempt will be made to match investment duration with expected cash flow requirements, limiting the need to liquidate investments before maturity. However, a sale of a security before maturity is permissible for cash flow requirements or portfolio improvement.

- **Investment Strategy**
 - ***Buy and Hold Strategy:*** In general, the company's investment strategy will consist of purchasing Government and Agency Securities and bank-managed money market funds and holding them through maturity. This strategy will satisfy the objectives of (1) limiting interest rate (market) risk and (2) limiting credit risk associated with any one issuer or market segment.
 - ***Equity Securities:*** The company will not invest in equity securities for passive investment purposes unless authorized to do so by the Board of Directors.
 - ***Derivatives:*** Derivatives, as they pertain to this policy, are defined as instruments designed to hedge the company's risks related to interest rate fluctuations. The company will not undertake such transactions.

- **Eligible Investments** – Securities not on the following list must be pre-approved by the Board of Directors

Investment Type

Limitations per Issuer

Government, Agency and Municipal securities

- | | |
|---|----------|
| - US Government and Agency Securities | No limit |
| - Tax-Exempt notes & bonds | No limit |
| - Government securities with US bank credit enhancement | No limit |
| - Municipal auction-rate securities adjusting within six months | \$0 |

Commercial and investment bank investments

- | | |
|--|------------------|
| - Certificates of deposit, bankers' acceptance notes and time deposits | \$100,000 |
| - Repurchase agreements (with collateral) | \$0 |
| - Bank securities with bank credit enhancement | \$0 |
| - Bank managed money market funds | 50% of portfolio |

Corporate securities

- | | |
|---|-----|
| - Commercial Paper | \$0 |
| - Corporate securities with US bank credit enhancement | \$0 |
| - Corporate auction rate securities adjusting within six months | \$0 |

- **Credit ratings** -- Not applicable, as all securities are US Government backed or money market funds.
- **Liquidity Considerations** – As follows:
 - The greater of 10% or \$100,000 of the portfolio must be held in investments that mature in 30 days or less; at least \$50,000 must always be accessible without market risk.
 - Investments will have a maximum duration not to exceed one year.
 - All portfolio investments must be readily marketable under normal trading conditions in each instrument's relevant capital market
 - Overnight investments (money market and bank deposits) are acceptable in order to manage short-term cash flow needs.

- **Approvals/Implementation** – As follows:
 - Only the President, Chief Financial Officer or Chairman of the Board of Directors can approve and execute investments and may do so only as long as the investments are consistent with this policy.
 - Any exceptions to this policy must be first approved by the Board of Directors.

- **Investment Managers** – The company’s portfolio will be managed internally with input from the institutional coverage groups of various high-quality investment banks and commercial banks. Investment/commercial banks will used on the following basis:
 - Experience, demonstrated performance and reference checks
 - The ability to professionally and creatively interact with the company’s senior management to provide on-going communication, education, advice and support for all of the company’s investment needs.