ASSOCIATION FOR FINANCIAL PROFESSIONALS

SHORT-TERM INVESTMENT POLICY

Template

POLICY TITLE:

COMPANY:

DATE:

APPROVED:

VERSION:

ASSOCIATION FOR
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INTRODUCTION

The short -term Investment policy guidelines address investment management policies for organizations investing their working capital on a short to medium term basis. The guidelines put forth in this document are for the creation of a general investment policy and are appropriate for every type of organization. For the purposes of this document, short term investments are defined as those having a maturity of five years or less. The policy is comprehensive in scope, in that it addresses all issues likely to have a material impact on an organization's investment practices. Examples of material events that may impact an organization's investment practices include new, company-wide initiatives, material changes to capital structure, new acquisitions and other major financial transactions. This policy applies to all types of short-term investment securities, including passive investments such as stable value money market funds.

A formal investment policy establishes a clear understanding of the company's investment objectives and general philosophy. With consistent, common objectives, it is easier for an organization to control investment activity, manage liquidity, monitor compliance and minimize risk, regardless of its structure. In fact, the more decentralized and geographically widespread the investment decision-making, the more crucial an investment policy becomes to ensure a consistent, enterprise wide approach. Formal written policies also help to delineate the relationship between the parent/holding company/subsidiary in decentralized operations. The development of a formal investment policy provides a means of identifying, cataloging and implementing best practices.

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01 PURPOSE

The purpose of this policy is to set guidelines for the parameters, responsibilities and controls for short-term (12 months or less) investment of corporate funds

02 OBJECTIVES

A. To ensure the safety and preservation of principal.

B. To maintain adequate liquidity to meet cash flow requirements.

C. To obtain the best available return consistent with the organizations stated objectives concerning safety and liquidity.

D. To present standardized guidelines that must be observed throughout the company.

03 SCOPE

This policy applies to ABC Inc. and all of its wholly-owned subsidiaries, including foreign subsidiaries. Investments are restricted to only those instruments that are defined in the policy and which meet the specific guidelines that have been detailed within this policy. For the purposes of this policy, the chief financial officer, treasurer, assistant treasurer, manager of treasury operations, and any of their appointees, have the roles and responsibilities as defined in the policy for the investment activities of the company as a whole. This policy does not cover 401(k), profit sharing, deferred compensation, stock purchase or deferred director's fee plans of ABC Inc., which are covered by separate policies.

04 APPROVED LIST OF SHORT-TERM INVESTMENTS

The following instruments are approved for short-term investment:

— **Bank Products:** This includes CDs, CP, Bankers Acceptances, Eurodollar Time Deposits, both foreign and domestic issuers.

— **Money Market Demand Accounts or other Federally Insured Bank products** that seek to maintain FDIC Insurance limits and providing liquidity that matches the company's needs.

— **Domestic Commercial Paper (Rated A1/P1):** Includes both Domestic and Foreign issuers to enhance yield opportunities. Many high quality issuers of CP are not U.S. based, but also offer U.S. dollar denominated CP.

— **U.S. Treasury Bills and Notes:** Inclusive of Treasury Floating Rate Notes.

— **Collateralized Repurchase Agreements**

— **Money Market Mutual Funds** that invest exclusively in securities approved under this policy. Including separate accounts and other diversified pooled investment vehicles (i.e. collective investment trusts, 3(c)(7) funds, etc.)

— **Obligations of U.S. Government agencies and instrumentalities**

— **Asset Backed Securities**, including Mortgage Backed Securities.

— **Investment Grade Corporates:** Include both Domestic and Foreign issuers to enhance yield opportunities. Many high quality corporate issuers are not U.S. based, but also offer U.S. dollar denominated instruments.

05 INVESTMENT REQUIREMENTS

- Active investments with outside money managers are prohibited, with the exception of comingled funds, separate accounts, and pooled investment vehicles that invest solely in securities listed (as stated in section 4.10).
- To minimize foreign exchange exposure, all investments must be denominated in the functional currency of the entity making the investment.
- Repurchase agreements must be fully collateralized (including collateral for accrued interest) by any of the securities approved under this investment policy. The current market value of the collateral must cover the principal amount of the investment at all times during the term of the investment.
- The goal is principal reservation. The composition of any comingled fund, separate account, or other diversified investment vehicle must meet the criteria for approved securities.
- The average duration of any short-term investment portfolio must not exceed 12 months.
- No more than 25 percent of the portfolio may be invested in securities lacking an active secondary market. Securities that have no active secondary market must mature in periods during which the company has high working capital requirements. Selection of the appropriate maturity schedule is 1 year or less and left to the discretion of the chief financial officer for final decisions.
- All new types of investment must pass a formal review process that evaluates all related risks.
- Cash receipts from coupon and interest payments shall be handled by accounting. An accrued tax liability shall be recorded and the proceeds returned to the portfolio for re-investment.
- Investments in banks and domestic corporations under this policy are subject to the following additional limitations:
  - Top 50 banks as determined by the US Federal Reserve from an Asset Basis. U.S. banks must have total assets of at least $250 billion or have a credit relationship with the company.
  - Foreign banks must have total assets of at least $300 billion or have a credit relationship with the company. Foreign banks must have an agency, branch or representative office with a domestic U.S. license.

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— Issuing corporations must have a commercial paper rating of P-1 or better by Moody's Investor Services or A-1 or better by Standard & Poor's or an equivalent rating by another nationally recognized rating agency (at least two ratings are required). If the rating is supported by a bank letter of credit, the letter of credit must be issued by a bank having a minimum credit rating consistent with the above. long-term debt rating of Aa by Moody's and AA by Standard & Poor's.

Any exceptions to the above must be approved by the chief financial officer.

Diversification

The approved types of investment instrument must be allocated among the following three categories, but not to exceed the percentages indicated:

Category	**Not More Than % of Total**	**Portfolio Instrument Types**
U.S. Government	95%	Treasury Bills, Treasury Notes, U.S. Agencies Collateralized Repurchase Agreements backed by securities on the approved list
Corporate	55%	Domestic Commercial Paper, Investment Grade Corporates, Collateralized Repurchase Agreements backed by Commercial Paper
Bank	95%	Bank Products
ABS/MBS	50%	Asset backed securities and Mortgage Backed securities

A. Concentration per Organization. 5% limit per organization, excluding the U.S. Government, which would be unlimited

B. There is no limit on any diversified investment vehicle which invests solely in approved securities unless

06 CUSTODY OF SECURITIES

All of the financial institutions in which the company is eligible to invest, subject to the Investment Requirements listed in Section 5.0 of this document, are also authorized to hold investments in custody on behalf of the company. The company will not take physical possession of investment securities.

07 EXCEPTION MANAGEMENT

Any exceptions to this policy must be approved in writing. For exceptions with a USD equivalent of $20 million or less, Treasurer approves. All exceptions greater than $20 million ,the CFO will approve.

08 PERFORMANCE MEASUREMENT AND REPORTING

The performance of the short-term investment portfolio shall be benchmarked against the total return and yield to maturity of the iMoneynet Taxable Fund Benchmark or Crane's Taxable Moneyfund Index, Merrill Lynch 1-3 Year Government Index, or a duration matching benchmark.

The treasury staff shall prepare weekly performance reports under the guidance of the assistant treasurer. The manager of treasury operations shall deliver a monthly report to the chief financial officer and board of directors detailing the short-term investment portfolio's composition and performance. In addition, the manager of treasury operations is charged with disclosure of portfolio holdings in the 10-K and 10-Q reports that must be filed with the U.S. Securities and Exchange Commission.

09 ROLES AND RESPONSIBILITIES

Roles and responsibilities of the parties involved are specified below:

Role: Board of Directors

- Approving the policy
- Approving major policy exceptions (e.g., new investment types)
- Approving policy revisions
- Setting performance metrics

Role: Chief Financial Officer

- Developing investment strategy
- Approving minor policy exceptions (e.g., amounts, terms)

Role: Treasurer

- Serving as policy custodian
- Developing investment strategy
- Distributing policy and revisions

Role: Assistant Treasurer

- Overseeing investment activities
- Recommending variations in set amounts and/or terms
- Collecting performance information

Role: Manager of Treasury Operations

- Keeping abreast of developments in the money market
- Keeping the assistant treasurer and treasurer informed of developments in the money market
- Providing investment reports to management as requested
- Investing excess funds as provided herein
- Determining the amount and maturity of an investment
- Distributing performance information

010 INTERNAL CONTROLS

The following internal controls must be enforced:

- The separation of transaction authority from accounting and record-keeping.
- The separation of wire transfer and investment transaction duties. Wire transfers must be performed by a party outside the investment management process.
- All physical deliveries or book entries of principal and/or interest shall be performed by a third-party custodian.
- A monthly reconciliation of investment statements to the general ledger accounts shall be performed and the results delivered to the chief financial officer and the treasurer.
- All investment portfolios must be covered by the company's liability and crime coverage insurance policies.
- All banks, brokers and custodians must carry adequate liability and crime coverage and provide a detailed review and assessment of their internal controls.

The manager of treasury operations shall have responsibility and authority over internal controls; however, controls may be removed only with the written consent of the chief financial officer.

011 COMPLIANCE

Internal auditors shall include policy compliance in their audits. Auditors shall review procedures and performance and make recommendations for changes, as appropriate. Compliance testing shall be performed annually.

A copy of the policy and related procedures manual will be placed on file in the treasurer's office and an electronic version will be posted on the company's intranet.

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4520 East-West Highway, Suite 800
Bethesda, MD 20814
T: +1 301.907.2862 | F: +1 301.907.2864

www.AFPonline.org