New Mexico FINANCE AUTHORITY

INVESTMENT POLICY

I. PURPOSE

The purpose of this Investment Policy ("Policy") is to establish the investment objectives, delegation of authority, standards of prudence, permitted investments and other controls and procedures necessary for the prudent management and investment of the funds by the New Mexico Finance Authority ("Finance Authority").

II. POLICY

It is the Finance Authority's policy to invest funds in a manner that will provide a market rate of return based on the current risk profile of the Finance Authority. The risk profile will incorporate daily cash flow requirements, applicable laws, and current economic conditions.

III. AUTHORITY

The Finance Authority is authorized, pursuant to and in accordance with, the Act, as defined below, or as otherwise provided by a trust indenture, bond resolution, or other applicable law, to invest and manage money held by the Finance Authority not needed for immediate disbursement, including any funds held in reserve.

IV. SCOPE

This Policy governs the investment functions of the Finance Authority with respect to funds invested by the Finance Authority in exercise of its statutory authority or invested on behalf of applicable bond indentures.

A. This Policy applies to the investment held directly by the Finance Authority including funds the Finance Authority may manage for other entities, except for those funds where trust indentures, bond resolutions, or other documents or agreements control the investment of the funds.

B. This Policy may be amended or supplemented by the Board as necessary.

V. DEFINITIONS

A. “Act” shall mean the New Mexico Finance Authority Act, Section 6-21-1 through 6-21-31, inclusive, NMFA 1978, as amended and supplemented from time to time.

B. “Agency Bonds” shall mean bonds issued by two types of entities: (i) Government Sponsored Enterprise (GSEs), usually federally chartered but privately owned corporations; and (ii) Federal Government agencies that may issue or guarantee bonds to finance activities related to public purposes, such as increasing home ownership or providing agricultural assistance. Agency bonds are in a variety of structures, coupon rates, and maturities.

C. “Benchmark” shall mean an unmanaged investment index that consists of a predetermined set of Securities whose performance can be easily tracked and compared to a similar actively managed portfolio.

D. “Committee” shall mean the Investment Committee of the Finance Authority comprised of members appointed and approved by the Finance Authority Board.

E. “Competitive Bid” shall mean the selection of Securities through a formal solicitation or review and evaluation of online offerings from various broker/dealers.

F. “Chief Executive Officer” shall mean the chief executive officer appointed by the Finance Authority.

G. “Chief Financial Officer” shall mean the finance official having responsibility for finance, accounting and investment matters of the Finance Authority.

H. “Custodian” shall mean a bank or other financial institution that provides custodial services pertaining to all or any portion of the deposits or investments of the Finance Authority.

I. “Finance Authority” shall mean the New Mexico Finance Authority.

J. “Investment Advisor” shall mean any individual or organization contracted by the Finance Authority to provide advisory services, including advice on investment objectives and/or asset allocation, performance monitoring and investment advice to the Committee and the Finance Authority; and to represent the interest of the Finance Authority in managing and monitoring the work and performance of the Investment Manager.

K. "Investment Manager" shall mean the investment officer of the Finance Authority designated by the Chief Executive Officer.

L. "Market Rate of Return" shall mean the ratio of money gained or lost (whether realized or unrealized) on an investment relative to the amount of money invested. The amount gained or lost may be referred to as interest, profit/loss, gain/loss, or net income/loss. The money invested is the cost basis of the investment. Return on Investment is usually expressed as a percentage.

M. "Policy" shall mean this Investment Policy.

N. "Portfolio Manager(s)" shall mean an individual, group or firm possessing appropriate experience, credentials, resources and infrastructure to directly manage (buying, selling, holding) a portfolio of Securities.

O. "Rating Agencies" shall mean Moody's Investor Services, Inc., Standard and Poor's, Fitch, or other respective successors and any other nationally recognized rating service designated by the Finance Authority.

P. "Securities" shall mean marketable investment securities.

Q. "State" shall mean the State of New Mexico.

R. "Weighted Average Maturity" shall mean the average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount invested in the portfolio. Weighted average maturity measures the sensitivity of fixed-income portfolios to interest rate changes.

VI. INVESTMENT OBJECTIVES

A. Pooling of Funds. Except where prohibited by statute, trust indenture, or other controlling authority, the Finance Authority will consolidate cash and reserve balances from all Finance Authority funds. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

B. General Objectives. The primary objectives of the Finance Authority's investment activities, in order of priority, shall be safety, liquidity and yield.

1. Safety. Safety of principal is the foremost objective of the investment program. The objective will be to mitigate credit risk and interest rate risk to ensure the preservation and protection of principal in the overall portfolio.

   a. Credit Risk. The Finance Authority will minimize credit risk, which is the risk of loss due to the failure of the Securities issuer or backer, by:

      – Limiting investments to Permitted Investments in accordance with Section XI of this Policy.
      – Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer or from any one money market fund will be minimized.

   b. Interest Rate Risk. The Finance Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

      – Identify cash flow expectations and matching funds to those requirements, when applicable.
      – Identifying overall liquidity requirements and creating a minimum balance to account for unforeseen circumstances.
      – Investing operating and program funds in shorter-term securities, money market mutual funds, or similar investment pools and limiting the overall weighted average maturity of the portfolio in accordance with this Policy.
      – Structuring longer-term reserve funds to appropriately match longer-term liabilities, while incorporating a strategy to balance risk and return.

   c. Other Risk.

      – Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Finance Authority will do business.

2. Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Since all possible cash demands cannot be anticipated, the portfolio may

consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

VII. STANDARDS OF CARE

A. Delegation of Authority.

1. Chief Executive Officer. The Finance Authority's Chief Executive Officer shall oversee the implementation and administration of this Policy. The Chief Executive Officer may execute agreements or documents necessary to effectively administer the investment program and may delegate responsibility for implementation and administration of this Policy, including execution of agreements or documents, provided however, that such delegation is in writing.

2. Chief Financial Officer. The Chief Financial Officer or his or her designee will assist in the implementation of the investment program through active fund and cash flow management, thus allowing the investments to take advantage of any current economic and interest rate trends. When structuring the maturity composition of each of the Finance Authority's investment pools, the Chief Financial Officer or his or her designee shall evaluate current and expected cash flow requirements. Maintenance of adequate liquidity to meet the cash flow needs of each of the pools of the Finance Authority is essential; accordingly the investments for the pools will be structured in a manner consistent with this Policy. It is the Chief Financial Officer's responsibility that the investment portfolio and all related transactions are reviewed and balanced to the appropriate general ledger account on a monthly basis.

3. Investment Manager. The Investment Manager shall have the following responsibilities:

   a. Make investments, with advice from the Investment Advisors and in accordance with this Policy.
   b. Execute the buy and sell orders in accordance with this Policy.
   c. Prepare reports as required by this Policy or as otherwise appropriate, including investment reports, which shall include, without limitation: (1) a listing of the existing portfolio in terms of investment securities, balances, maturities, yield, and other information deemed relevant; (2) the book and market value of all holdings; (3) the investment earnings for the reporting period; (4) report of holdings of variable rate and structured notes; (5) performance of investments in relationship to benchmarks established by the committee; and (6) any areas of policy concerning possible revisions of this Policy.
   d. Retain required records pertaining to competitive bids.
   e. Monitor the investment portfolio and recommend adjustments as necessary in conjunction with any Investment Advisor.
   f. Monitor creditworthiness of Finance Authority depositories.
   g. Recommend depositories, Custodians, broker-dealers and investment agreement bidding agents for approval by the Committee and the Finance Authority.
   h. Recommend additional management, financial reporting and control measures necessary or convenient for the implementation and administration of this Policy for approval by the Committee and the Finance Authority.
   i. If the position of Investment Manager is vacant, the duties for that position shall be performed by the individual(s) designated by the Chief Executive Officer.

4. Investment Committee. The Committee will meet at least quarterly, with the Investment Manager in attendance, and will be charged with the following responsibilities:

   a. Review and recommend, at least annually, changes to this Policy.
   b. Review the investment reports prepared by the Investment Manager.
   c. Evaluate the performance of the Investment Manager, the Investment Advisor and Investment Manager(s) in regards to compliance with this Policy, contractual provisions and investment guidelines.
   d. Review and recommend procedures, financial reporting requirements and internal control measures recommended by the Investment Manager.
   e. Review the Finance Authority's investment program.

5. Investment Advisor. The Investment Advisor may be retained to provide oversight consulting services and ongoing services to Finance Authority staff. The responsibilities may include:

    a. Provide specific recommendations to the Investment Manager.
    b. Provide recommendations regarding investment allocations and investment strategies to the committee.
    c. Review Finance Authority investment transactions and provide a quarterly report to Finance Authority management and the Committee on investment activity and the performance of the Finance Authority's investment portfolio.
    d. Provide ongoing consultation to the Finance Authority, the Investment Manager, and the Committee.

6. Portfolio Manager. The Portfolio Manager may be retained, in accordance with the Finance Authority's Procurement Policy, to directly invest funds on behalf of the Finance Authority, and shall be responsible for:

    a. Investments of specific funds, or a component of funds, based on a clearly defined investment objective as directed by the Finance Authority.
    b. The Manager must comply with state statutes and this investment policy.

B. Prudence.

    1. Investment Manager and Committee. The Investment Manager and Committee, in carrying out their duties as outlined in this Policy, shall exercise at least the degree of care and competence as would a reasonable prudent person, and their actions shall be judged in accordance with the prudent person rule.

    2. Investment Advisor and Portfolio Manager. The Investment Advisor and Portfolio Manager, in carrying out their duties as outlined in this Policy and any agreement, shall exercise at least that degree and care of competence as would a prudent person who is a profession al investor and their actions shall be judged in accordance with the prudent investor rule outlines in the Uniform Prudent Investor Act, in addition to any fiduciary obligations under applicable federal and state law now or hereafter in effect.

C. Ethics and Conflict of Interest. All broker/dealer, advisors and managers and any other securities professionals working with the Finance Authority shall become familiar with and comply with all applicable policies of the Finance Authority and all applicable laws and regulations.

VIII. TRANSACTIONAL COUNTERPARTIES

A. Qualified Institutions – Broker/Dealers.

1. Must be pre-approved to transact business with the Finance Authority.

2. Must be reviewed annually.

3. Must be presented annually to the Committee.

4. To be considered, broker/dealers must meet the following criteria:

   a. The firm must, unless they are exempt under Section 58-13B-7, NMSA 1978, of the New Mexico Securities Act of 1986, be a registered broker/dealer pursuant to Section 58-13B-3, NMSA 1978.

   b. The firm must be registered as a broker/dealer under the Securities Exchange Act of 1934.

   c. The firm and assigned broker must be registered with the Financial Industry Regulatory Authority (FINRA).

   d. The assigned broker must have a current FINRA Series 7 License.

   e. The firm and assigned broker must have been engaged in the fixed income security business for at least the past five (5) consecutive years.

B. Qualified Institutions – Financial Institutions – Banks. In selecting financial institutions for the deposit of Finance Authority money or collateral, the Committee will consider, among other things, the creditworthiness of the institutions. The Chief Investment Manager will monitor the financial institutions' credit characteristics and financial history throughout the period in which Finance Authority funds or collateral are deposited and will report the results of such monitoring to the Committee, as appropriate. Each depository will be required at all times to collateralize Finance Authority deposits and investments in compliance with this Policy.

C. Investment Agreement Bidding Agents: The Finance Authority shall establish a list of approved Investment Agreement Bidding Agents. In selecting Bidding Agents, the following characteristics will be considered:

1. The history and experience of the firm.
2. The degree of transparency of the firm's bidding process.
3. The level of documentation of the bidding process the firm provides.
4. The ability provided for the Finance Authority to monitor the bidding process on a real-time basis.

D. Investment Advisors and Portfolio Managers.

1. Investment Advisors and Portfolio Managers may be utilized to consult/advise or manage funds.
2. The Investment Advisor or Portfolio Manager must meet the following criteria:
   a. The firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the State of New Mexico; and
   b. All firm representatives conducting investment transactions on behalf of the Finance Authority must be registered representatives with FINRA; and
   c. Contract terms will include that the Investment Advisor or Portfolio Manager comply with this Policy.
3. The Investment Advisor or Portfolio Manager must notify the Finance Authority immediately if any of the following issues arise while serving under a Finance Authority contract:
   a. Pending investigations by securities regulators
   b. Significant changes in net capital
   c. Pending customer arbitration cases
   d. Regulatory enforcement actions
   e. Any other issues which come to the attention of the Investment Advisor or Portfolio Manager that may negatively affect the

contractual relationship of the Investment Advisor or Portfolio Manager with the Finance Authority.

4. The Investment Advisor's primary responsibility is to provide the Finance Authority with oversight and implementation of industry best practices in regards to the overall investment program, advise on strategy, and monitors portfolio performance and compliance with this Policy.

5. The Portfolio Manager's responsibility is to administer a defined portion of the Finance Authority's portfolio, including the execution of investment transactions, as necessary in their judgment, to accomplish the portfolio's objectives.

IX. INVESTMENT STRATEGY

The investment program will be guided by specific investment strategies for each specific fund.

A. Fund Components: Considerations to the following factors will be attributable to each fund:

   1. Liquidity Components. Cash flow, including both inflows and outflows for each fund, will be incorporated into the strategy of each fund.

   2. Investment Components:

      a. Risk as measure by duration
      b. Return comparisons
      c. Yield Curve positioning
      d. Asset allocation selections

   3. Economic Analysis.

   4. Market Conditions and Expectations.

B. Competitive Pricing. It will be the policy of the Finance Authority to transact all securities purchases and sales on a competitive pricing basis, based on the following criteria:

   1. At least three pricing sources will be documented on each transaction.

2. If only one dealer owns the security, comparable securities may be used to document the pricing.

3. Electronic trading is the preferred option for the purchase or sale of a security.

4. All securities will be settled on a delivery vs. payment basis.

5. All investment managers or bidding agents shall provide to the Finance Authority full and continuous written disclosure of any compensation received outside of the contract related to investments provided to and sales made on behalf of the Finance Authority.

C. <u>Security Transactions</u>. Securities will generally be held until maturity with the following exceptions:

1. A security with declining credit may be sold early to minimize an expected loss of principal.

2. A security exchange that would adjust the quality, earnings rate or target duration of the portfolio based on the investment strategy outlook.

3. A security needs to be sold to provide for liquidity in the fund.

X. CUSTODY, INTERNAL AND EXTERNAL CONTROLS

A. <u>Custodian</u>. The Finance Authority shall employ safekeeping agents and custodian(s) ("Custodian") under written agreements, in accordance with the Finance Authority's Procurement Policy, who will, on behalf of the Finance Authority, directly (or through agreement with a sub-custodian) maintain actual possession of securities owned or held as collateral by the Finance Authority, open Finance Authority accounts, collect dividend and interest payments, redeem maturing Securities, and effect receipt and delivery following purchases and sales. A Custodian may also, at the written direction of the Investment Manager, perform regular reporting of all investments and deposits owned, purchased, or sold as well as movement of assets in to and out of the Finance Authority's accounts.

All Securities purchased by the Finance Authority or held as collateral for deposits and investments shall be held in third-party safekeeping at the bank designated as Custodian, pursuant to a written agreement. The bank designated as Custodian will be considered to be a third party for purposes of safekeeping of Securities. All Securities held for an Finance Authority account will be held free and clear of any lien and all transactions will be conducted on a contemporaneous transfer and next day settlement basis. Any Custodian shall receive the security or collateral in the account at the same time payment is made to the delivering financial institution. On a monthly basis, the Custodian(s) will provide reports which list all transactions that occurred during the month and all Securities held for the Finance Authority at month-end including the book and market value of all holdings of all Finance Authority accounts.

B. Internal Controls. The Chief Financial Officer shall establish and document a detailed set of procedures relating to day-to-day investment-related duties. The Investment Manager will create and maintain records of all investment transactions of the Finance Authority. These records shall include supporting documentation of the competitive offers and bids received for Securities purchases and sales. The records shall be sufficiently detailed and in a format that will permit the Finance Authority's independent auditors to efficiently audit investment balances and transactions.

The Chief Financial Officer shall be responsible for establishing and maintaining internal controls over investment transactions. Broker/Dealers, Trustees, Custodians and others with whom the Finance Authority enters into investment transactions shall be required to send original confirmations, statement, and other documents to the Chief Financial Officer or his or her designee with copies to the Investment Manager or his or her designee.

XI. PERMITTED AND SUITABLE INVESTMENTS

A. Permitted Investments. As provided in Sections 6 and 21 of the Act, money in the public project revolving fund and other money held by the Finance Authority not needed for immediate disbursement, including money held in reserve, may be invested in the following security types:

1. Direct obligations of or obligations fully and unconditionally guaranteed by the United States;

2. Obligations issued by Federal agencies and instrumentalities of the United States;

3. SEC-registered money market funds with total assets at time of deposit in excess of $100,000,000. Must be rated AAA by Standard and Poor's and

comply with Rule 2a-7, or any successor rule, of the United States Securities and Exchange Commission applicable to money market mutual funds;

4. Interest-bearing Certificates of Deposit (CDs) or Bank Deposits in New Mexico Banks having a branch location within the State of New Mexico, provided that all principal and accrued interest are fully insured by the Federal Deposit Insurance Corporation or are fully secured by obligations described in 1) and 2) above, registered in the name of the Finance Authority and held by a third-party safekeeping agent; or collateralized as required by 6.10.16 NMSA at 102% of the value of the deposit that is not FDIC insured.

5. Commercial paper issued by corporations organized and operating in the United States and rated A1+ or better by S&P and Prime-1 by Moody's and which matures not more than 270 days after the date of purchase;

6. Direct obligations of the State of New Mexico or any political subdivision of the State and any direct obligations of New Mexico Municipalities, Counties or School Districts;

7. Repurchase Agreements, subject to restrictions contained in Section XIII., paragraph B of this policy;

8. Guaranteed Investment Contracts (GICs) and repurchase agreements, fully secured by obligations described in 1) and 2) above with all collateral held by an independent third-party safekeeping agent acceptable to the Finance Authority;

9. Local Government Investment Pool – the State Treasurer's Investment Pool pursuant to Section 6-10-10.1 NMSA 1978;

Other investments permitted by Section 6-10-10 NMSA 1978 as amended and supplemented from time to time may be approved by a majority vote of the Committee.

B. Specific Fund Investment of Bond Proceeds. All or any portion of the proceeds of bonds or other obligations of the Finance Authority may be invested in a GIC or flexible repurchase agreement without regard to the Investment Allocation Constraints set forth in this Policy, if the GIC or repurchase agreement provides for disbursement upon the request of the Finance Authority in amounts necessary to meet expenditure requirements for the bonds or other obligations.

Such investments of bond proceeds shall be subject to the issuer credit ratings and collateralization requirements, if any, set forth in other sections of this Policy.

C. Bond Indentures. For specific funds, specific bond indentures may supersede this Policy.

D. Investment Allocation Constraints.

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings
US Treasury Obligations	100%	100%	AA+ Or Current Rating
US Agency Obligations	75%	40%	AA+ OR Current Rating
SEC- Registered Money Market Fund	100%	50%	Govt Only- AAAm
Bank Certificates of Deposit or Bank Deposits	20%	10%	NMSA Required collateral
Commercial Paper	10%	5%	A-1+
New Mexico Municipal Obligations	10%	5%	AA- or better
Repurchase Agreements	25%	10%	NMSA Required Collateral
Guaranteed Investment Contracts	Bond Proceed Only	N/A	AA- Underlying
Local Government Investment Pool	50%	50%	NMSA Statute Rating

XII. INVESTMENT PARAMETERS

A. Diversification. It is the policy of the Finance Authority to diversify its investment portfolios to the extent reasonably practical. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Portfolio maturities may be laddered to avoid undue concentration of assets in a specific maturity sector and to reflect cash flow requirements.

B. Investment Maturity. It is the policy of the Finance Authority to diversify investment maturities in each fund based on cash flow requirements. Unless matched to a specific cash flow, the Finance Authority will invest in securities maturing ten years or less from the date of purchase. This maturity restriction applies to all funds with the exception of escrow funds or any other fund in which a trust indenture supersedes this Policy. Those funds may be invested in securities exceeding ten years if the maturity of such an investment is made to coincide with the expected use of funds. The total weighted average maturity of all funds shall not exceed two years.

C. Prohibited Investments.

1. Federal Agency pass-through mortgage-backed securities are permitted as collateral only and may not be purchased as direct investments.

2. Placement Agent Prohibition; the Finance Authority shall not make any investment when the recipient of the potential investment or contract is represented in any capacity by a Third Party Sales Agent. This prohibition applies whether or not the Third Party Sales Agent is hired to seek or retain an investment contract from the Finance Authority, or any group of investors that includes the Finance Authority.

XIII. COLLATERALIZATION OF DEPOSITS AND REPURCHASE AGREEMENTS

A. Deposits. All deposits and investments of money of the Finance Authority shall be secured or collateralized to the same or higher extent required by applicable law for deposits and investments of the money of the State.

Deposits of Finance Authority money shall be either secured with a surety bond or by collateral security as provided in Sections 6-10-15 and 6-10-16, NMSA 1978, as amended and supplemented from time to time or as otherwise authorized by law for the deposit of public money. The amount of security for deposits of Finance Authority money and the custodial and safekeeping requirements for such deposits shall be as provided in Section 6-10-17, NMSA 1978, as amended and supplemented from time to time, or as otherwise authorized by law for the deposit of public money.

B. Repurchase Agreements. The Finance Authority shall require collateralization of each investment in a GIC or repurchase agreement. Collateral shall be restricted to United States Treasury or direct issues of Agency Securities unless otherwise authorized by law at the time the investment is made. The minimum required percentage of market value held by the Custodian to secure the principal of the investment shall be 102%, or as may otherwise be required by law in effect at the time the investment is made. Collateral shall be valued and adjusted, if required, on no less than a weekly basis.

C. Money Market Mutual Funds. The Finance Authority's investment in money market mutual funds, with the exception of funds where trust indentures, bond resolutions, or other documents or agreements control the investment of the funds, shall not exceed 5% of the total assets of the money market mutual fund.

XIV. POLICY COMPLIANCE AND PERFORMACNE STANDARDS

A. Compliance Report. A compliance report shall be maintained quarterly, to document the portfolio versus the investment policy.

B. Compliance Measurement and Adherence. Guideline measurements will include asset concentration, credit ratings, and maturity/duration and be based on the market value of investments.

C. Compliance Procedures.

1. If the Finance Authority portfolio falls outside of compliance with this Policy or an applicable indenture or is being managed inconsistently with this Policy, the Investment Manager shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.

2. Violations of portfolio guidelines as a result of transactions, actions to bring the portfolio back into compliance, and the reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Committee at the next regularly scheduled meeting or sooner as circumstances may require.

3. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained in compliance with this Policy.

4. Investment Downgrades. In the event that any investment is downgraded by one or more Rating Agencies below the minimum rating required by this Policy, the Investment Manager shall immediately inform the Chief Executive Officer, or in his or her absence, their designee, of the downgrade and shall recommend whether the security should be sold, retained in the portfolio, or some other action should be taken. The Chief Executive Officer or his or her designee shall determine what action will be taken. The Investment Manager will report the downgrade and the action taken to the Committee at its next regularly scheduled meeting or sooner as circumstances may require.

D. Compliance Violation Reporting. Any compliance violation, even if immediately corrected, will be reported at the next Committee meeting.

E. Performance Measurement.

1. The performance of investments will be measured against the performance indices that are appropriate to the risk profile of the specific funds.

2. Investment returns (to include total return) shall be calculated by the Finance Authority's reporting system using data from the Custodian and reported to the Committee on a quarterly basis. Returns will be reported and compared to appropriate benchmarks for (a) the most recent period, and (b) the trailing twelve month period.

XV. REPORTING REQUIREMENTS

A. The Investment Manager will prepare an investment report to be submitted to the Committee monthly.

B. The Investment Manager shall prepare and submit a quarterly investment report to the Board.

Specific Requirements for all investment reports prepared under this Article XV.

- Book Yield
- Holdings Report (including mark to market)
- Transactions Report
- Weighted Average Maturity or Duration
- Compliance Report

XVI. ADOPTION OF POLICY AND HISTORY

This Policy was adopted by the Finance Authority on October 24, 2013 and is effective as of that date. This Policy supersedes any other policy regarding investment management practices adopted by the Finance Authority.