

STARK COUNTY INVESTMENT POLICY

I. Introduction

The purpose of this investment policy is to establish priorities and guidelines regarding the investment management of the County's operating funds [hereinafter referred to as the "Portfolio"]. Such priorities and guidelines are based upon Chapter 135.35 ORC and prudent money management. This investment policy, dated May 17, 2005, has been approved by the investing authority and the County Investment Advisory Committee. The investment policy, dated May 17, 2005, is a revision of an originally approved policy, dated November 16, 1999. Sections of 135.35 ORC [totally or partially] may be used to describe eligible investments. In some sections, the policy places further limits upon the use eligible investments or investment transactions. The County Treasurer is referred to as the "Investing Authority".

II. Investment Objectives

The investment objectives of the County, in priority order, include:

A. *Compliance with all Federal and State laws*

B. *Safety of principal*

Safety of principal is the most important objective of the County. The investment of County funds shall be conducted in a manner that seeks to ensure the preservation of capital within the context of the following criteria:

Credit Risk

Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest, or the failure of the issuer to make timely payments of principal or interest. Eligible investments, pursuant to Chapter 135.35 ORC, affected by credit risk include certificates of deposit, commercial paper, and bankers acceptances. Credit risk will be minimized by (1) diversifying assets by issuer; (2) ensuring that required, minimum credit quality ratings exist prior to the purchase of commercial paper and bankers acceptances; and (3) maintaining adequate collateralization of CD's, pursuant to the method as determined by the County Treasurer.

Market risk (interest rate risk)

The market value of securities in the County's portfolio will increase or decrease based upon changes in the general level of interest rates. The effects of market value fluctuations will be minimized by (1) maintaining adequate liquidity so that current obligations can be met without a sale of securities; (2) diversification of maturities; (3) diversification of assets.

C. *Liquidity*

The portfolio shall remain sufficiently liquid to meet all current obligations of the County. Minimum liquidity levels [as a percentage of average investable funds] may be established in order to meet all current obligations without having to sell securities. The portfolio may also be structured so that securities mature concurrent with cash needs.

D. *Yield*

The portfolio shall be managed to consistently attain a market rate of return throughout budgetary and economic cycles. The market-average rate of return is defined as the average yield of the three-month US Treasury Bill. Whenever possible, and consistent with risk limitations and prudent investment management, the County shall seek to augment returns above the market average rate of return through the implementation of active portfolio management strategies. The County Treasurer may also compare the portfolio's return or yield to another selected benchmark(s), similar in nature to the characteristics of the County's portfolio.

III. Authorized Investments (itemized)

U.S. Treasury Bills, Notes, and Bonds; various federal agency securities including issues of Federal National Mortgage Assn. (FNMA), Federal Home Loan Mortgage Corp. (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Student Loan Marketing Assn. (SLMA), Government National Mortgage Association (GNMA), and other agencies or instrumentalities of the United States. Eligible investments include securities that may be "called" [by the issuer] prior to the final maturity date. Any eligible investment may be purchased at a premium or a discount. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

Commercial paper notes issued by companies incorporated under the laws of the United States; specific limitations apply as defined under Section 135.35 (A)(8).

Bankers acceptances issued by any domestic bank rated in the highest category by a nationally recognized rating agency; specific limitations apply as defined under 135.35 (A)(8).

Certificates of deposit from any eligible institution mentioned in section 135.32 of the Ohio Revised Code.

No-load money market mutual funds rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined in Division A(1) or A(2) under 135.35 ORC and repurchase agreements secured by such obligations. Eligible money market funds shall comply with 135.01 ORC, regarding limitations and restrictions. No load money market funds may include obligations described in division (A) of Section 135.143.

Repurchase agreements with any eligible institution mentioned in section 135.32 ORC, or any eligible securities dealer pursuant to division (J) of this section, except that such eligible securities dealers shall be restricted to primary government securities dealers. Repurchase agreements will settle on a delivery vs payment basis with repo collateral held in safekeeping by a

third party custodian as agreed to by the County Treasurer. The market value of securities subject to a repurchase agreement must exceed the principal value of the repo amount by an amount as defined under the Ohio Revised Code. The County Treasurer reserves the right to require an additional percentage of collateral securing such repurchase agreements. Prior to the execution of any repo transaction with an eligible dealer, a master repurchase agreement will be signed by the County Treasurer and the eligible dealer.

Securities lending agreements with any eligible institution mentioned in 135.32 of the Ohio Revised Code.

The state treasurer's investment pool [STAR OHIO], pursuant to Section 135.45 of the Ohio Revised Code.

Corporate obligations, rated AA by at least one nationally recognized rating agency at the time of purchase, having final maturities of two years at the time of purchase. Corporate obligations must be incorporated and operating in the United States. Such corporate obligations are limited to 15% of the County's total average portfolio.

Debt interests issued by foreign nations, diplomatically recognized by the United States, denominated and payable in U.S. funds. Foreign obligations must be rated in the three highest categories by two nationally recognized standard rating services, and limited to one percent of the County's total average portfolio. Foreign obligations must be backed by the full faith and credit of the issuing foreign nation and have no prior history of default. The five year maturity limit applies.

Notations: "Average portfolio" is determined and calculated by the investing authority; eligible commercial paper issuers must a minimum of \$500MM in total assets; the investing authority may not hold more than 10% of the outstanding short-term debt of the commercial paper issuer.

IV. Prohibited Investments and Other Restrictions

The final maturity of all eligible investments is five years [135.35 (C) ORC], unless the investment is matched to a specific obligation or debt of the County, and the investment is recommended by the County Treasurer and approved by the Investment Advisory Committee.

Derivative securities, as defined in 135.35 (B).

Other prohibited investments or transactions as defined in Section 135.35 ORC.

V. Safekeeping and Custody

The investing authority shall be responsible for the safekeeping of investment assets of the County. Securities purchased for the County will be held in safekeeping by a qualified trustee [hereinafter referred to as the "Custodian"], as provided in Section 135.37 ORC. Securities held in safekeeping by the custodian will be evidenced by a monthly statement describing such securities. The custodian may safekeep the County's securities in (1) Federal Reserve Bank book entry form; (2) Depository Trust Company (DTC) book entry form in the account of the custodian or the custodian's correspondent bank; or (3) Non-book entry (physical)

securities held by the custodian or the custodian's correspondent bank. All securities transactions will settle using standard delivery-vs-payment (DVP) procedures. The records of the custodian shall identify such securities in the name of the investing authority.

VI. The County Investment Advisory Committee

Pursuant to 135.341 (A), a County Investment Advisory Committee [referred to in this policy as the "Committee"] shall meet at least quarterly to review or revise the investment policy and to advise the investing authority. Any member of the Committee, upon giving five days' notice, may call a meeting of the Committee.

Any amended policy that has been approved by the Investment Advisory Committee shall be filed with the Auditor or State, pursuant to 135.35 (K)(1).

VII. Reporting [parentheses defines statutory terms]

The investing authority [County Treasurer] shall maintain an inventory of all obligations and securities. A description of each security includes type [issue/issuer], cost [original purchase cost or current book value], par value [maturity value], maturity date [receipt date of par value], settlement date [delivery versus payment date of purchased or sold securities], and any coupon [interest] rate. The investment report will also include a record of all security purchases and sales. The investing authority will maintain a monthly portfolio report and issue a quarterly portfolio report to the Committee, detailing the current inventory of all securities, all monthly transactions, any income received [maturities, interest payments, and sales], and any expenses paid. The report shall also include the yield of each security, and the average-weighted yield and average-weighted maturity of the aggregate securities portfolio.

The portfolio report shall state the name(s) of any persons or entity effecting transactions on behalf of the investing authority. A quarterly investment report shall be filed with the Board of County Commissioners.

VIII. Investment Advisors, Qualified Dealers and Financial Institutions

The Committee is authorized to retain the services of an investment advisor, pursuant to 135.341 (D). Upon request, the investment advisor will attend all such meetings and will discuss all aspects of the County's portfolio, including market conditions or economic factors affecting the County's investments. The investment advisor shall make recommendations regarding the investment of County funds and/or manage the portfolio of the County [including the execution of investment transactions], in accordance with the authorization of the County Treasurer. Eligible broker/dealers and financial institutions will be used to execute trades on a "best price and execution" basis.

The County may transact business (execute the purchase and/or sale of securities) with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and regional securities firms or broker dealers licensed with the Ohio Department of Commerce, Division of Securities, to transact business in the State of Ohio. Eligible broker/dealers and financial institutions are defined in 135.35 (J)(1).

All persons or entities transacting investment business with the County are required to sign the approved investment policy as an acknowledgment and understanding of the contents of said policy.

IX. Sale of Securities Prior to Maturity

Pursuant to Section 135.35 (E), securities may be "redeemed or sold" prior to maturity under the following conditions:

- (1) To meet additional liquidity needs
- (2) To purchase another security to increase yield or current income
- (3) To purchase another security to lengthen or shorten maturity
- (4) To realize any capital gains and/or income
- (5) To increase investment quality

Such transactions may be referred to as a "sale and purchase" or a "swap". For purposes of this section, redeemed shall also mean "called" in the case of a callable security.

X. Procedures for the Purchase and Sale of Securities

All investment decisions will be authorized by the County Treasurer, as the County's investing authority. Accordingly, investment recommendations will be communicated verbally [or by facsimile transmission] to the County Treasurer or to an authorized representative, designated by the County Treasurer. Investment transaction(s) will be executed by the investment advisor, followed by investment advices describing such purchases or sales. A facsimile transmission will also be sent to the County's designated bank/custodian in order to provide the necessary information to settle the investment transaction.

Confirmation advices, representing the purchase and/or sale of securities [including price], will be issued by the eligible broker/dealer or financial institution and sent to the investing authority. Copies of such advices will be sent to the County's investment advisor.

XI. Continuing Education

The County Treasurer shall require designated employees who are assigned investment-related responsibilities to attend continuing education classes or seminars each year. Such designated persons shall earn the minimum amount of credits or hours of public sector investment topics as required under the statute. The County will bear the cost of continuing education courses for employees of the County Treasurer.

XII. Statements of Compliance

This investment policy has been approved by the investing authority and filed with the Auditor of State, pursuant to 135.35 (K)(1) ORC. The County Investment Advisory Committee has additionally approved the investment policy.

All brokers, dealers, and financial institutions executing transactions initiated by the investment authority have signed the approved investment policy. Investment policies [signed by such brokers, dealers, and financial institutions] are filed with the investing authority. The County's investment advisor is registered with the Securities and Exchange Commission and possesses public funds investment management experience, specifically in the area of state and local government investment portfolios. The investment advisor has additionally signed the approved investment policy and the signed policy is filed with the investing authority.

Any amendments to this policy will be filed with the Auditor of State [Attn: Clerk of the Bureau, P.O. Box 1140, Columbus, OH, 43216-1140] within fifteen days of the effective date of the amendment.

Rev: May 17, 2005

Signature Section - Broker/Dealers and Financial Institutions

Note: To be completed and filed with the Investing Authority

The following broker/dealer [or financial institution] has signed, herein, this approved investment policy, having read the policy's contents thereby acknowledging comprehension and receipt:

Printed Name of Broker/Dealer Registered Representative or
Bank Officer/Representative

Signature of Registered Representative or
Bank Officer/Representative

Date

For: _____
Name of Broker/Dealer or Bank

Date