



INVESTMENT POLICY

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Purpose

The Rocky Mountain Section of American Water Works Association (Section or RMSAWWA) maintains various investment funds to support the Section's activities. The purpose of this policy is to identify the Section's existing funds, define restricted versus unrestricted funds and set policy for investing future funds.

Policy

The Investment Fund shall earn a total return from both income and capital appreciation sufficient to make disbursements and operate the fund in accordance with the annual program and operating needs of the Section.

Objectives

1. The investment objective of the equity portion of the Investment Fund is to meet or exceed the S&P500 Index. The investment objective of the bond portion of the Investment Fund is to meet or exceed the Lehman Brothers Aggregate Bond Index. The investment objective of the cash portion of the Investment Fund is to meet or exceed the 30-day Treasury Bill benchmark.
2. A greater importance should be attached to capital preservation with consideration to growth and income. The Section's primary objectives regarding risk and return are as follows:
 - Preservation of principal
 - Maintenance of sufficient liquidity to meet cash needs
 - Maximize the rate of return in prevailing market conditions for eligible securities
 - Diversify investments to avoid incurring unreasonable risk regarding any single issuer, asset class, or maturity.

Authority and Responsibility

The RMSAWWA Governing Board has the responsibility for directing and monitoring the investments of the Section's assets. The Audit and Finance Committee is tasked with identifying and recommending an Investment Advisor to implement the Investment Policy. The Governing Board will approve such a recommendation before the Section enters into an agreement with an Investment Advisor. The Investment Advisor will be held responsible and accountable to achieve the objectives within the guidelines of this statement.

Eligible Investments

Eligible investments for Section funds include the following:

- Mutual Funds
- US Treasury Obligations: Treasury Bills, Notes, Bonds and STRIPS backed by the full faith and credit of the United State Government.
- Federal Instrumentality (US Government Agency and Government Sponsored Enterprises): Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Student Loan Marketing Association.
- Money Market Mutual Funds: These funds will be no load, maintain a constant daily net asset value of \$1.00 and comply with the Securities and Exchange Commission rule 2A-7 regarding money market funds.
- Certificates of Deposit. Such issues will be insured by the Federal Deposit Insurance Corporation (FDIC) and have remaining maturities of less than 5 years from the date of purchase.
- Commercial Paper: Investments in commercial paper must be in issues rated no less than A1/P1 or its equivalent by at least two nationally recognized rating agencies. Should an A1/P1 Commercial Paper issuer be placed on a negative credit watch by any of the rating agencies, such issuer's paper cannot be purchased until the negative credit watch has been lifted and the A1/P1 rating has been affirmed.
- Bankers Acceptances: Investments in Bankers Acceptances must be in issues rated no less than A+/A1, or its equivalent, by at least two nationally recognized credit rating agencies and have deposits insured by the FDIC. Should an A+/A1 Bankers Acceptances issuer be placed on a negative credit watch by any of the rating agencies, such issuer's paper cannot be purchased until the negative credit watch has been lifted and the A+/A1 rating has been affirmed.
- Repurchase Agreements: Investment in repurchase agreements must be collateralized by US Treasury Obligations and Federal Instrumentality securities as described above. Purchased securities shall have an original market value including accrued interest of 102 percent of the dollar value of the transaction and have a final maturity of ten years or less. If collateral value drops below 101 percent, it will be immediately restored to 102 percent.
- Corporate Notes/Bonds: Investments Corporate Notes/Bonds must be in issues rated not less than AA-/Aa3, or its equivalent, by at least two nationally recognized rating agencies and be United States dollar denominated. Should an AA-/Aa3 Corporate Bond issuer be placed on a negative credit watch by any of the rating agencies, such issuer's paper

cannot be purchased until the negative credit watch has been lifted and the AA-/Aa3 rating has been affirmed.

Should an investment, made in compliance with the credit restrictions discussed above, be downgraded below the minimum rating stated in this policy, the Investment Advisor should provide an analysis and recommendation of whether the investment should be held or sold. Several factors may be used to base this decision, but are not limited to, the maturity remaining on the investment, portfolio exposure, and other factors that the Investment Advisor deems relevant at that time.

Asset Allocation Constraints

The asset allocation constraints for the Section include the following:

- The Section maintains enough money in the checking account to handle the Section annual operations and activities. The amount maintained in the Checking Account Fund shall be determined and monitored by the Secretary/Treasurer.
- In accordance with the RMSAWWA Reserve Policy, the Section shall maintain a Reserve Fund in the amount equal to one year of the minimum operating budget.
- The Section's Warner Scholarship shall be maintained in conservative investments, such as bonds or CD's. The Warner Scholarship principal shall be in a "laddered" bond portfolio.
- The Secretary/Treasurer shall equally distribute excess funds not required for annual operations and activities between the equity Investment Fund and the bond Investment Fund.

Diversification Requirements

The Investment Advisor will diversify portfolio holdings to ensure that adverse or unexpected developments in one security or asset class will not have a detrimental impact on the entire portfolio. Therefore, assets will be diversified as to any single issuer, asset class, and maturity. To the extent possible, investments shall be matched with budgeted cash flow requirements.

Reporting

A monthly summary of the Section's current financial status will be submitted to the Chair and Governing Board. The mid-year and annual financial reports will include a summary of investment earnings and performance results.

Conflict of Interest

It is the Section's policy to award business solely on the basis of merit and open competition. Therefore, the Audit and Finance Committee and Governing Board members must not engage in activities or have relationships that might impair their independence of judgment. The Audit and Finance Committee and Governing Board members may not receive any compensation for the Section's investment activity.

Investment Firm Certification

Any investment service provider, but not limited to banks, brokerages, insurance companies, or financial advisor(s), wishing to sell to or advise the Section on its investment portfolio, will be required in writing to acknowledge their understanding and agreement to adhere to the constraints of this Investment Policy Statement. Should an investment service provider sell or advise the Section to purchase an investment that does not comply with policy, the Section has the right to have the non-complying investment bought back by the provider at the original cost within five business days. In addition, the Section will receive on the principal amount any interest income that would have been earned had the funds been invested in a daily liquid money market fund during the period of noncompliance.

Review and Revise of Policy

Given the dynamic characteristics of the capital markets and investment techniques, the Audit and Finance Committee will review these policies and guidelines annually and revise as required.



INVESTMENT FIRM CERTIFICATION

I certify that I have received a copy of the Investment Policy of the Rocky Mountain Section of the American Water Works Association (RMSAWWA).

I understand the objectives and constraints outlined and described in the Investment Policy as they relate to this firm's responsibilities and agree to adhere to the provisions of RMSAWWA's Investment Policy.

Investment Firm Representative

Investment Firm Manager

Firm

Date