Policy Statement

The Board of Directors of MITCH Charter School (the "Board") adopts this Investment Policy to set parameters for the investment of operating reserve funds, special project funds and endowment funds held by MITCH Charter School. This policy does not apply to the MITCH Charter School’s checking account or any other funds held in general savings or checking accounts.

Except where legally required to hold separate funds, MITCH will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds monthly based on their respective cash balances. Until the total of all funds is greater than the amount of federal deposit insurance, currently $250,000 per entity, all funds will be maintained in an insured account at a safe and sound financial institution.

MITCH will account for separately, to the extent possible, investments of public funds, such as state school funds and grant funds from public agencies, from investments of other funds, such as funds from donors, private foundations, fundraisers, and other entities and organizations.

I. General Objectives

The primary objectives for this investment policy, in priority order, shall be: preservation of capital; maintenance of a liquid position; and maximum yield.

1. Safety

   Safety of principal is the foremost objective of the investment program. Investment decisions shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

   (a) **Credit Risk:** MITCH will minimize credit risk, the risk of loss due to the financial failure of the security issuer or backer, by:

   - Limiting exposure to poor credits and concentrating the investments in the safest types of securities.
   - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
   - Monitoring the investment portfolio holdings for rating changes, changing economic/market conditions, and other relevant factors.

   (b) **Interest Rate Risk:** MITCH will minimize the price risk, due to changes in general market interest rates, associated with the sale of securities prior to maturity, by:
Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and/or special projects, thereby avoiding the need to sell securities on the open market prior to maturity.

Investing operating funds primarily in shorter-term securities.

2. Liquidity
The investment portfolio shall remain sufficiently liquid to meet all operating, and special project requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with anticipated cash needs.

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 lesser importance compared to the safety and liquidity objectives described above. The portfolio investments are limited to highly rated/low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Securities shall not be sold prior to maturity with the following exceptions:
(a) A security with declining credit may be sold early to minimize loss of principal. (b) A security swap that would improve the quality, yield, or target duration in the portfolio.
(c) Liquidity needs of the portfolio require that the security be sold.
(d) To liquidate a security purchased in error that violates state law or this policy.

II. Standards of Care

1. Prudence
The standard of prudence to be used by the Board, Finance Committee, Executive Director, and any investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Directors, officers, and the Executive Director acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported to MITCH Board in a timely fashion, and the liquidation and/or sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in similar positions and similar circumstances, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. The charitable and educational purpose of MITCH and the purpose of the investment fund, whether for operation, special projects or endowments, must be considered when implementing this policy.
2. Ethics and Conflicts of Interest
Directors, officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees, officers and their families shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of MITCH. Directors, officers and employees shall, at all times, comply with the Oregon Government Standards and Practices code of ethics set forth in ORS 244, the standards of conduct for managing charitable funds in ORS 128.318, and for officers and directors, the fiduciary duties and conflict of interest requirements in ORS ch 65.

3. Delegation of Authority
The Board delegates authority to its Finance Committee to work with the Executive Director to manage MITCH’s investment program and ensure compliance with the investment policy, designate eligible investment institutions, review periodic investment reports and monitor investment transactions.

The Executive Director may designate an employee under his/her supervision to administer the policy, place investments, maintain accounting records and prepare investment reports.

If authorized by the Board, the Finance Committee may retain one or more investment advisors as well as any administrators, custodians, or other investment service providers required for the proper management of investment funds. If and when delegating investment authority to one or more advisors, the committee will establish and follow appropriate procedures for selecting such advisors and for conveying to each the scope of their authority, MITCH’s expectations and the requirement of compliance with these policies.

III. Authorized Financial Dealers and Institutions
A list will be maintained of financial institutions authorized to provide investment and safekeeping services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness and other factors considered relevant by MITCH. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). Regional brokers and dealers must have an office in Pacific Northwest in order to be considered for doing business with MITCH. The MITCH Charter School will limit all security purchases to institutions on the approved lists.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:
(a) Audited financial statements
(b) Proof of FINRA, Financial Industry Regulatory Authority as per SEC Requirements from 2007
(c) Proof of state registration
A review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Finance Committee and Executive Director at least every five years. Additions and deletions to the list may be made at the discretion of the Finance Committee and Executive Director.

IV. Internal Controls

The Finance Committee, Executive Director, and Business Director in cooperation with the external auditor, will establish and maintain an adequate internal control structure designed to reasonably protect the investments of MITCH from loss, theft or misuse. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by the Finance Committee and Executive Director.

1. Audit
MITCH shall establish a process for an annual independent review by an external auditor to assure adequate internal controls, as well as compliance with policies and procedures. In addition, the internal controls may be tested by an external auditor upon any extraordinary event, such as turnover of key personnel.

2. Accounting Method
MITCH shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP) relating to investment accounting. The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the Governmental Accounting Standards Board (GASB); the American Institute of Certified Public Accountants (AICPA); and the Financial Accounting Standards Board (FASB).

V. Investments

1. Delivery & Safekeeping
Prior to sending funds to a broker/dealer for an investment purchase, the Executive Director will require a trade ticket listing the details of the transaction. Securities may be held by the broker/dealer in MITCH’s name, in the broker/dealer’s account, or they may be held by a third-party safekeeping agent.

The purchase and sale of securities, repurchase agreement and guaranteed investment contract transactions shall be settled on a delivery versus payment basis. It is the intent of MITCH that all purchased securities shall be perfected in the name of MITCH. Sufficient evidence to title shall be consistent with modern investment and commercial practices.
2. **Collateral**
Cash management tools, defined as bank deposits, time deposits, certificates of deposit, and savings accounts, shall be held in qualified depositories and collateralized.

A signed Master Repurchase Agreement must be in place between the MITCH and the securities dealer, prior to entering into any repurchase agreement with that dealer.

At the minimum, the Finance Committee, Executive Director or Board of Directors will monitor the collateral requirements monthly for guaranteed investment contracts.

3. **Authorized Investments**
The following investments will be permitted by this policy and are authorized for investment:
1. US Treasury securities and other lawfully issued general obligations of the United States, including general obligations of agencies and instrumentalities of the United States or enterprises sponsored by the United States government
2. Debt of the agencies and instrumentalities of the states of Oregon, California, Idaho and Washington and their political subdivisions
3. Time deposit open accounts, certificates of deposit, bank deposit, and savings accounts
4. Bankers acceptances
5. Corporate indebtedness of at least AA rating by Moody’s, Standard & Poor's or Fitch

VI. **Investment Parameters**

1. **Diversification**
The investments shall be diversified by:
   (a) Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
   (b) Investing in securities that have high credit quality;
   (c) Limiting investments in high interest rate risk;
   (d) Investing in securities with varying maturities; and
   (e) Continuously investing a portion of the portfolio in readily available funds.

2. **Maximum Maturities and Percentage of Investments by Type**
The maximum percentages for direct investments of surplus funds are determined periodically by the Finance Committee and set forth in the Addendum to the Policy. Surplus funds are defined as the sum of all investments, cash balances, and deposit balances of all types. The maximum maturity is measured from the settlement date of the investment transaction. Capital project funds are funds specifically dedicated to capital projects, and will typically include proceeds from MITCH Facility Fund. MITCH may designate (upon approval by the Board) other funds as capital project funds.

Operating funds are all surplus funds that are not capital project funds.
3. **Liquidity of Funds**

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds, or overnight repurchase agreements, or held in bank balances to ensure that appropriate liquidity is maintained to meet on-going obligations.

Maturity limitations will depend upon whether the funds being invested are considered short-term or long-term funds. All funds will be considered short-term except those reserved for capital projects. Except for special situations, as directed by the Finance Committee, investments will be limited to maturities not exceeding thirty-six (36) months.

**Short-term portfolio** — Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs.

**Long-term portfolio** — Instruments and diversification for the long-term portfolio shall be as for the short-term portfolio. Long-term portfolio is defined as “maturities over 18 months and maximum of 36 months”. Maturity scheduling shall be timed according to anticipated need. For example, investment of capital project funds shall be timed to meet projected contractor payments.

The investments of grant proceeds may be restricted under grant covenants that may be more restrictive than the investment parameters included in this policy. Grant proceeds shall be invested in accordance with the most restrictive parameters of this policy and the applicable grant covenants.

The length of maturity and percentage of the total portfolio are determined periodically by the Finance Committee and set forth in the Addendum to this Policy.

4. **Credit Ratings**

Although not subject to ORS chapter 294, MITCH adopts by this policy the minimum credit rating levels for the permissible investments as set out in ORS 294.035(3) when applicable. The Board may authorize an investment that is not aligned with ORS 294.035 as long as it is within the parameters of this policy. (ORS 294.035 is included as an Addendum) These credit rating levels apply to the security at the transaction settlement date. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Finance Committee and the Executive Director shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Finance Committee and Executive Director will notify MITCH Board about the credit rating downgrade and whether the decision was made to sell or hold the security.

5. **Securities Lending and Reverse Repurchase Agreements**

MITCH will not lend securities nor directly participate in a securities lending or reverse repurchase program.
6. **Competitively Priced Securities**

Before any security purchase or sale is initiated by the Finance Committee, the Executive Director shall gather information about current market interest rate levels from various sources, including investment counselors, internet financial web sites, financial publications, and other sources and present it to the Finance Committee. Each security purchase shall be made at competitive market interest rate levels. The Finance Committee shall use its discretion in determining whether to seek competitive bids or offers.

VII. **Reporting**

1. **Methods**

The Executive Director or his/her designee will prepare an investment report monthly including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the previous month. The report will be submitted to the Finance Committee for review. This management summary will be prepared in a manner that will allow the Finance Committee to ascertain whether investment activities during the reporting period have conformed to the investment policy.

In addition, the Executive Director or his/her designee will prepare a regular board report. At a minimum, this report will include the following:

(a) Listing of individual securities held at the end of the reporting period. (b) Average weighted yield to maturity of portfolio on investments as compared to applicable benchmark(s).

(c) Listing of investments by maturity date, call date, cost and current fair value (d) Percentage of the total portfolio that each type of investment represents along with the percentages authorized in this policy.

2. **Performance Standards**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The appropriate benchmark for cash equivalents will be the 90 day U.S. Treasury Bill Index. For fixed income assets over time, the average return should meet or exceed the Barclays Capital Aggregate Bond Index, or its equivalent, and for equity investments over time, the investment should meet or exceed the Standard and Poor’s 500 Index or its equivalent.

Because bond proceeds are expected to be invested at the time they are received, and are therefore invested in an interest rate environment that exists at that point in time, that portion of the portfolio will be excluded from ongoing benchmark performance measurement.

3. **Marking to Market**

The market value of the portfolio shall be calculated at least annually and a statement of the market value of the portfolio issued at fiscal year end.
END OF POLICY: Addendums Attached

Legal References;
ORS 128.305 to 128.336, the Uniform Prudent Management of Institutional Funds Act.

[ORS 294.035, ORS 294.135, ORS 294.155 and ORS 295 are reviewed for guidance but are not applicable laws to Oregon public charter schools at the time of adoption of this policy.]
Addendum A to Investment Policy

ORS chapter 294.035 is not applicable to Oregon public charter schools by its terms.

For purposes of determining credit ratings by its investment policy, the board has decided to follow the guidelines of ORS 294.035(3), as applicable.

294.035 Investment of surplus funds of political subdivisions; approved investments.

(3) Investments authorized by this section are:

(a) Lawfully issued general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government and obligations whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government.

(b) Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.

(c) Lawfully issued debt obligations of the States of California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.

(d) Time deposit open accounts, certificates of deposit and savings accounts in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state.

(e) Share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

(f) Fixed or variable life insurance or annuity contracts as defined by ORS 731.170 and guaranteed investment contracts issued by life insurance companies authorized to do business in this state.

(g) Trusts in which deferred compensation funds from other public employers are pooled, if:

(A) The purpose is to establish a deferred compensation plan;

(B) The trust is a public instrumentality of such public employers and described in section (2)(b) of the Investment Company Act of 1940, 15 U.S.C. 80a-2(b), as amended, in effect on September 20, 1985, or the trust is a common trust fund described in ORS 709.170;
(C) Under the terms of the plan the net income from or gain or loss due to fluctuation in value of the underlying assets of the trust, or other change in such assets, is reflected in an equal increase or decrease in the amount distributable to the employee or the beneficiary thereof and, therefore, does not ultimately result in a net increase or decrease in the worth of the public employer or the state; and

(D) The fidelity of the trustees and others with access to such assets, other than a trust company, as defined in ORS 706.008, is insured by a surety bond that is satisfactory to the public employer, issued by a company authorized to do a surety business in this state and in an amount that is not less than 10 percent of the value of such assets.

(h)(A) Banker’s acceptances, if the banker’s acceptances are:

(i) Guaranteed by, and carried on the books of, a qualified financial institution;

(ii) Eligible for discount by the Federal Reserve System; and

(iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

(B) For the purposes of this paragraph, “qualified financial institution” means:

(i) A financial institution that is located and licensed to do banking business in the State of Oregon; or

(ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon.

(C) A custodial officer shall not permit more than 25 percent of the moneys of a local government that are available for investment, as determined on the settlement date, to be invested in banker’s acceptances of any qualified financial institution.

(i)(A) Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Corporate indebtedness described in this paragraph does not include banker’s acceptances. The corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution, including a holding company owning a majority interest in a qualified financial institution.

(B) Corporate indebtedness must be rated on the settlement date P-1 or Aa or better by Moody’s Investors Service or A-1 or AA or better by Standard & Poor’s Corporation or equivalent rating by any nationally recognized statistical rating organization.

(C) Notwithstanding subparagraph (B) of this paragraph, the corporate indebtedness must be rated on the settlement date P-2 or A or better by Moody’s Investors Service or A-2 or A or better by Standard & Poor’s Corporation or equivalent rating by any nationally recognized statistical rating organization when the corporate indebtedness is:
(i) Issued by a business enterprise that has its headquarters in Oregon, employs more than 50 percent of its permanent workforce in Oregon or has more than 50 percent of its tangible assets in Oregon; or

(ii) Issued by a holding company owning not less than a majority interest in a qualified financial institution, as defined in paragraph (h) of this subsection, located and licensed to do banking business in Oregon or by a holding company owning not less than a majority interest in a business enterprise described in sub-subparagraph (i) of this subparagraph.

(D) A custodial officer may not permit more than 35 percent of the moneys of a local government that are available for investment, as determined on the settlement date, to be invested in corporate indebtedness, and may not permit more than five percent of the moneys of a local government that are available for investment to be invested in corporate indebtedness of any single corporate entity and its affiliates or subsidiaries.

(j) Repurchase agreements whereby the custodial officer purchases securities from a financial institution or securities dealer subject to an agreement by the seller to repurchase the securities. The repurchase agreement must be in writing and executed in advance of the initial purchase of the securities that are the subject of the repurchase agreement. Only securities described in paragraph (a) of this subsection may be used in conjunction with a repurchase agreement and such securities shall have a maturity of not longer than three years. The price paid by the custodial officer for such securities may not exceed amounts or percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short Term Fund Board created by ORS 294.885.

(k) Shares of stock of any company, association or corporation, including but not limited to shares of a mutual fund, but only if the moneys being invested are funds set aside pursuant to a local government deferred compensation plan and are held in trust for the exclusive benefit of participants and their beneficiaries.

294.040 Restriction on investments under ORS 294.035. The bonds listed in ORS 294.035 (3)(a) to (c) may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, MITCH or city, for a period of five years next preceding the date of the investment.

END of Addendum A
Addendum B to Investment Policy

Addendum B includes investment parameters that may be changed periodically by the Finance Committee in consult with its investment advisor.

**Maximum Maturities and Percentage of Investments by Type**
(Investment Parameters #2.)

<table>
<thead>
<tr>
<th>Security</th>
<th>Maximum % of Total Portfolio</th>
<th>Maximum Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Treasury Bills, Notes, and Bonds, and Obligations Secured by the US Treasury</td>
<td>100%</td>
<td>3 years for special project funds</td>
</tr>
<tr>
<td>US Government Agencies, And Instrumentalities, Including Government Sponsored Enterprises</td>
<td>100%</td>
<td>3 years for special project funds</td>
</tr>
<tr>
<td>State and Local Government Securities</td>
<td>30%</td>
<td>18 months for operating funds</td>
</tr>
<tr>
<td>Time Certificates of Deposit</td>
<td>50%**</td>
<td>18 months</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>25%</td>
<td>30 days</td>
</tr>
<tr>
<td>Banker’s Acceptances</td>
<td>25%</td>
<td>6 months</td>
</tr>
<tr>
<td>Corporate Indebtedness</td>
<td>35%</td>
<td>18 months</td>
</tr>
<tr>
<td>Time Deposit Open Accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Deposit and Savings Accounts</td>
<td>100%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

** Time Certificates of Deposits may be increased to 100% of the portfolio if the amount to be invested is not significant so that fees of other investments would greatly reduce earnings (typically an investment of less than $100,000 may be 100% invested in CDs)
In order to achieve issuer diversification, this policy sets limits on the maximum holdings by issuer for certain investment types.

(a) A limit of 35% of the portfolio held in securities issued by any single US government agency.
(b) Time certificates of deposit and banker's acceptances can all be issued by a single banking institution. In order to avoid over-concentration in a single banking institution, a limit of 10% for overall holdings of one institution or for insured deposits up to the federal deposit insurance limit.

Recommended to limit investment in a single corporate entity to no more than 5% of total surplus funds.

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 subsequent to the purchase of a particular security. Securities need not be liquidated to realign the portfolio, but consideration should be given to this matter when future liquidations are made or when reinvestment occurs. Portfolio percentage limits are in place to ensure diversification in the investment portfolio; a small, temporary imbalance will not significantly impair that strategy.

**Liquidity of Funds**
(Investment Parameters #3)
The following maturity limits are designed to ensure liquidity in the portfolio:

<table>
<thead>
<tr>
<th>Length of Maturity</th>
<th>Minimum % of Total Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30 days</td>
<td>10%</td>
</tr>
<tr>
<td>Under 90 days</td>
<td>25%</td>
</tr>
<tr>
<td>Under 180 days</td>
<td>50%</td>
</tr>
<tr>
<td>Under 360 days</td>
<td>90%</td>
</tr>
<tr>
<td>Under 18 months</td>
<td>100%</td>
</tr>
</tbody>
</table>

If these maturity limits are inadvertently exceeded at the time of a specific investment, the purchase does not need to be liquidated. The Finance Committee may alter the length of maturity and percentage of the portfolio based on anticipated timing of need and in accordance with this policy.

End of Addendum B