

LES Policy

SUBJECT: Investments

POLICY NO. 510

RESPONSIBLE AREA: Financial Services

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POLICY OBJECTIVE

To set parameters to ensure the prudent management of LES's funds, the availability of operating and capital funds when needed, and a primary investment strategy with-of preservation of principal ~~the primary focus~~ followed by a reasonable return on investment.

~~To set forth the investment objectives and parameters for the management of Lincoln Electric System (LES) funds.~~

SCOPE

The policy governs the overall administration and investment management of all available funds (excluding retirement funds) for investment by or on behalf of LES. The guidance set forth herein is to be strictly followed by all those responsible for any aspect of the activities and management or administration of LES funds, including LES staff, board members, executive personnel, and, when applicable, any outside Investment Advisory firms. This policy is in accordance with Article IX Section 24 of the Charter for the City of Lincoln, Nebraska and Chapter 77 of the Nebraska Revised Statutes.

DEFINITIONS

Accountant – LES Accountant assigned to investment transactions.

Bonds – Secured or unsecured debt obligation of an issuer, as-a-way-to raise capital, that includes a promise to pay the lender any due interest, based on the coupon rate, on a pre-determined schedule, plus the principal amount at maturity. Some Bonds (zero-coupon) are issued with no coupons, while others are issued with fixed or variable rate coupons. Bonds are similar to Notes, although Bonds typically have original maturities exceeding 10 years.

Callables – Securities which contain an option that provides the Issuer the right to redeem the securities prior to the stated original maturity, at a predetermined price and time.

Certificate of Deposits – Obligations issued by a bank or savings and loan association, offering a rate of return for a specified period of time. Certificates of Deposit may be rated with a short-term or long-term rating, depending on the original maturity date and may be backed by FDIC insurance coverage.

Chief Financial Officer (CFO) – LES's Vice President of Financial Services.

Credit Risk – Risk of an adverse change in market value or principal loss due to either (a) the actual or perceived failure of the issuer of any security, or (b) the actual or perceived failure of an investment intermediary performing investment services.

Custodian – Financial institution(s) providing safekeeping services.

Debentures – Unsecured debt instrument.

Depository Institution – Financial institution(s) holding LES's funds and demand account(s).

DEFINITIONS - continued

External Pool or Funds – A pool of investments, ~~like a mutual fund or local government investment pool that is~~ not managed or administered by LES.

FDIC Insured Limit – The insurance amount on deposit accounts held at FDIC-Insured institutions like banks and savings and loan institutions. ~~This amount is~~ guaranteed by the Federal Deposit Insurance Corporation. ~~As of the date of this policy, the FDIC Insured Limit is \$250,000 per institution. The current insurance limit is~~ found at www.fdic.org.

Interest Rate Risk – Risk that the market value of investments will fall due to changes in interest rates.

Investment Advisor – External professional investment consulting services provider.

Investment Manager – Any internal employee, authorized substitute, or external Investment Advisor designated by the CFO to manage LES's Investment Portfolio.

Investment Memo – A monthly report of all current investment account holdings by maturity date detailing investment credit ratings, investment type and issuer allocations, and investment strategies by account for the upcoming month.

Investment Portfolio – A grouping of financial assets consistent with LES's primary investment objectives of safety of principal, Liquidity and ~~R~~return on ~~I~~investment.

Investment Tracking System – A system utilized to record transactions, report portfolio holdings, and generate monthly investment journal entries.

Liquidity – ~~Relative-The~~ ease of converting an investment into cash without loss of value; also, a relative measure of cash and near-cash items in a portfolio of investments.

Maturity – Date on which the final principal amount of a borrowing will be paid, and at which the obligation is scheduled to be satisfied in full.

Money Market Fund – Type of mutual fund generally believed to provide daily Liquidity, which invests solely in short-term instruments, generally having maturities less than one year.

Negotiable Obligation – A debt instrument, promising payment of a specific amount of money, and that is tradeable/transferrable to a third party.

Note – ~~Similar to Bonds, a Note is a A~~ debt security similar to a Bond with an original term to Maturity between one and ten years.

Obligation – A debt instrument, whereas one party has a legal responsibility to repay another party.

Overnight Sweep Account – A bank account that automatically transfers excess or shortage of funds to/from a higher interest earning investment option at the close of each day.

Primary Securities Dealer – A pre-approved Provider who ~~is able to can~~ transact business with the United States Federal Reserve, such as a bank, broker, or dealer. - Primary Securities Dealers purchase Treasuries at auctions then resell them to clients.

Provider – A broker, dealer associated with an entity with which LES transacts business and with whom LES may be exposed to financial risk. - LES maintains a list of qualified Providers who meet the requirements defined in this policy.

Prudent Person – Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

Return on Investment – Investment earnings of a security or portfolio usually expressed as an annualized percentage, defined as the income generated over a given time period.

DEFINITIONS – continued

Savings Account – A depository account held by a financial institution.

DEFINITIONS – continued

Trade Confirmation Notice – A statement mailed by the Provider to LES confirming the completed purchase or sale of a security between the two parties.

Trade Confirmation Ticket – An investment document received immediately from the Provider confirming the investment trade to LES.

REQUIREMENTS

1. Investment Objectives

The primary objective of LES's investment activities, in order of priority, shall be (a) safety of principal, (b) maintenance of Liquidity, and (c) Return on Investment.

a. Safety of Principal

The foremost objective of this policy is the safety of principal of all LES funds. The objective is to mitigate both credit and Interest Rate Risk. It is LES's principal investment strategy to buy and hold securities to Maturity. However, it should be noted that in managing risk, securities may be sold prior to Maturity to manage risk and meet operational needs. However, it is LES's principal investment strategy to buy and hold securities to Maturity.

1) Credit Risk

LES will seek to minimize Credit Risk by:

- a) Limiting investments to the types of securities listed as authorized investments in this policy;
- b) Pre-qualifying and maintaining programs in place to monitor the Providers and Investment Advisors with which LES does business and as outlined in this policy; and
- c) Diversifying holdings and maintaining investment levels at or below the stated portfolio and issuer-level limits so ~~that~~ the impact of potential losses from any one type of security or individual issuer will be minimized; and
- ~~d) Limiting Provider risk by following the provisions outlined in this policy, maintaining an approved list of pre-approved Providers, and having programs in place to monitor those pre-approved Providers.~~

2) Interest Rate Risk

LES will seek to minimize Interest Rate Risk by:

- a) Structuring holdings to mature in line with cash requirements for ongoing operations; and managing durations in line with the liability nature of each maintaining asset-liability matching per account, thereby avoiding the need to sell securities prior to Maturity.

b. Maintenance of Liquidity

The Investment Portfolio will be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements. ~~Cash flow analyses will be maintained as necessary~~ in order to ensure ~~that~~ the Investment Portfolios are positioned to provide sufficient Liquidity.

c. Return on Investment

Investment Portfolios will be designed with the objective of attaining a market rate of return, taking into account consideration ~~the~~ investment risk constraints and Liquidity needs. Appropriate benchmarks will be used to analyze performance; however it will not be a requirement to out-perform the

benchmarks. ~~Return on Investment is of lower importance compared to the safety of principal and maintenance of Liquidity objectives described above.~~

REQUIREMENTS - continued**2. Delegation of Authority**Duties and Responsibilities

In accordance with LES Administrative Board policies, the responsibility for providing oversight direction and management of the program resides with LES's Chief Executive Officer (CEO) and Chief Financial Officer (CFO).- Daily management responsibility for the LES funds in the program reside with the Investment Manager.- The Investment Manager shall act in accordance with this policy. LES may engage a professional Investment Advisor to assist in managing LES's Investment Portfolio.- Such Investment Advisor must be registered under the Investment Advisors Act of 1940.

Separation of Duties

To provide for separation of duties, the Investment Manager shall ~~not~~ be responsible for the ~~reconciliation of the bank accounts management of the funds and preparation of investment financial information, as requested by Financial Accounting in preparation of monthly financial statements.~~ Financial Accounting shall be responsible for ~~accounting-completing and processing all~~ journal entry ~~transactions,~~ and reconciliation ~~tasks of account balances to the bank statements.~~

3. Standard of Prudence

The standard of prudence to be applied in the context of managing the Investment Portfolio will be the "Prudent Person" standard.

4. Ethics and Conflicts of Interest

LES requires all employees to adhere and follow the ethical standards set forth in LES Policy 208 – LES Ethics and Code of Conduct Policy. -This policy serves as a general guideline for internal controls to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation or imprudent actions by employees. -No person may engage in any investment transaction except as authorized under the terms of this policy. -Independent auditors, as a normal part of the annual financial audit of LES, will conduct a review of the system of internal controls. -Internal Auditors ~~will~~ may conduct audits from time to time to ensure compliance with this program.

Employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of this policy, or which could impair their ability to make impartial investment decisions.

LES employees shall:

- a. Not accept any non-de minimis money, loan, gift, favor, service, or business or professional opportunity that could influence them in the performance of their official duties with respect to this policy;
- b. Not accept any business or professional opportunity when they know there is a reasonable likelihood that the opportunity is being afforded to influence them in the performance of their official duties;
- c. Not enter into any personal investment transactions with the same individual with whom business is conducted on behalf of LES;
- d. Not disclose or use confidential information that is not generally available to the public for their own or any other person's financial benefit; or
- e. Disclose to the CFO, ~~and~~ CEO, and LES General Counsel any material financial interests in financial institutions that conduct business with LES, ~~and they will further disclose~~ any material personal financial/investment positions that could be related to the performance of this policy.

REQUIREMENTS - continued**5. Authorized Investment Providers**

LES is permitted to invest in securities from financial institutions which are qualified Providers by LES or institutions designated as Primary Securities Dealers by the Federal Reserve Bank of New York. -The CFO or designee and/or the Investment Manager will maintain a list of financial institutions and broker/dealers that are used for investment purposes and only firms meeting the following requirements will be eligible to serve as a Provider:

- a. Capital of no less than \$10,000,000;
- b. Registered as a dealer under the Securities Exchange Act of 1934 or the Government Securities Act of 1986;
- c. Member of a self-regulatory organization as defined by the Securities and Exchange Commission ~~the National Association of Securities Dealers (NASD)~~;
- d. Registered to sell securities in Nebraska; and
- e. Engaged in the business of effecting transactions in securities authorized in this program for at least five (5) consecutive years.

6. Maturity and Liquidity -GuidelinesRequirements

To the extent possible, investment maturities will match ~~known cash needs and~~ anticipated cash flow requirements and follow the maximum Maturity limitations outlined in this policy. Although the principal investment strategy is to buy and hold investments until Maturity, investments may be sold prior to Maturity to meet unanticipated immediate liquidity needs.

7. Authorized Investments and Portfolio Composition

LES is permitted to invest in those investments that are listed in this section subject to the identified limitations. -The percentage allocation requirements for investment types and issuers are calculated based on the original cost of each investment at the time of purchase, and are applied to the aggregate portfolio at time of purchase. ~~- Should Individual or Portfolio allocations exceed maximum limits at a date after the purchase date as a result of changes in portfolio size, the Investment Manager shall notify and include any recommended actions in writing to the CFO.~~ Exceeding limits after the purchase date due to future changes in the portfolio size will not be considered a non-compliance event with this policy. Refer to Section 9b of this policy for procedures should allocations become noncompliant as a result of an investment transaction.

LES will follow Chapter 72, Section 1246 of the Nebraska Revised Statutes with respect to the investment of available funds consistent with the investment objectives of the Program.

Allocation limits regarding Money Market Funds identified in the matrix below exclude instances where funds must be held liquid for the purpose of debt payments to bondholders.

The allocation limits and security types do not apply to the investment of debt proceeds. -These investments shall be governed by the applicable debt covenants.

AUTHORIZED INVESTMENTS AND AGGREGATE PORTFOLIO COMPOSITION MATRIX

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
<p>A.</p> <p>United States Government Securities</p>	<p>Direct Negotiable Obligations, or Obligations the principal and interest of which are guaranteed by the United States Government.</p> <ul style="list-style-type: none"> • Cash Management Bills • Treasury Securities – State and Local Government Series (SLGS) • Treasury Bills • Treasury Notes • Treasury Bonds • Treasury Strips • Treasury Inflation Protected Securities 	100%	N/A	N/A	10 years
<p>B.</p> <p>United States Government Agencies</p>	<p>Bonds, Debentures, Notes or Callables issued or guaranteed by United States Government Agencies, provided such Obligations are backed by the full faith and credit of the United States Government.</p> <ul style="list-style-type: none"> • Government National Mortgage Association (GNMA) <ul style="list-style-type: none"> ○ GNMA guaranteed mortgage-backed Bonds ○ GNMA guaranteed pass-through Obligations • United States Export – Import Bank <ul style="list-style-type: none"> ○ Direct Obligations or fully guaranteed certificates of beneficial ownership • Farmer Home Administration <ul style="list-style-type: none"> ○ Certificates of beneficial ownership • Federal Financing Bank <ul style="list-style-type: none"> ○ Discount Notes, Notes and Bonds • Federal Housing Administration Debentures • General Services Administration • United States Maritime Administration Guaranteed <ul style="list-style-type: none"> ○ Title XI Financing • New Communities Debentures <ul style="list-style-type: none"> ○ United States Government Guaranteed Debentures • United States Public Housing Notes and Bonds <ul style="list-style-type: none"> ○ United States Government Guaranteed Public Housing Notes and Bonds • United States Department of Housing and Urban Development <ul style="list-style-type: none"> ○ Project Notes and local authority Bonds 	100%	N/A	N/A	10 years

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
<p>C. Federal Instrumentalities (United States Government sponsored agencies)</p>	<p>A Government sponsored enterprise that serves a public purpose, however not considered a Federal Agency. Though Federal Instrumentalities are publicly chartered, they are privately owned and operated. They issue debt securities, which typically are not backed by the full faith and credit of the United States Government.</p> <ul style="list-style-type: none"> • Federal Farm Credit Bank (FFCB) • Federal Home Loan Bank or its district banks (FHLB) • Federal National Mortgage Association (FNMA - Fannie Mae) • Federal Home Loan Mortgage Corporation (FHLMC – Freddie Mac) 	100%	N/A	N/A	10 years
Callable Federal Instrumentalities		20%	N/A	N/A	10 years
Mortgage-Backed Securities issued by Federal Instrumentalities or U.S. Government Agencies		20%	N/A	N/A	10 years (Duration)
<p>D. Instrumentalities of the United States</p>	<p>Obligations, participations or other instruments of any Federal agency, instrumentality or United States Government-sponsored enterprise, including those issued or fully guaranteed as to the principal and interest by Federal agencies, instrumentalities or United States Government sponsored enterprises.</p> <ul style="list-style-type: none"> • International Bank for Reconstruction and Development (World Bank) • International Finance Corporation • African Development Bank • Asian Development Bank • European Bank for Reconstruction and Development • Inter-American Development Bank 	20%	5%	N/A	10 years

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
<p>E.</p> <p>Interest Bearing Time Deposit or Saving Accounts (up to FDIC limit)</p>	<p>Also known as a Certificate of Deposit, a deposit whereas a certificate is issued by a bank or savings and loan institution under the laws of Nebraska and in national banks up to the FDIC Insured Limit that indicates the sum of money deposited by an investor and the time at which funds the principal amount and any interest are due.</p>	<p>100%</p>	<p>15%</p>	<p>N/A</p>	<p>5 years</p>
<p>F.</p> <p>Repurchase Agreements</p>	<p>Short-term investment vehicle in which an investor agrees to buy securities from a Provider and simultaneously agrees to resell the securities back to the Provider at an agreed upon time and date, and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the agreement.</p> <ul style="list-style-type: none"> Composed of investments set forth by the Master Repurchase Agreement. Firms are required to sign a Master Repurchase Agreement prior to the execution of a Repurchase Agreement transaction. The Custodian will hold the collateral for all Repurchase Agreements, in LES' name, as outlined in the Master Repurchase Agreement or Custodial Undertaking documents.- A clearly marked receipt that shows evidence of ownership in LES' name must be supplied to the Investment Manager and retained. Securities authorized for collateral are negotiable direct Obligations of the United States Government, Government Agencies, and Federal Instrumentalities with maturities under five (5) years and must have a market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement.- Immaterial short-term deviations from 102 percent requirement are permissible only upon the approval of the CFO 	<p>50% excluding one business day agreements and overnight sweep agreements</p>	<p>15%</p>	<p>N/A</p>	<p>90 days</p>

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
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<p>G. Corporate Issues</p>	See Below				
<p>Bankers' Acceptances</p>	<p>Type of investment used to facilitate trade transactions between two entities, especially useful in trading international goods. Bankers' Acceptances are used as a short-term investment instrument, and are usually traded at a discount from face value.</p>	<p>50% Aggregate Across All Corporate Issues</p>	<p>5% Aggregate Across All Corporate Issues</p>	<p>Top short-term rating category by S&P, Moody's, or Fitch</p>	<p>180 days</p>
<p>Commercial Paper</p>	<p>Short-term corporate (promissory) Obligation, issued with a redemption value at Maturity equal to par or face value.- (CP Program must be U.S.-based)</p>				<p>270 days</p>
<p>Corporate Notes</p>	<p>Unsecured corporate (promissory) Obligations, typically issued by corporations organized and operating within the U.S. or by Depository Institutions licensed by the U.S.</p>			<p>Top two long-term rating categories by any two of S&P, Moody's, and Fitch</p>	<p>5 years</p>

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
<p>H. Registered Investment Companies (Money Market Funds)</p>	<p>Shares in open-end and no-load funds provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7.- In addition, the share value of the Money Market Funds must equal to \$1.00.- A current prospectus must be obtained and reviewed by the Investment Manager prior to investing LES funds.</p>	<p>100% excluding one business day agreements and overnight sweep agreements</p>	<p>25%</p>	<p>Top principal stability rating category by S&P, Moody's, or Fitch</p>	<p>N/A</p>
<p>I. State and/or Local Government Taxable and/or Tax-Exempt Debt</p>	<p>Consists of state and/or local government taxable and/or tax-exempt debt, general Obligation and/or revenue Bonds. This includes Tax Increment Financing Programs.</p>	<p>30%</p>	<p>5%</p>	<p>Top two short- or long-term rating categories by any two of: S&P, Moody's, and Fitch, depending on the original issuance of security in question</p>	<p>3 Years</p>
<p>J. Other Fixed Term Investments</p>	<p>Other investments from qualified programs investing only in security and/or investment types permitted by this Program, and specifically identified herein. Currently, this consists of: (1) Short Term Federal Investment Trust (STFIT), operated and managed by Union Bank. Student Loan Asset Backed Securities are prohibited from inclusion in STFIT holdings.</p>	<p>25%</p>	<p>25%</p>	<p>N/A</p>	<p>Maximum stated final Maturity of 5 years, or a Weighted Average Life of less than three years</p>

8. Selection of Investments

a. Cash Review

The Investment Manager shall review the LES cash balance within each fund and determine the available amounts for investment based on safety of principal, Liquidity, cash flow, and expected expenditures.

b. Bid Request

After the Investment Manager has determined the approximate investment amount and Maturity date based on projected cash flow needs and market conditions, generally a minimum of three (3) Providers will be contacted to provide bids.

Authorized staff (CEO, CFO, Investment Manager and their designated substitutes) will purchase securities only from Providers who meet all requirements listed in Requirement 5.

If choosing an external pool or Money Market Fund as the preferred investment vehicle, an information statement and/or prospectus of local government investment pool or fund shall be available for inspections prior to purchase and at any time thereafter.

All bid requests to Providers must contain the following information:

- 1) Settlement date:- Cash (same day), Regular (next day), Corporate (3 business days), or When-Issued, if a new issue;
- 2) Total dollar amount available for investment;
- 3) Type of security to be purchased, or excluded (due to allocation limitations);
- 4) Maturity date: Specific date or date range;
- 5) Account name and account number;
- 6) Date and time due to submit bid offering;
- 7) Delivery instructions to the safe keeper; and
- 8) Other comments as needed

If obtaining bids/offers are not feasible and/or appropriate, funds shall be invested in an approved fund until competitive bidding can be accomplished.

Overnight Sweep Investment and Repurchase Agreements will not be bid.

c. Bid Review

Once all bids have been received or the bid offering window has expired, the Investment Manager will utilize resources available (e.g. investment calculator, software service, etc.) necessary to calculate the yield and total cost of the investment. -Consideration to Maturity date, investment type, investment availability, and other factors may also be contemplated to determine which offering best aligns with the original bid request. Prior to notifying the selected Provider, the Investment Manager will perform and validate the following information:

- 1) Selected security meets the specified criteria listed in Requirement [8e8b](#);
- 2) Yield, price, purchase cost, and interest (including accrued interest); and
- 3) Sufficient funds exist to cover the total purchase cost (including accrued interest) of the investment purchase. to ensure sufficient funds are available.

d. Confirmation & Follow Through

1) Confirmation

Once the bid information has been reviewed, the Investment Manager will notify the selected Provider to initiate the investment transaction. After the investment transaction is complete the Provider must send a Trade Confirmation Ticket to the Investment Manager within a reasonable time period containing the following information.- Once received, the Investment Manager must confirm the following information with the bid document:

- a) Investment price and yield;
- b) Total transaction cost amount (including any accrued interest);
- c) Settlement date;
- d) Type of security;
- e) Maturity date;
- f) Account name and account number identified on the Trade Confirmation Ticket; and
- g) CUSIP number of the security, if applicable.

Any discrepancies found on the trade confirmation should be brought to the Provider's attention immediately by verbal or other means necessary for prompt resolution.- A verbal notification request must be followed in writing.

It will be the Investment Manager's responsibility to ensure the Provider has accurate safekeeping delivery instructions to complete the trade.

REQUIREMENTS – continued2) Follow Through

Once available, investment Trade Confirmation Tickets will be sent by the Provider to the Investment Manager for documentation. The Investment Manager will forward the Trade Confirmation Ticket, along with the below information, to the Custodian prior to settlement of the pending investment transaction in writing:

- a) Trade Confirmation Ticket
- b) Provider name involved with the trade
- c) Investment Security Type
- d) Par amount of the trade

The Investment Manager will electronically file a copy of the Trade Confirmation Ticket within the Treasury and Risk Management SharePoint site.

On the day of settlement, the Investment Manager will confirm settlement of the trade through available resources (electronic confirmation, verbal confirmation, or online account access). If the settlement fails for any reason, the Provider, if responsible, or the safekeeping agent if they are responsible, will immediately notify the other party and/or Investment Manager for resolution of the issue. The Investment Manager will work with the Provider and Custodian until the trade has settled.

e. Recording Investment Transactions

Once the trade has been confirmed with the Provider and Trade Confirmation Ticket received, all Investment transactions will be recorded by Treasury & Risk Management within the Investment Tracking System utilizing the Trade Confirmation Ticket.

Treasury & Risk Management will verify the investment transactions of the Provider's Trade Confirmation Ticket to the Trade Confirmation Notice, upon receipt.

Journal entry information derived from the Investment Tracking System will be completed by Treasury & Risk Management and reviewed by Financial Accounting for accuracy before uploading into LES's accounting system. Financial Accounting will reconcile all investment transactions within the accounting system towith the monthly Bank Statements at month-end.

Data in the Investment Tracking System must include the following minimum applicable information:

- 1) Account name & account number
- 2) Dated Date (Original Date of Issuance)
- 3) Purchase Date
- 4) Maturity Date
- 5) Security Sector
- 6) Type of Security – Security Structure
- 7) CUSIP Number
- 8) Credit Rating
- 9) Asset Class:
- 10) Coupon/Discount Rate
- 11) Yield
- 12) Total cost (net of premium); and
- 13) Par value
- 14) Amortization of Discounts/Premiums
- 15) Accruals
- 16) Coupon payments and other interest/dividends received

f. Security Confirmations

The Investment Manager will electronically file a copy of the Trade Confirmation Notice by maturity date on the Treasury and Risk Management SharePoint site.

Trade Confirmation documents are maintained within Financial Services in conformance with LES's Policy 203 – Records Management and the LES Records Retention Schedule.

g. Safekeeping Procedures

All securities purchased for LES shall be received by “delivery vs. payment” for safekeeping to LES's Custodian. Certificates of Deposit are permitted to be safe kept at the issuing bank. All Certificate of Deposit confirmations must be verified with the appropriate investment reports on a monthly basis by the Accountant and Investment Manager.

Collateral for Repurchase Agreements shall be delivered to a third-party Custodian per the directions outlined in the Master Repurchase Agreement and/or Custodial Undertaking documents.

h. Trade Corrections

All trade corrections may be requested by either a verbal or written notification; however, a verbal notification request must be followed in writing.

9. **Program Considerations**a. Credit Downgrade

If a security in the Investment Portfolio is downgraded to a level below the quality required by this policy, the Investment Manager shall review the credit situation of the security and submit a written recommendation to the CFO as to whether to sell or retain such security in the Investment Portfolio. A determination will then be made, in consultation with the CFO, regarding whether to sell or retain the security.

If a decision is made to retain a downgraded security in the Investment Portfolio, the security will be monitored and reported monthly, in writing, to the Investment Manager via the monthly Investment Memo. The Investment Manager will notify the CFO if the downgraded security rating continues to decline from the initial assessment, or if new information received warrants requires additional action.

b. Program Compliance

If the aggregate portfolio unintentionally falls out of compliance with this policy, the Investment Manager shall develop a written plan of action to be provided to the CFO to bring the portfolio back into compliance with the program. It will be the discretion of the CFO to determine which inadvertent program exceptions require communication to the CEO and/or LES Finance & Audit Committee.

c. Temporary Program Modifications

Situations may arise where the CFO and Investment Manager deem a temporary change to the policy guidelines is recommended due to the investment market environment. Temporary guideline changes (i.e. allocation limits, investment types, etc.) may be modified more narrowly within the current policy with the approval of the CFO.

10. **Performance Measurements**

In order to assist in the evaluation of the portfolios' performance, LES will use appropriate performance benchmarks for short-term and long-term portfolios. The use of benchmarks will allow LES to measure its returns against market performance.

11. **Reporting**

The Investment Manager will provide the CEO and CFO with a written quarterly investment report for the second and fourth quarters which may include the following information:

- a. Recent market conditions, economic developments and anticipated economic conditions;

- b. Investment strategies employed in the most recent quarter;
- c. A summary description of all securities held in the Investment Portfolio (listed by account name and Maturity date);
- d. The total Return on Investment for the quarter versus appropriate benchmarks (where benchmarks are applicable);
- e. Any areas of the Investment policy or program warranting possible revisions;
- f. Any violations of the Investment policy or program and the corrective measures that have been completed; and
- g. A signed certification of the Investment policy and Investment program compliance by the Investment Manager and CFO.

In addition to providing the report to the CEO and CFO, the Investment Manager will also review the second and fourth quarter investment reports with the LES Finance ~~and Audit~~ Committee.

Condensed quarterly investment reports for the first and third quarters will be provided to the CEO and CFO and will comprise of some of the information listed ~~above~~within this section.

12. Third-Party Custodial Agreements

~~Securities, E with the exception of~~ Certificates of Deposits and Repurchase Agreements, securities will be held with the Custodian. All securities purchased and collateral obtained should be held in LES' s name. - The securities must be held in an account separate and apart from the assets of the Custodian. Certificates of Deposits and Repurchase Agreements will be placed in the Custodian's safekeeping department for the term of the deposit.

On a monthly basis, the Custodian will provide statements that list all securities held for LES, the book value of holdings and the month-end market value.

Security transactions between a Provider and the Custodian involving the purchase or sale of securities by transfer of money or securities will be made on a "delivery vs. payment" basis, if applicable, to ensure that the Custodian will have the security or money at the conclusion of the transaction. - Securities held as collateral shall be held in LES' name and shall be held free and clear of any liens.

13. Exceptions to the Policy

Exceptions to this policy are prohibited without the prior written approval of the CFO. All approved exceptions shall be reported to the CEO and the LES Finance ~~and Audit~~ Committee at its next scheduled meeting.

REFERENCES

- 1. Policy 203 Records Management
208 LES Ethics and Code of Conduct
- 2. LES Records Retention Schedule

APPROVED BY

EMILY N. KOENIG

VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

TITLE

DATE

VICE PRESIDENT AND

APPROVED BY _____ **GENERAL COUNSEL**
 SHELLEY SAHLING-ZART **TITLE** _____ **DATE** _____

APPROVED BY _____ **CHIEF EXECUTIVE OFFICER**
[KEVIN G. WAILESEMEKA ANYANWU](#) **TITLE** _____
DATE _____

APPROVED BY _____ **CHAIR,
 LES ADMINISTRATIVE BOARD**
 ANDREW HUNZEKER **TITLE** _____ **EFFECTIVE DATE** _____

Revision History			
Supersedes	Revision Date	Revised By	Revision Description
Policy 504 effective date 08/15/2014 and Program 504.01 effective date 05/27/2017.	06/11/2018	Bryan Willnerd and CGR	Bryan Willnerd reviewed the content for clarity and CGR reformatted into new corporate governance documentation structure.
Policy 510, dated 06/11/2018.	08/17/2023	Treasury & Risk Management	Performed an annual review of the division of duties and restructured responsibilities of each department.
Policy 510, dated 08/17/2023.	12/20/2024	Treasury & Risk Management	<ul style="list-style-type: none"> - Broadened of definition of approved investment broker to include those registered under the Government Securities Act of 1986 - Change in disclosure of any potential ethics breach or conflict of interest to the CFO and CEO rather than CFO and Board - Added wording related to per-asset allocation limits for money market funds to avoid breaches due to semiannual bond payments - Added language to temporarily change policy guidelines more narrowly with the approval of the CFO due to dynamic market conditions

LES Policy

SUBJECT: Investments

POLICY NO. 510

RESPONSIBLE AREA: Financial Services

PAGE 1 OF 15

POLICY OBJECTIVE

To set parameters to ensure the prudent management of LES's funds, the availability of operating and capital funds when needed, and a primary investment strategy of preservation of principal followed by a reasonable return on investment.

SCOPE

The policy governs the overall administration and investment management of all available funds (excluding retirement funds) for investment by or on behalf of LES. The guidance set forth herein is to be strictly followed by all those responsible for any aspect of the activities and management or administration of LES funds, including LES staff, board members, executive personnel, and, when applicable, any outside Investment Advisory firms. This policy is in accordance with Article IX Section 24 of the Charter for the City of Lincoln, Nebraska and Chapter 77 of the Nebraska Revised Statutes.

DEFINITIONS

Accountant – LES Accountant assigned to investment transactions.

Bonds – Secured or unsecured debt obligation of an issuer, to raise capital, that includes a promise to pay the lender any due interest, based on the coupon rate, on a pre-determined schedule, plus the principal amount at maturity. Some Bonds (zero-coupon) are issued with no coupons, while others are issued with fixed or variable rate coupons. Bonds are similar to Notes, although Bonds typically have original maturities exceeding 10 years.

Callables – Securities which contain an option that provides the Issuer the right to redeem the securities prior to the stated original maturity, at a predetermined price and time.

Certificate of Deposits – Obligations issued by a bank or savings and loan association, offering a rate of return for a specified period of time. Certificates of Deposit may be rated with a short-term or long-term rating, depending on the original maturity date and may be backed by FDIC insurance coverage.

Chief Financial Officer (CFO) – LES's Vice President of Financial Services.

Credit Risk – Risk of an adverse change in market value or principal loss due to either (a) the actual or perceived failure of the issuer of any security, or (b) the actual or perceived failure of an investment intermediary performing investment services.

Custodian – Financial institution(s) providing safekeeping services.

Debentures – Unsecured debt instrument.

Depository Institution – Financial institution(s) holding LES's funds and demand account(s).

DEFINITIONS - continued

External Pool or Funds – A pool of investments not managed or administered by LES.

FDIC Insured Limit – The insurance amount on deposit accounts held at FDIC-Insured institutions like banks and savings and loan institutions guaranteed by the Federal Deposit Insurance Corporation. The current insurance limit is found at www.fdic.org.

Interest Rate Risk – Risk that the market value of investments will fall due to changes in interest rates.

Investment Advisor – External professional investment consulting services provider.

Investment Manager – Any internal employee, authorized substitute, or external Investment Advisor designated by the CFO to manage LES's Investment Portfolio.

Investment Memo – A monthly report of all current investment account holdings by maturity date detailing investment credit ratings, investment type and issuer allocations, and investment strategies by account for the upcoming month.

Investment Portfolio – A grouping of financial assets consistent with LES's primary investment objectives of safety of principal, Liquidity and Return on Investment.

Investment Tracking System – A system utilized to record transactions, report portfolio holdings, and generate monthly investment journal entries.

Liquidity – The ease of converting an investment into cash without loss of value; also, a relative measure of cash and near-cash items in a portfolio of investments.

Maturity – Date on which the final principal amount of a borrowing will be paid, and at which the obligation is scheduled to be satisfied in full.

Money Market Fund – Type of mutual fund generally believed to provide daily Liquidity, which invests solely in short-term instruments, generally having maturities less than one year.

Negotiable Obligation – A debt instrument, promising payment of a specific amount of money, and that is tradeable/transferrable to a third party.

Note – A debt security similar to a Bond with an original term to Maturity between one and ten years.

Obligation – A debt instrument, whereas one party has a legal responsibility to repay another party.

Overnight Sweep Account – A bank account that automatically transfers excess or shortage of funds to/from a higher interest earning investment option at the close of each day.

Primary Securities Dealer – A pre-approved Provider who can transact business with the United States Federal Reserve, such as a bank, broker, or dealer. Primary Securities Dealers purchase Treasuries at auctions then resell them to clients.

Provider – A broker, dealer associated with an entity with which LES transacts business and with whom LES may be exposed to financial risk. LES maintains a list of qualified Providers who meet the requirements defined in this policy.

Prudent Person – Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

Return on Investment – Investment earnings of a security or portfolio usually expressed as an annualized percentage, defined as the income generated over a given time period.

DEFINITIONS – continued

Savings Account – A depository account held by a financial institution.

Trade Confirmation Notice – A statement mailed by the Provider to LES confirming the completed purchase or sale of a security between the two parties.

Trade Confirmation Ticket – An investment document received immediately from the Provider confirming the investment trade to LES.

REQUIREMENTS**1. Investment Objectives**

The primary objective of LES' investment activities, in order of priority, shall be (a) safety of principal, (b) maintenance of Liquidity, and (c) Return on Investment.

a. Safety of Principal

The foremost objective of this policy is the safety of principal of all LES funds. The objective is to mitigate both credit and Interest Rate Risk. It is LES's principal investment strategy to buy and hold securities to Maturity. However, securities may be sold prior to Maturity to manage risk and meet operational needs.

1) Credit Risk

LES will seek to minimize Credit Risk by:

- a) Limiting investments to the types of securities listed as authorized investments in this policy;
- b) Pre-qualifying and maintaining programs in place to monitor the Providers and Investment Advisors with which LES does business and as outlined in this policy; and
- c) Diversifying holdings and maintaining investment levels at or below the stated portfolio and issuer-level limits so the impact of potential losses from any one type of security or individual issuer will be minimized.

2) Interest Rate Risk

LES will seek to minimize Interest Rate Risk by:

- a) Structuring holdings to mature in line with cash requirements for ongoing operations; and maintaining asset-liability matching per account, thereby avoiding the need to sell securities prior to Maturity.

b. Maintenance of Liquidity

The Investment Portfolio will be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements. Cash flow analyses will be maintained as necessary to ensure the Investment Portfolios are positioned to provide sufficient Liquidity.

c. Return on Investment

Investment Portfolios will be designed with the objective of attaining a market rate of return, taking into consideration investment risk constraints and Liquidity needs. Appropriate benchmarks will be used to analyze performance; however it will not be a requirement to out-perform the benchmarks.

REQUIREMENTS - continued**2. Delegation of Authority****Duties and Responsibilities**

In accordance with LES Administrative Board policies, the responsibility for providing oversight direction and management of the program resides with LES's Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Daily management responsibility for the LES funds in the program reside with the Investment Manager. The Investment Manager shall act in accordance with this policy. LES may engage a professional Investment Advisor to assist in managing LES's Investment Portfolio. Such Investment Advisor must be registered under the Investment Advisors Act of 1940.

Separation of Duties

To provide for separation of duties, the Investment Manager shall be responsible for the management of the funds and preparation of investment information, as requested by Financial Accounting in preparation of monthly financial statements. Financial Accounting shall be responsible for completing and processing all journal entry transactions, and reconciliation of account balances to the bank statements.

3. Standard of Prudence

The standard of prudence to be applied in the context of managing the Investment Portfolio will be the "Prudent Person" standard.

4. Ethics and Conflicts of Interest

LES requires all employees to adhere and follow the ethical standards set forth in LES Policy 208 – LES Ethics and Code of Conduct Policy. This policy serves as a general guideline for internal controls to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation or imprudent actions by employees. No person may engage in any investment transaction except as authorized under the terms of this policy. Independent auditors, as a normal part of the annual financial audit of LES, will conduct a review of the system of internal controls. Internal Auditors may conduct audits from time to time to ensure compliance with this program.

Employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of this policy, or which could impair their ability to make impartial investment decisions.

LES employees shall:

- a. Not accept any non-de minimis money, loan, gift, favor, service, or business or professional opportunity that could influence them in the performance of their official duties with respect to this policy;
- b. Not accept any business or professional opportunity when they know there is a reasonable likelihood that the opportunity is being afforded to influence them in the performance of their official duties;
- c. Not enter into any personal investment transactions with the same individual with whom business is conducted on behalf of LES;
- d. Not disclose or use confidential information that is not generally available to the public for their own or any other person's financial benefit; or
- e. Disclose to the CFO, CEO, and LES General Counsel any material financial interests in financial institutions that conduct business with LES, and any material personal financial/investment positions that could be related to the performance of this policy.

REQUIREMENTS - continued

5. Authorized Investment Providers

LES is permitted to invest in securities from financial institutions which are qualified Providers by LES or institutions designated as Primary Securities Dealers by the Federal Reserve Bank of New York. The CFO or designee and Investment Manager will maintain a list of financial institutions and broker/dealers that are used for investment purposes and only firms meeting the following requirements will be eligible to serve as a Provider:

- a. Capital of no less than \$10,000,000;
- b. Registered as a dealer under the Securities Exchange Act of 1934 or the Government Securities Act of 1986;
- c. Member of a self-regulatory organization as defined by the Securities and Exchange Commission;
- d. Registered to sell securities in Nebraska; and
- e. Engaged in the business of effecting transactions in securities authorized in this program for at least five (5) consecutive years.

6. Maturity and Liquidity Guidelines

To the extent possible, investment maturities will match anticipated cash flow requirements and follow the maximum Maturity limitations outlined in this policy. Although the principal investment strategy is to buy and hold investments until Maturity, investments may be sold prior to Maturity to meet unanticipated immediate liquidity needs.

7. Authorized Investments and Portfolio Composition

LES is permitted to invest in those investments that are listed in this section subject to the identified limitations. The percentage allocation requirements for investment types and issuers are calculated based on the original cost of each investment at the time of purchase and are applied to the aggregate portfolio at time of purchase. Exceeding limits after the purchase date due to future changes in the portfolio size will not be considered a non-compliance event with this policy. Refer to Section 9b of this policy for procedures should allocations become noncompliant as a result of an investment transaction.

LES will follow Chapter 72, Section 1246 of the Nebraska Revised Statutes with respect to the investment of available funds consistent with the investment objectives of the Program.

Allocation limits regarding Money Market Funds identified in the matrix below exclude instances where funds must be held liquid for the purpose of debt payments to bondholders.

The allocation limits and security types do not apply to the investment of debt proceeds. These investments shall be governed by the applicable debt covenants.

AUTHORIZED INVESTMENTS AND AGGREGATE PORTFOLIO COMPOSITION MATRIX

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
<p>A.</p> <p>United States Government Securities</p>	<p>Direct Negotiable Obligations, or Obligations the principal and interest of which are guaranteed by the United States Government.</p> <ul style="list-style-type: none"> • Cash Management Bills • Treasury Securities – State and Local Government Series (SLGS) • Treasury Bills • Treasury Notes • Treasury Bonds • Treasury Strips 	100%	N/A	N/A	10 years

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
	<ul style="list-style-type: none"> • Treasury Inflation Protected Securities 				
<p>B.</p> <p>United States Government Agencies</p>	<p>Bonds, Debentures, Notes or Callables issued or guaranteed by United States Government Agencies, provided such Obligations are backed by the full faith and credit of the United States Government.</p> <ul style="list-style-type: none"> • Government National Mortgage Association (GNMA) <ul style="list-style-type: none"> ○ GNMA guaranteed mortgage-backed Bonds ○ GNMA guaranteed pass-through Obligations • United States Export – Import Bank <ul style="list-style-type: none"> ○ Direct Obligations or fully guaranteed certificates of beneficial ownership • Farmer Home Administration <ul style="list-style-type: none"> ○ Certificates of beneficial ownership • Federal Financing Bank <ul style="list-style-type: none"> ○ Discount Notes, Notes and Bonds • Federal Housing Administration Debentures • General Services Administration • United States Maritime Administration Guaranteed <ul style="list-style-type: none"> ○ Title XI Financing • New Communities Debentures <ul style="list-style-type: none"> ○ United States Government Guaranteed Debentures • United States Public Housing Notes and Bonds <ul style="list-style-type: none"> ○ United States Government Guaranteed Public Housing Notes and Bonds • United States Department of Housing and Urban Development <ul style="list-style-type: none"> ○ Project Notes and local authority Bonds 	<p>100%</p>	<p>N/A</p>	<p>N/A</p>	<p>10 years</p>

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
<p>C.</p> <p>Federal Instrumentalities (United States Government sponsored agencies)</p>	<p>A Government sponsored enterprise that serves a public purpose, however not considered a Federal Agency. Though Federal Instrumentalities are publicly chartered, they are privately owned and operated. They issue debt securities, which typically are not backed by the full faith and credit of the United States Government.</p> <ul style="list-style-type: none"> • Federal Farm Credit Bank (FFCB) • Federal Home Loan Bank or its district banks (FHLB) • Federal National Mortgage Association (FNMA - Fannie Mae) • Federal Home Loan Mortgage Corporation (FHLMC – Freddie Mac) • Callable Federal Instrumentalities • Mortgage-Backed Securities issued by Federal Instrumentalities or U.S. Government Agencies 	100%	N/A	N/A	10 years
<p>D.</p> <p>Instrumentalities of the United States</p>	<p>Obligations, participations or other instruments of any Federal agency, instrumentality or United States Government-sponsored enterprise, including those issued or fully guaranteed as to the principal and interest by Federal agencies, instrumentalities or United States Government sponsored enterprises.</p> <ul style="list-style-type: none"> • International Bank for Reconstruction and Development (World Bank) • International Finance Corporation • African Development Bank • Asian Development Bank • European Bank for Reconstruction and Development • Inter-American Development Bank 	20%	5%	N/A	10 years
<p>E.</p> <p>Interest Bearing Time Deposit or Saving Accounts (up to FDIC limit)</p>	<p>Also known as a Certificate of Deposit, a deposit whereas a certificate is issued by a bank or savings and loan institution under the laws of Nebraska and in national banks up to the FDIC Insured Limit that indicates the sum of money deposited by an investor and the time at which funds the principal amount and any interest are due.</p>	100%	15%	N/A	5 years
<p>F.</p> <p>Repurchase Agreements</p>	<p>Short-term investment vehicle in which an investor agrees to buy securities from a Provider and simultaneously agrees to resell the securities back to the Provider at an agreed upon time and date, and for an agreed upon price. The difference between the purchase price and the sale price represents interest earned on the agreement.</p> <ul style="list-style-type: none"> • Composed of investments set forth by the Master Repurchase Agreement. Firms are required to sign a Master Repurchase Agreement prior to the 	50% excluding one business day agreements and overnight sweep agreements	15%	N/A	90 days

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
	<p>execution of a Repurchase Agreement transaction.</p> <ul style="list-style-type: none"> The Custodian will hold the collateral for all Repurchase Agreements, in LES' name, as outlined in the Master Repurchase Agreement or Custodial Undertaking documents. A clearly marked receipt that shows evidence of ownership in LES' name must be supplied to the Investment Manager and retained. Securities authorized for collateral are negotiable direct Obligations of the United States Government, Government Agencies, and Federal Instrumentalities with maturities under five (5) years and must have a market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement. Immaterial short-term deviations from 102 percent requirement are permissible only upon the approval of the CFO 				
<p>G. Corporate Issues</p>	See Below				
<p>Bankers' Acceptances</p>	<p>Type of investment used to facilitate trade transactions between two entities, especially useful in trading international goods. Bankers' Acceptances are used as a short-term investment instrument and are usually traded at a discount from face value.</p>	<p>50% Aggregate Across All Corporate Issues</p>	<p>5% Aggregate Across All Corporate Issues</p>	<p>Top short-term rating category by S&P, Moody's, or Fitch</p>	<p>180 days</p>
<p>Commercial Paper</p>	<p>Short-term corporate (promissory) Obligation, issued with a redemption value at Maturity equal to par or face value. (CP Program must be U.S.-based)</p>				<p>270 days</p>
<p>Corporate Notes</p>	<p>Unsecured corporate (promissory) Obligations, typically issued by corporations organized and operating within the U.S. or by Depository Institutions licensed by the U.S.</p>			<p>Top two long-term rating categories by any two of S&P, Moody's, and Fitch</p>	<p>5 years</p>

Investment	Investment Security Types / Requirements	Portfolio Composition Maximum	Limits on Individual Issuers Maximum	Minimum Credit Ratings	Maturity Limitations Maximum From Date of Purchase
<p>H. Registered Investment Companies (Money Market Funds)</p>	<p>Shares in open-end and no-load funds provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7. In addition, the share value of the Money Market Funds must equal to \$1.00. A current prospectus must be obtained and reviewed by the Investment Manager prior to investing LES funds.</p>	<p>100% excluding one business day agreements and overnight sweep agreements</p>	<p>25%</p>	<p>Top principal stability rating category by S&P, Moody's, or Fitch</p>	<p>N/A</p>
<p>I. State and/or Local Government Taxable and/or Tax-Exempt Debt</p>	<p>Consists of state and/or local government taxable and/or tax-exempt debt, general Obligation and/or revenue Bonds. This includes Tax Increment Financing Programs.</p>	<p>30%</p>	<p>5%</p>	<p>Top two short- or long-term rating categories by any two of: S&P, Moody's, and Fitch, depending on the original issuance of security in question</p>	<p>3 Years</p>
<p>J. Other Fixed Term Investments</p>	<p>Other investments from qualified programs investing only in security and/or investment types permitted by this Program, and specifically identified herein. Currently, this consists of: (1) Short Term Federal Investment Trust (STFIT), operated and managed by Union Bank. Student Loan Asset Backed Securities are prohibited from inclusion in STFIT holdings.</p>	<p>25%</p>	<p>25%</p>	<p>N/A</p>	<p>Maximum stated final Maturity of 5 years, or a Weighted Average Life of less than three years</p>

8. Selection of Investments

a. Cash Review

The Investment Manager shall review the LES cash balance within each fund and determine the available amounts for investment based on safety of principal, Liquidity, cash flow, and expected expenditures.

b. Bid Request

After the Investment Manager has determined the approximate investment amount and Maturity date based on projected cash flow needs and market conditions, generally a minimum of three (3) Providers will be contacted to provide bids.

Authorized staff (CFO, Investment Manager and their designated substitutes) will purchase securities only from Providers who meet all requirements listed in Requirement 5.

REQUIREMENTS – continued

If choosing an external pool or Money Market Fund as the preferred investment vehicle, an information statement and/or prospectus of local government investment pool or fund shall be available for inspections prior to purchase and at any time thereafter.

All bid requests to Providers must contain the following information:

- 1) Settlement date: Cash (same day), Regular (next day), Corporate (3 business days), or When-Issued, if a new issue;
- 2) Total dollar amount available for investment;
- 3) Type of security to be purchased, or excluded (due to allocation limitations);

- 4) Maturity date: Specific date or date range;
- 5) Account name and account number;
- 6) Date and time due to submit bid offering;
- 7) Delivery instructions to the safe keeper; and
- 8) Other comments as needed

If obtaining bids/offers are not feasible and/or appropriate, funds shall be invested in an approved fund until competitive bidding can be accomplished.

Overnight Sweep Investment and Repurchase Agreements will not be bid.

c. Bid Review

Once all bids have been received or the bid offering window has expired, the Investment Manager will utilize resources available (e.g. investment calculator, software service, etc.) necessary to calculate the yield and total cost of the investment. Consideration to Maturity date, investment type, investment availability, and other factors may also be contemplated to determine which offering best aligns with the original bid request. Prior to notifying the selected Provider, the Investment Manager will perform and validate the following information:

- 1) Selected security meets the specified criteria listed in Requirement 8b;
- 2) Yield, price, purchase cost, and interest (including accrued interest); and
- 3) Sufficient funds exist to cover the total purchase cost (including accrued interest) of the investment purchase.

d. Confirmation & Follow Through

1) Confirmation

Once the bid information has been reviewed, the Investment Manager will notify the selected Provider to initiate the investment transaction. After the investment transaction is complete the Provider must send a Trade Confirmation Ticket to the Investment Manager within a reasonable time period containing the following information. Once received, the Investment Manager must confirm the following information with the bid document:

- a) Investment price and yield;
- b) Total transaction cost amount (including any accrued interest);
- c) Settlement date;
- d) Type of security;
- e) Maturity date;
- f) Account name and account number identified on the Trade Confirmation Ticket; and
- g) CUSIP number of the security, if applicable.

Any discrepancies found on the trade confirmation should be brought to the Provider's attention immediately by verbal or other means necessary for prompt resolution. A verbal notification request must be followed in writing.

It will be the Investment Manager's responsibility to ensure the Provider has accurate safekeeping delivery instructions to complete the trade.

REQUIREMENTS – continued2) Follow Through

Once available, investment Trade Confirmation Tickets will be sent by the Provider to the Investment Manager for documentation. The Investment Manager will forward the Trade Confirmation Ticket, along with the below information, to the Custodian prior to settlement of the pending investment transaction in writing:

- a) Trade Confirmation Ticket
- b) Provider name involved with the trade
- c) Investment Security Type
- d) Par amount of the trade

The Investment Manager will electronically file a copy of the Trade Confirmation Ticket within the Treasury and Risk Management SharePoint site.

On the day of settlement, the Investment Manager will confirm settlement of the trade through available resources (electronic confirmation, verbal confirmation, or online account access). If the settlement fails for any reason, the Provider, if responsible, or the safekeeping agent if they are responsible, will immediately notify the other party and/or Investment Manager for resolution of the issue. The Investment Manager will work with the Provider and Custodian until the trade has settled.

e. Recording Investment Transactions

Once the trade has been confirmed with the Provider and Trade Confirmation Ticket received, all Investment transactions will be recorded by Treasury & Risk Management within the Investment Tracking System utilizing the Trade Confirmation Ticket.

Treasury & Risk Management will verify the investment transactions of the Provider's Trade Confirmation Ticket to the Trade Confirmation Notice, upon receipt.

Journal entry information derived from the Investment Tracking System will be completed by Treasury & Risk Management and reviewed by Financial Accounting for accuracy before uploading into LES's accounting system. Financial Accounting will reconcile all investment transactions within the accounting system to the monthly Bank Statements.

Data in the Investment Tracking System must include the following minimum applicable information:

- 1) Account name & account number
- 2) Dated Date (Original Date of Issuance)
- 3) Purchase Date
- 4) Maturity Date
- 5) Security Sector
- 6) Type of Security – Security Structure
- 7) CUSIP Number
- 8) Credit Rating
- 9) Asset Class:
- 10) Coupon/Discount Rate
- 11) Yield
- 12) Total cost (net of premium); and
- 13) Par value
- 14) Amortization of Discounts/Premiums
- 15) Accruals
- 16) Coupon payments and other interest/dividends received

REQUIREMENTS – continuedf. Security Confirmations

The Investment Manager will electronically file a copy of the Trade Confirmation Notice by maturity date on the Treasury and Risk Management SharePoint site.

Trade Confirmation documents are maintained within Financial Services in conformance with LES's Policy 203 – Records Management and the LES Records Retention Schedule.

g. Safekeeping Procedures

All securities purchased for LES shall be received by “delivery vs. payment” for safekeeping to LES's Custodian. Certificates of Deposit are permitted to be safe kept at the issuing bank. All Certificate of Deposit confirmations must be verified with the appropriate investment reports on a monthly basis by the Accountant and Investment Manager.

Collateral for Repurchase Agreements shall be delivered to a third-party Custodian per the directions outlined in the Master Repurchase Agreement and/or Custodial Undertaking documents.

h. Trade Corrections

All trade corrections may be requested by either a verbal or written notification; however, a verbal notification request must be followed in writing.

9. Program Considerationsa. Credit Downgrade

If a security in the Investment Portfolio is downgraded to a level below the quality required by this policy, the Investment Manager shall review the credit situation of the security and submit a written recommendation to the CFO as to whether to sell or retain such security in the Investment Portfolio. A determination will then be made, in consultation with the CFO, regarding whether to sell or retain the security.

If a decision is made to retain a downgraded security in the Investment Portfolio, the security will be monitored and reported monthly, in writing, to the Investment Manager via the monthly Investment Memo. The Investment Manager will notify the CFO if the downgraded security rating continues to decline from the initial assessment, or if new information received warrants requires additional action.

b. Program Compliance

If the aggregate portfolio unintentionally falls out of compliance with this policy, the Investment Manager shall develop a written plan of action to be provided to the CFO to bring the portfolio back into compliance with the program. It will be the discretion of the CFO to determine which inadvertent program exceptions require communication to the CEO and/or LES Finance Committee.

c. Temporary Program Modifications

Situations may arise where the CFO and Investment Manager deem a temporary change to the policy guidelines is recommended due to the investment market environment. Temporary guideline changes (i.e. allocation limits, investment types, etc.) may be modified more narrowly within the current policy with the approval of the CFO.

10. Performance Measurements

To assist in the evaluation of the portfolios' performance, LES will use appropriate performance benchmarks for short-term and long-term portfolios. The use of benchmarks will allow LES to measure its returns against market performance.

REQUIREMENTS – continued**11. Reporting**

The Investment Manager will provide the CEO and CFO with a written quarterly investment report for the second and fourth quarters which may include the following information:

- a. Recent market conditions, economic developments and anticipated economic conditions;
- b. Investment strategies employed in the most recent quarter;
- c. A summary description of all securities held in the Investment Portfolio (listed by account name and Maturity date);
- d. The total Return on Investment for the quarter versus appropriate benchmarks (where benchmarks are applicable);
- e. Any areas of the Investment policy or program warranting possible revisions;
- f. Any violations of the Investment policy or program and the corrective measures that have been completed; and
- g. A signed certification of the Investment policy and Investment program compliance by the Investment Manager and CFO.

In addition to providing the report to the CEO and CFO, the Investment Manager will also review the second and fourth quarter investment reports with the LES Finance Committee.

Condensed quarterly investment reports for the first and third quarters will be provided to the CEO and CFO and will comprise of some of the information listed within this section.

12. Third-Party Custodial Agreements

Except for Certificates of Deposits and Repurchase Agreements, securities will be held with the Custodian. All securities purchased and collateral obtained should be held in LES's name. The securities must be held in an account separate and apart from the assets of the Custodian. Certificates of Deposits and Repurchase Agreements will be placed in the Custodian's safekeeping department for the term of the deposit.

On a monthly basis, the Custodian will provide statements that list all securities held for LES, the book value of holdings and the month-end market value.

Security transactions between a Provider and the Custodian involving the purchase or sale of securities by transfer of money or securities will be made on a "delivery vs. payment" basis, if applicable, to ensure that the Custodian will have the security or money at the conclusion of the transaction. Securities held as collateral shall be held in LES' name and shall be held free and clear of any liens.

13. Exceptions to the Policy

Exceptions to this policy are prohibited without the prior written approval of the CFO. All approved exceptions shall be reported to the CEO and the LES Finance Committee at its next scheduled meeting.

REFERENCES

- | | | |
|-----------------------------------|-----|--------------------------------|
| 1. Policy | 203 | Records Management |
| | 208 | LES Ethics and Code of Conduct |
| 2. LES Records Retention Schedule | | |

APPROVED BY _____ **VICE PRESIDENT AND CHIEF FINANCIAL OFFICER**
 EMILY N. KOENIG **TITLE** **DATE**

APPROVED BY _____ **VICE PRESIDENT AND GENERAL COUNSEL**
 SHELLEY SAHLING-ZART **TITLE** **DATE**

APPROVED BY _____ **CHIEF EXECUTIVE OFFICER**
 EMEKA ANYANWU **TITLE** **DATE**

APPROVED BY _____ **CHAIR, LES ADMINISTRATIVE BOARD**
 ANDREW HUNZEKER **TITLE** **EFFECTIVE DATE**

Revision History			
Supersedes	Revision Date	Revised By	Revision Description
Policy 504 effective date 08/15/2014 and Program 504.01 effective date 05/27/2017.	06/11/2018	Bryan Willnerd and CGR	Bryan Willnerd reviewed the content for clarity and CGR reformatted into new corporate governance documentation structure.
Policy 510, dated 06/11/2018.	08/17/2023	Treasury & Risk Management	Performed an annual review of the division of duties and restructured responsibilities of each department.
Policy 510, dated 08/17/2023.	12/20/2024	Treasury & Risk Management	<ul style="list-style-type: none"> - Broadened of definition of approved investment broker to include those registered under the Government Securities Act of 1986 - Change in disclosure of any potential ethics breach or conflict of interest to the CFO and CEO rather than CFO and Board - Added wording related to per-asset allocation limits for money market funds to avoid breaches due to semiannual bond payments - Added language to temporarily change policy guidelines more narrowly with the approval of the CFO due to dynamic market conditions