Handout

Utah State Bar
Summary of Proposed Investment Policy
July 15, 2009

New Policy	*Old Policy*
1. Segregation between General Operating funds (short term reserves) and Reserve fund.	1. No segregation between funds
General Fund - Maximum maturity not to exceed 1 year - Average duration not to exceed 6 months	- Maximum maturity not to exceed 60 months - Average duration not to exceed 24 months - Maximum > 18 months is $1,000,000
Reserve Fund - Not to exceed 5 years maturity (60 months) - Average duration not to exceed 30 months - No limits on funds held > 18 months	
2. No more than 5% of value in any one investment except US Treasuries and Federal Agencies	2. No more than 15% of value in any one investment except US Treasuries and Federal Agencies
3. Credit Quality - All securities shall be in the two top-tier Investment Grades	3. Credit Quality - All securities shall be in the three top-tier Investment Grades.
4. Reporting of Investment Portfolio Status to Finance Committee and Board quarterly by money manager. - Reports by Executive Director and CFO to Finance Committee and Board regularly.	4. No formal reporting mechanism.

Utah State Bar
645 South 200 East, Suite 310 · Salt Lake City, Utah 84111-3834
Telephone: 801-531-9077 · Fax: 801-531-0660
www.utahbar.org

John C. Baldwin
Executive Director

CASH MANAGEMENT / INVESTMENT POLICES / PROCEDURES

INTRODUCTION

PURPOSE - The investment policies approved by the Board of Commissioners ("Board") of the Utah State Bar ("Utah Bar") are meant to:

a) Clearly define the framework for efficient and centralized control, management and review of all of the cash and investment assets under the Board's responsibility;

b) Provide effective management, control and satisfactory investment performance results;

c) Provide the Board, the Executive Director and the CFO with the reporting tools needed to monitor and direct the overall management and control of these assets as well as to measure the resulting performance against pre-established norms; and

d) Provide the Executive Director and the CFO sufficient operating flexibility to effectively carry out the day-to-day management responsibilities assigned to them by the Board while strictly adhering to all Board's approved policies.

AUTHORITIES -All general investment authority for management of cash and investment assets under the control of the Utah Bar derives from its Board. All investment policies shall be approved by the Board, shall be reviewed by them at least annually, and shall be revised by them whenever appropriate. The Board shall delegate direct supervision of all investment operating activity to the Budget and Finance Committee and assign day-to-day operating responsibility to the Executive Director and to the CFO. The Executive Director and the CFO shall have the authority to implement decisions and monitor management of the investment accounts within the strict parameters approved by the Board's policies. With the Executive Director's approval and within the Board's approved guidelines, the Executive Director and the CFO may purchase and sell investment securities authorized within the parameters of these investment policies. The Executive Director and the CFO shall report investment management activity and performance regularly to the Bar Finance Committee and the Board.

PROCEDURES. Procedures have been established which enable centralized management of each of the different cash and investment accounts under the control of the Utah Bar. A reporting system has been developed which incorporates diverse information pertaining to each of the varied accounts. The reporting system uses a standardized format. This format is meant to promote not only management ease for the Executive Director and the CFO, but also effective performance monitoring and control for the Budget and Finance Committee and the Board. Investment activity shall be directed under the supervision of the Executive Director and monitored at regular meetings with the Budget and Finance Committee and the Board. At those meetings the Executive Director and CFO shall present reports covering the current status of each investment under the control of the Utah Bar. These reports shall cover four pertinent areas:

1) Investment account balances and maturities;
2) Projections of cash needs for the investment accounts;
3) Current investment market information including rates and yields; and
4) Comparative investment performance information.

METHODOLOGY - Separate policies will detail the specific guidelines for each investment account. Accounts to be included are as follows:

1) General Fund Operating Account
2) Reserve Account

Policy parameters will be addressed as follows:

Parameters which are consistent for all Accounts:

1) Credit Quality - All securities shall be in the two top-tier Investment Grades by one of the following rating agencies: Moody's, Standard & Poor's and Fitch.

   Moody's: Aa
   S & P: AA
   Fitch: AA

2) Investment Authorities - The Executive Director and the CFO shall have the authority to direct management of the General Fund Operating Account and the Reserve Account within the parameters approved by the Board's policies. Reporting shall be to the Budget and Finance Committee and the Board on a regular basis; at least quarterly.

3) Investment Procedures - Ongoing investment activity shall be managed by the Executive Director and the CFO. Summary status reports (balance, maturity and returns) shall be obtained and reviewed, and any recommendations shall be forwarded to the Budget and Finance Committee and the Board. The money managers for the Bar funds shall meet with the Executive Director, the CFO, and

the Budget and Finance Committee no less frequently than quarterly to review the status of each Account and to make specific recommendations as to the investment type, vehicle, and maturity appropriate to meet the policies, procedures and parameters established herein. The reports shall include for each Account:

a) Current investment asset reports;
b) Current cash needs projections;
c) Current maturity schedules;
d) Current investment yield curve data and summary of financial market trends;
e) Current reports of deposits by financial institution;
f) Current financial institution fee reports (as appropriate); and
g) Current data on actual and comparative current yield of the assets.

More frequent meetings may be held if market conditions warrant or significant changes occur in Utah Bar operations.

Parameters which differ for each account:

1) Account Size (in relation to entire pool of investments);

2) Investment Objective - (growth, income, safety, liquidity, rate of return): and

3) Approved Investments;

a) CASH or Money Market instruments
b) FIXED INCOME
c) EQUITIES
d) OTHER

4) Maturity; and

5) Allocation of Assets.

<u>GENERAL FUND OPERATING ACCOUNT</u>

Account Size: To be determined by the Executive Director and the CFO and monitored at regular meetings with the Budget and Finance Committee. To be based upon budget estimates and preferred liquidity requirements.

Investment Objective: The General Fund Operating Account represents those cash flows (including routine operating and capital expenditures) which enable the Utah Bar to function on a daily basis. While the Utah Bar operates under a balanced annual budget, receipts and disbursements for each particular month of the operating year may not be in equilibrium. The timing of operating receipts and disbursement of funds will fluctuate seasonally during the course of the year. Since it is the objective of the Utah Bar to render its disbursement obligations on a timely basis, liquid availability of General Fund Operating Account assets will be of primary importance. Therefore, safety of principal and liquid availability of funds shall be the primary investment objectives. Within these parameters, however, the Utah Bar wishes to maximize the return available on these funds before disbursement without exposing them to unnecessary risk. This will necessitate the control of disbursement timing as well as coordination of investment maturity in conjunction with available rates of return.

Policy Parameters Specific to This Account.

1) Approved Investments.

CASH or Money Market instruments

FIXED INCOME
U S Government and Government Sponsored Securities

Direct obligations of the US government
Government sponsored agency securities:

GNMA (Government National Mortgage Association)
FNMA (Federal National Mortgage Assocation)
FHLB (Federal Home Loan Bank)
FHLMC (Federal Home Loan Mortgage Corporation)
FFCB (Federal Farm Credit Bank)

Obligations of Major US and Foreign Commercial Bankers
Limited to:

FDIC insured Certificates of Deposit
Time deposits

A banking institution eligible to hold time deposits must carry one of the following long term credit ratings: A3/A-/A- by one of the rating agencies and two short term credit ratings of A1/P1/F1. Certificates of deposit and time deposits must be rated B or better by the LACE rating system.

2) Maturity

Maximum maturity shall not exceed 1 year
Average weighted duration of the portfolio shall be 6 months

A minimum of 25% of the General Fund Operating Account must be available on 24 hours notice.

3) Allocation of Assets

Assets shall be invested 100% in cash and approved fixed income securities, taking strict account of scheduled cash disbursement projections. Special attention shall be paid to avoid risk of excessive concentration in specific maturities.

The CFO will meet quarterly with the money managers for the Utah State Bar funds to determine cash needs and requirements in order to facilitate alignment of maturities to correspond with cash needs

No single issuer or guarantor (other than the United States Treasury and Federal Agencies) may represent more than 5% of the total value of holdings of each cash manager's portfolio.

RESERVE ACCOUNT

Account size: This account will hold the assets in excess of the allocation to the General Fund Operating Account.

Investment Objective: The Board has designated the Reserve Account as that pool of investment assets which, while held in reserve to supplement contingency operating needs, can be reasonably segregated and invested for purposes of optimizing current income potential while still maintaining adequate liquidity to meet the Utah Bar's contingency operating needs.

It is the investment objective of the Utah Bar for this account to maximize current income on its assets without exposing them to unacceptable credit or liquidity risks. Generation of current income in line with current market conditions as well as protection against loss of principal are both primary investment objectives for these assets. Since the Utah Bar's liquidity requirements may vary from time to time, management of account maturities will also take into account the likelihood of any new needs for contingent liquidity. To monitor and measure the investment performance of these assets in order to be certain that objectives are being adequately met, returns will be compared with general bond performance indexes (Russell Indices; SLGBF)

Policy Parameters Specific to This Account.

1) Approved investments:

ALL ABOVE PLUS:

Corporate Debt Securities Limited to:

Commercial Paper
Medium Term Notes

Commercial paper must carry a minimum of two of the following credit ratings: A1/P1/F1. Corporate debt must have minimum ratings of any two of the following: Moody's: A1/ Standard & Poor's A+/Fitch A+ with a maximum maturity of two years.

EQUITIES
None

OTHER
None

2) Maturity:

No more than 5 years maximum maturity
No more than 30 months average duration

3) Other:

The following limits should also apply: No more than 20% of total fixed income securities shall be invested to mature in any one month (except for maturities of nine months or less which have been invested for liquidity purposes) and no more than 5% of debt securities may be with any one issuer (except the US Government and its agencies.

John C. Baldwin
EXECUTIVE DIRECTOR

Effective Date	3/11/05
Board Approval Date	
Last Date of Revision	

UTAH STATE BAR

INVESTMENT POLICY

PURPOSE

The purpose of this policy is to establish the parameters to be followed in investing Utah State Bar. (*the Company's*) excess (short-term) cash assets.

The objectives of investing the excess cash balances of *The Company*, in order of priority, are as follows:

- Maximum safety of Principal.
- Meet The Company's liquidity requirements.
- Deliver optimum yields in relationship to the guidelines and market conditions.
- Provide fiduciary control of all investments.

RESPONSIBLE PARTIES

All investment decisions are the responsibility of the *Financial Administrator* and the *Executive Director*.

Any revisions or amendments to parameters or policy set forth here will be the responsibility of the *Financial Administrator* and the *Executive Director*.

ACCEPTABLE DEALER, BROKER, BANK

Any entity operating as contra-party to investment transactions with *The Company* will be required to submit its most recent financial statement and each year provide a copy of its annual report.

GENERAL PORTFOLIO PARAMETERS

The *Financial Administrator* and *Executive Director* shall determine the amount of cash that each Acceptable Dealer, Broker or Bank will manage for *The Company*. In general the portfolio parameters will apply to all cash managers, however, the firm that manages the excess cash used in daily operations will maintain liquidity parameters specified by *The Company*.

No security shall be of a maturity longer than *60 months*, with the exception of "put" bonds or other "option" securities whose ultimate maturity might exceed this restriction but whose "option" allows for redemption within this limit. The average life of the portfolio shall not exceed *24 months*. The maximum amount that can be invested longer then *18 months* is $1,000,000. *The Company's* investment performance benchmark is the 90-day United States Treasury Bill plus 25 basis points.

No single issuer or guarantor (other than the United States Treasury and Federal Agencies) may represent more than 15% of the total value of holdings of each cash manager's portfolio.

The total portfolio will be invested to provide, in the form of maturity proceeds:

- A *minimum of 25%* of the portfolio on 24-hour notice.

The *Financial Administrator* and the *Executive Director* coordinate these parameters with each portfolio manager.

ACCEPTABLE INVESTMENTS

US Government and Government-sponsored Securities

- Direct obligations of the US government
- Government-sponsored Agency securities as follows:
- Government National Mortgage Association [GNMA]
- Federal National Mortgage Association [FNMA]
- Student Loan Marketing Association [SLMA]
- Federal Home Loan Bank [FHLB]
- Federal Home Loan Mortgage Corporation [FHLMC]
- Federal Farm Credit Bank [FFCB]

Repurchase Agreements [Repo]

Contra-party must meet criteria set forth in Acceptable Dealer, Broker, Bank section. Repos must be collateralized by acceptable securities described in US Government and Government-sponsored Securities relating to Direct Obligations of the US Government. Other acceptable collateral for repurchase agreement would include Bankers Acceptances, Commercial Paper, Certificates of Deposit, and Euro Certificates of Deposit which maintain short term credit rating of A-2/P-2/F2 or higher, as well as Asset Backed Securities, Collateralized Mortgage Obligations, Whole Loan Mortgages, Mortgage Backed Securities which maintain long term ratings of A3/A-/A- or higher, and securities issued by foreign governments so long as the collateral is US dollar denominated to client.

Obligations of Major U.S. and Foreign Commercial Bankers Limited to:

- Certificates of Deposit
- Time Deposits
- Commercial Paper
- Bankers Acceptances
- Eurodollar Time Deposits
- Medium Term Notes

A banking institution must carry two of the following <u>long-term</u> credit rating of A3/A-/A- by Moody's Investor Services, Standard & Poor's, or Fitch and two <u>short-term</u> credit rating of A-2, P-2, or F2. Certificates of Deposit and Time Deposits will be rated B or better by the nationally recognized L.A.C.E. Rating System.

Corporate Debt Securities Limited to:

- Commercial Paper
- Variable Rate Demand Notes
- Medium-Term Notes
- Asset-Backed Securities
- Eurobonds
- Auction Rate Preferred Notes

Commercial paper: minimum of two of the following credit ratings of A-2/P-2/F2.
Corporate Debt: minimum of two of the following long-term credit ratings of A3/A-/A-, with a maximum maturity of two year.

Money Market Funds/Mutual Funds Limited to:

Investment is restricted to any such funds that invest in securities deemed acceptable for outright purchase.

Effective Date of Policy

This policy is effective on 3/11/05.

Approvals

John Baldwin
Executive Director

Arnold Birrell
Financial Administrator

Exhibit I

CREDIT RATING AGENCY RATING SCALES

Long-Term Ratings

	Moody's	S&P	Fitch	Description
Investment Grade	Aaa	AAA	AAA	Highest credit quality; risk factors negligible
	Aa1	AA+	AA+	
	Aa2	AA	AA	High credit quality; risk factors modest
	Aa3	AA-	AA-	
	A1	A+	A+	Protection factors average but adequate
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Risk factors more variable and greater in periods
	Baa2	BBB	BBB	of economic stress
	Baa3	BBB-	BBB-	
Non-Investment Grade	Ba1	BB+	BB+	Faces greater risk to adverse business, financial,
	Ba2	BB	BB	or economic conditions
	Ba3	BB-	BB-	
	B1	B+	B+	More vulnerable but has the capacity to meet its
	B2	B	B	financial commitment
	B3	B-	B-	
	Caa1	CCC+	CCC+	High default risk
	Caa2	CCC	CCC	
	Caa3	CCC-	CCC-	Extremely high default risk
	Ca	CC	CC	

Short-Term Ratings

Moody's	S & P	Fitch	Description
P-1	A-1	F1	Very Strong, Superior, High
P-2	A-2	F2	Satisfactory, Strong, Good
P-3	A-3	F3	Adequate, Acceptable, Fair
	B	B	Speculative
	C	C	
	D	D	Default

CREDIT RATING DEFINITIONS

STANDARD & POORS (S&P):

- Short-Term Issuer Credit Ratings

A-1
An obligor rated 'A-1' has STRONG capacity to meet its financial commitments. It is rated in the highest category by Standard & Poor's. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is EXTREMELY STRONG.

A-2
An obligor rated 'A-2' has SATISFACTORY capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

- Long-Term Issuer Credit Ratings

AAA
An insurer rated 'AAA' has EXTREMELY STRONG capacity to meet its financial commitments. 'AAA' is the highest Insurer Financial Strength Rating assigned by Standard & Poor's.

AA
An insurer rated 'AA' has VERY STRONG capacity to meet its financial commitments. It differs from the highest rated issuer only in small degree.

A
An insurer rated 'A' has STRONG capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than insurers with higher-rated categories.

BBB
An insurer rated 'BBB' has ADEQUATE capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the issuer to meet its financial commitments.

MOODY'S INVESTOR SERVICES:

- Short-Term Credit Ratings – Moody's Prime Rating System

Moody's short-term ratings are opinions of the ability of issuers to honor senior financial obligations and contracts. Such obligations generally have an original maturity not exceeding one year, unless explicitly noted.
Moody's employs the following designations, all judged to be investment grade, to indicate the relative repayment ability of rated issuers:

Prime-1 (P-1)
Issuers rated Prime-1 (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics:

- Leading market positions in well-established industries.
- High rates of return on funds employed.

- Conservative capitalization structure with moderate reliance on debt and ample asset protection.
- Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- Well-established access to a range of financial markets and assured sources of alternate liquidity.

Prime-2 (P-2)

Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above, but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation than is the case for Prime-2 securities. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

- ## Long-Term Credit Ratings

Aaa

Bonds and preferred stock, which are rated Aaa, are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edged." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa

Bonds and preferred stock which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the Aaa securities.

A

Bonds and preferred stock, which are rated A, possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

Baa

Bonds and preferred stock which are rated Baa are considered as medium-grade obligations (i.e., they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

NOTE: Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Source: Web sites of Standard and Poor's, and Moody's Investor Service

PROPOSAL FOR LIQUID ASSET MANAGEMENT
TO UTAH STATE BAR
November 20, 1988

Zions Bank proposes to offer its Liquid Asset Management service to the Utah State Bar. The service is designed to enhance returns on cash reserves while maintaining necessary liquidity. Investment objectives, in order of priority are:

- *Preserve principal*
- *Maintain required liquidity*
- *Optimize returns*

A customized investment portfolio would be created and actively managed on behalf of the Utah State Bar by R. Matthew Tullis, Senior Portfolio Manager. A model portfolio and suggested investment guidelines are provided on the following pages. In constructing the model portfolio, the following criteria was considered:

- *Minimization of risk to principal by improving credit quality over that of Zions Bank (A Zions Bank Sweep is currently being used)*
- Preference for taxable securities
- Extension of maturities for a portion of the "core" portfolio

The model portfolio includes securities that can be actively managed. That is, the portfolio manager can sell securities if the opportunity for incremental return can be realized. Such gains can be targeted though various quantitative modeling techniques which analyze interest rate levels, relative sector value and yield curve relationships. Furthermore, the portfolio manager can schedule maturities on days when technical factors (bank settlement days with the Fed, government issue auction days, calendar quarter-end, etc.) generally put upward pressure on interest rates. It is anticipated that the Utah State Bar's investment returns will be significantly higher through such active management. Furthermore, the portfolio can be fully liquidated within 24-48 hours with no market risk to principal, and a reduction in return of approximately less than 5 basis points (5/100 of 1%).

The Liquid Asset Management fee is 30 basis points (30/100 of 1%) per annum. Fees are charged quarterly in arrears, based on the average weighted market value. The model portfolio on the next page does not reflect the impact of fees.

R. Matthew Tullis, Senior Portfolio Manager, is a Chartered Financial analyst who formerly managed the entire cash position of The Church of Jesus Christ of Latter-day Saints (Mormon Church). He is a frequent national speaker relating to short-term money management and has an article appearing in the next issue of *Journal of Portfolio Management*. Matt earned both his B.A. and M.B.A. from Brigham Young University.

INVESTMENT GUIDELINES
Utah State Bar

INVESTMENT OBJECTIVES

- Preservation of principal
- Maintain liquidity necessary for benefit disbursements
- Maximize taxable total return

ACCEPTABLE INVESTMENTS

- Governments / Agencies
  - U.S. Treasury Instruments
  - Federal Agency Securities
- Money Market Instruments
  - Repurchase Agreements
  - Money Market Sweep Account
  - Commercial Paper
  - Certificates of Deposit
    - Domestic
    - Eurodollar (200 Largest World Banks)
  - Bankers Acceptances
    - Domestic
    - Yankee
  - Master Notes
  - Mortgage Backed Securities
  - Asset Backed Securities

BENCHMARK

Lipper Short Term Taxable Money Market Funds Average

MATURITY PARAMETERS

Maximum Maturity:	2 Years
Maximum Average Maturity:	180 days

CONCENTRATION AND DIVERSIFICATION

No restrictions on U.S. Treasury and Federal Agency securities
No more than 10% of the portfolio in any one issuer

CREDIT QUALITY

A2/P2, providing that issuer has an A Long Term Rating

RETURN OBJECTIVE

Maximum Taxable Realized Return

Approved: Arnold Birrell
Signature

Date: December 18, 1998

Arnold Birrell
Name

Financial Adminsitrator
Title