INVESTMENT GUIDELINES

1. Scope

These guidelines apply to all restricted and unrestricted funds, including operating funds, special funds, interest and sinking funds, and other funds belonging to or in the custody of the Board. Permitted investments are in agreement to the Illinois Public Funds Investment Act. The guidelines as it relates to section 6, Permitted Investments, may adjust according to future amendments to the Illinois Public Funds Investment Act. These guidelines should be read in conjunction with the Board Policy No. 33109, pursuant to Sec. 1.2-2., adopted on December 1, 2016.

Implementation of these guidelines and the authority to make investments is delegated by the Board to the Treasurer or the Chief Financial Officer as authorized from time to time by resolution of the Board. References herein to the Treasurer or the Chief Financial Officer shall mean such office as so designated from time to time by resolution of the Board.

2. Objectives

The primary objectives, in priority order, of investment activities shall be:

Safety

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

Liquidity

The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Additionally, to preserve the liquidity, the investment program will seek to limit interest rate risk.

Return

The overall investment portfolio shall be designed with the objective of attaining a reasonable market rate of return throughout budgetary and economic cycles, taking into account the nature of funds being invested and the previously stated investment risk constraints and priorities of safety and liquidity needs.

3. Implementation of Guidelines/Limitation of Liability

It shall be the Treasurer's or the Chief Financial Officer's responsibility to implement these investment guidelines in support of the "prudent" person standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states that:

> *"Investments shall be made with judgement 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."*

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interest in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the District.

The Treasurer or the Chief Financial Officer acting in accordance with written procedures and these investment guidelines and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. Any percentage limits, maturity length, rating requirements, or other investment parameters will be calculated and/or evaluated based on the original cost of each investment at the time of purchase, based on the settlement date, of the security in determining compliance with these investment guidelines.

4. Segregation of Duties

The Treasurer's or the Chief Financial Officer's authorization function shall be maintained separate from both accounting and custodial functions. The Treasurer or the Chief Financial Officer shall confirm each investment trade in excess of $500,000 other than those in the Illinois Funds (formerly Illinois Public Treasurer's Investment Pool), local government investment pools (such as the Illinois Trust), money market funds, or those managed by the external money manager, prior to trade date.

5. Permitted Investments

The Treasurer or Chief Financial Officer may invest restricted and unrestricted funds pursuant to the Illinois Public Funds Investment Act. Investments may include current operating funds, special funds, interest and sinking funds, and other funds belonging to or in the custody of the Board, in the following types of securities, provided that: (i) such securities shall achieve the objectives described in Section 2 of these guidelines and; (ii) that such securities shall mature or be redeemable on the date or dates prior to the time when in the judgment of the Treasurer or

Chief Financial Officer, the funds so invested will be required for expenditures by the Board. Securities shall generally be purchased with the intention that they will be held to maturity so as to minimize interest rate risk.

The investment portfolio will be diversified to avoid incurring undue concentration in securities of one type or securities of one financial institution or maturities.

a. Bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed as to the payment of principal and interest by the full faith and credit of the United States of America.

b. Bonds, notes debentures, or other similar obligations of the United States of America or its agencies, or instrumentalities, including, mortgage backed securities, (except for those specifically listed on item n of this section) and obligations of FNMA as set forth in the Attorney General's opinion. Monitor legislative activity for changes that might impact the future permissibility of investing in FNMA securities. For mortgage backed securities ("MBS") and collateralized mortgage obligations ("CMOs"), the 5 year maximum maturity limitation will be applied to the weighted average life ("WAL") calculation rather than the final maturity of the MBS or CMO security.

c. Interest-bearing savings accounts, certificates of deposit, time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, the deposits of which are insured by the Federal Deposit Insurance Corporation ("FDIC"). Any such investments made in excess of such deposit insurance limits, including uninsured accounts in financial institutions in which multiple accounts are maintained, shall be secured as provided in Section 7 or if, at the time of purchase, the bank carries a top tier short-term rating of A-1/P-1 or better without regard to gradation and a long-term rating of A- or better and is on the approved list of the District's contracted SEC registered investment advisor. A bank's acceptability as counterparty shall be determined by its financial status and responsibility, and its potential for responsiveness to the needs of the colleges, the student community and the District. A list of banks currently being utilized shall be periodically submitted to the Board for its review and approval.

d. Obligations of corporations organized in the United States of America with assets exceeding $500,000,000; obligations must be rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services, and must mature not later than 3 years from the date of purchase; the Board's investment in the short-term obligations of a single issuer shall not exceed 10% of that corporation's outstanding obligations. U.S. dollar denominated corporate obligations of domestic issuers must be rated at the highest short-term rating category (A-1/P-1 or equivalent) or be rated at one of the three highest long-term rating categories (A-/A3 or equivalent) by at least two of the following standard rating services: Standard & Poor's, Moody's, and Fitch.

e. The portfolio of any money market mutual fund registered under the Investment Company Act of 1940, as amended; must be limited to the obligations specified in subsection [a] or [b] of this Section and to agreements to repurchase such obligations. The fund must maintain a weighted average portfolio maturity of 60 days or less. Prospectuses must be received before investing and readily available by the administrator of the money market mutual fund.

f. Short-term discount obligations issued by the Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), Government National Mortgage Association (GNMA), Tennessee Valley Authority (TVA), or any other agency created by an Act of Congress.

g. Shares or other forms of securities legally issuable by savings and loan associations incorporated under the laws of any state or of the United States of America, the shares or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such investments made in excess of such deposit insurance, including uninsured accounts in financial institutions in which multiple accounts are maintained shall be secured as provided in Section 7. A savings and loan association's acceptability as counterparty shall be determined by its financial status and responsibility, and its potential for responsiveness to the needs of the colleges, the student community, and the District. A list of savings and loan associations currently being utilized shall be periodically submitted to the Board for its review and approval.

h. Dividend-bearing share accounts, share certificate accounts, or other such class of share accounts of a credit union chartered under the laws of the State of Illinois or of the United States of America, provided that deposits are insured by applicable law and that the credit union's principal office is located within the State of Illinois. Any such investments made in excess of such deposit insurance, including uninsured accounts in financial institutions in which multiple accounts are maintained, shall be secured as provided in Section 7. A credit union's acceptability as counterparty shall be determined by its financial status and responsibility, and its potential for responsiveness to the needs of the colleges, the student community, and the District. A list of credit unions currently being utilized shall be periodically submitted to the Board for its review and approval.

i. Interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, or any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the District or held under a custodial agreement at a bank. The bonds shall be rated at least A- by Standard and Poor's or A3 by Moody's at the time of purchase.

j. Accounts or other investments in the Illinois Funds (formerly Illinois Public Treasurer's Investment Pool) or in any other managed investment pools as may be approved by state statute or that is rated ‘AAA’ by Standard & Poor’s or Moody’s.

k. Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the District, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

l. Any money market mutual fund that invests in corporate investment grade short term bonds. Purchase of mutual funds that invest in corporate investment grade short term bonds shall be limited to funds with assets of at least $100 million and that are rated A or better at the time of purchase by a recognized rating service.

m. Short Term Bond Funds that investment primarily in corporate investment grade bonds. These funds are limited to funds with assets of at least $100 million and that have an average credit quality of at least a single A rating.

n. Investments in the following securities are prohibited: reverse repurchase agreements, inverse floaters, derivative products, such as interest only securities (IOs), principal only securities (POs) and other securities that could impart leverage to the portfolio or have highly unpredictable cash flows.

Investment Limits and Specifications

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement[1]	Maximum Maturity	Section Reference
U.S. Treasury	100%	100%	N/A	5 Years (5 year avg. life[5] for GNMA)	6a
GNMA		40%			6a
Other U.S. Government Guaranteed (e.g., AID, GTC)		10%			6a
U.S. Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB	100%	40%[4]	N/A	5 Years	6b and 6f
U.S. Federal Agency/GSE other than those above		10%			6b
U.S. instrumentalities (including supranational securities where the U.S. is a shareholder and voting member)	30%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5 Years	6b
U.S. dollar denominated corporate obligations of domestic issuers	33%[2]	5%[3]	Highest ST (A-1/P-1, or equivalent) or Three Highest LT Rating Categories (A-/A3 or equivalent)	3 Years	6d
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5 Years	6i
U.S. Agency Mortgage-Backed Securities ("MBS")	50%	40%[4]	N/A	5 Year Avg. Life[5]	6b
Negotiable Bank Certificates of Deposit (by banks which are insured by the FDIC)	50%[2]	5%[3]	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)	5 Years	6c
Secured Bank Deposits	50%	None, if fully secured	None, if fully secured.	2 Years	6g & 6h
FDIC-Insured Bank Deposits	50%	FDIC limit for insurance	None, if fully FDIC-insured.	2 Years	6c
Repurchase Agreements	25%	20%	Counterparty (or if the counterparty is not rated by an NRSRO, then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent); if the counterparty is a Federal Reserve Bank, no rating is required	330 Days	6k
Money Market Funds ("MMF")	100%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A	6e
Corporate Investment Grade or Global Government Bond Fund	10%	20%	As restricted by 30 ILCS 235	N/A	6l & 6m
Local Government Investment Pools	100%	100%		N/A	6j

Notes:

[1] Rating by at least two SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.

[2] Maximum allocation to non-federal government or federal agency / GSE securities is 75% combined.

[3] Maximum across all non-government permitted investment sectors (excluding Treasuries, U.S. Federal Agencies and Agency MBS) is 5% combined per issuer.

[4] Maximum exposure to any one federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

[5] The maturity limit for Agency MBS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

[6] All limits and rating requirements apply at time of purchase; maturity and average life are measured from the settlement date.

Except where explicitly stated in the Illinois Public Funds Investment Act, the maximum maturity limits listed above may be adjusted accordingly.

6. Security Arrangements

The following security arrangements shall be required for all bank deposits, savings and loan association deposits, and credit union share accounts, unless at the time of purchase, the bank carries a top tier short-term rating of A-1/P-1 or better without regard to gradation and a long-term rating of A- or better and is on the approved list of the District's contracted SEC registered investment advisor.

a. Investments made in excess of any applicable deposit insurance, including uninsured accounts in financial institutions in which multiple accounts are maintained, shall be secured by a corporate surety bond written by a surety company authorized to do business in the State of Illinois that is rated at least AA- by Standard and Poor's or Aa3 by Moody's, or by an undertaking from the depository supported by a pledge of securities having a market value of 102% or greater than the uninsured amount on deposit or by a Federal Home Loan Bank ("FHLB") Letter of Credit ("LOC") rated AA- by Standard and Poor's or Aa3 by Moody's. The Treasurer or the Chief Financial Officer shall determine the acceptability of obligations pledged as collateral with regard for their legality, financial risk, interest rate risk, and liquidity.

b. Collateral shall be delivered in a manner sufficient to grant the Board a perfected security interest in the pledged obligations. Whether the purchase of securities or placement of deposits is made directly by the Board or through a custodial bank, as agent, payment of funds shall be made only upon assurance of receipt of the collateral or acceptable surety bond. Satisfactory receipt shall be evidenced by physical delivery or book-entry transfer of collateral to the Board or its appointed custodian.

c. A written custodial agreement shall be executed by the Treasurer or the Chief Financial Officer on behalf of the Board with the custodial bank which, in such capacity, may not also be the institution with which the investment or deposit is made. The agreement shall describe the respective responsibilities of the Board and the custodian and shall specify that:

i. Funds shall not be released by the custodian until the Board's security interest is perfected in obligations purchased; collateral shall be segregated, either physically or by appropriate book-entry; written confirmation of delivery shall be timely transmitted by the custodian to the Board.

ii. Any rights of the counterparty or custodian with respect to the collateral are subordinate to the Board's interest therein.

iii. All transactions occurring in the Board's custodial account shall be recorded on the custodian's books and shall be timely reported in writing to the Board.

iv. The custodial bank shall have the Board's prior written authorization, evidenced by the signature of the Treasurer or the Chief Financial Officer, before affecting the transfer of investments or the release or substitution of pledged obligations.

7. <u>Authorized brokers/dealers and Financial Institutions</u>

A list of approved brokers/dealers and financial institutions shall be maintained and utilized for investment purposes. All deposits shall be made in a qualified public depository as defined by state status.

All approved brokers/dealers and financial institutions must meet the following requirements:

a. Brokers/Dealers

i. Shall provide wire transfer services.

ii. Shall be a member of a recognized U.S. Securities and Exchange Commission self-regulatory organization such as Financial Industry Regulatory Authority (FINRA), etc.

iii. Shall provide an annual audit upon request.

iv. Shall have an office of Supervisory Jurisdiction within the State of Illinois and be licensed to conduct business in this State.

v. Shall be familiar with Board's guidelines and accept financial responsibilities for any investment not appropriate according to the guidelines.

b. Financial Institutions

i. Shall provide normal banking services, including, but not limited to: checking accounts and wire transfers.

ii. Must be a member of the FDIC system. Must be capable of posting required collateral for funds in excess of FDIC insurable limits.

iii. Must make available to the Treasurer or the Chief Financial Officer with copies of the latest statement of condition which it is required to furnish to the Comptroller of Currency as the case may be and must continue to furnish such statements within 45 days of the end of each quarter.

8. Sustainable Investing

The District will regularly consider any material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (i) corporate governance and leadership factors; (ii) environmental factors; (iii) social capital factors; (iv) human capital factors; and (v) business model and innovation factors, as provided under the Illinois Sustainable Investing Act.