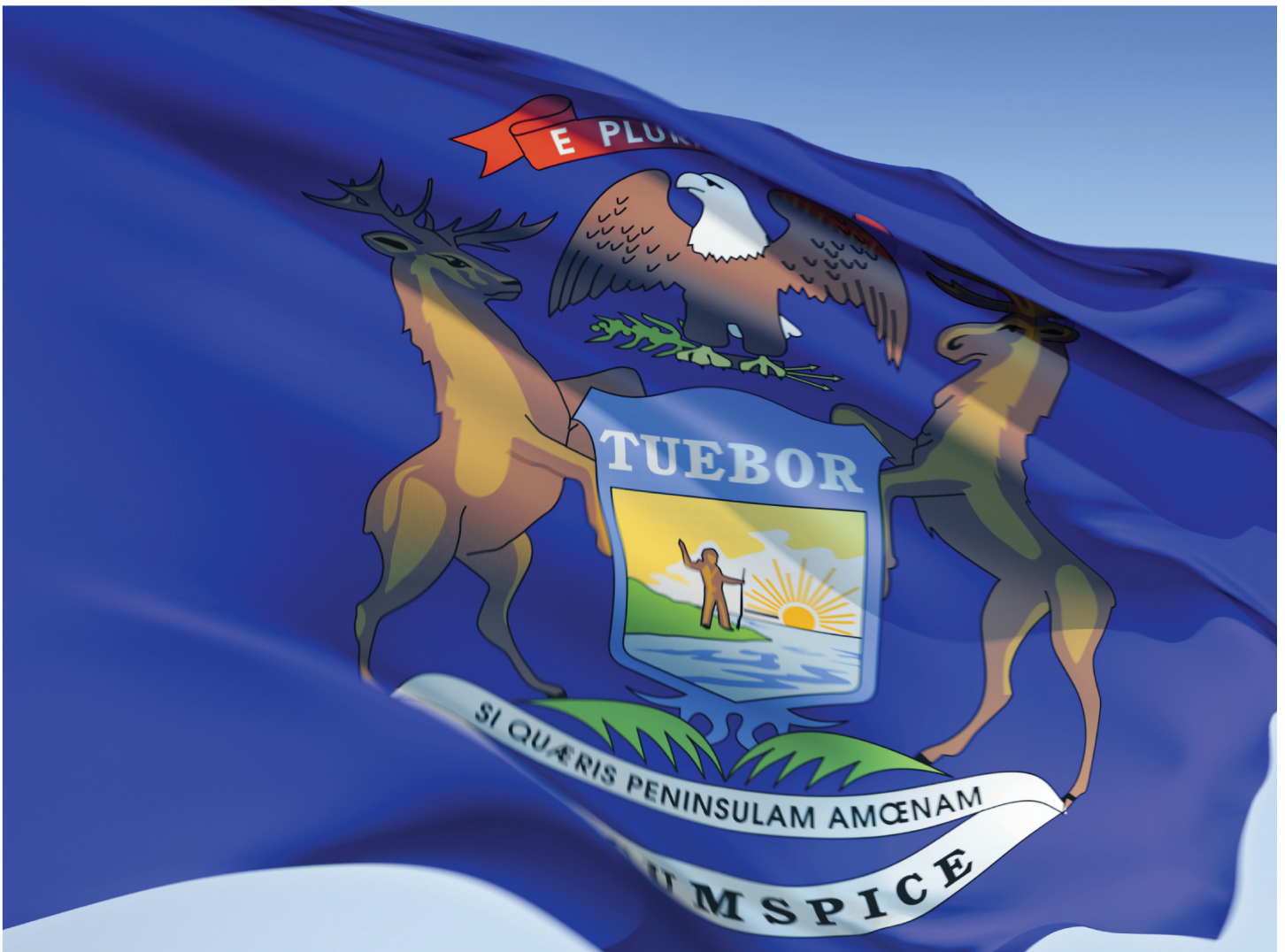


Michigan
CLASS[®]



Investment Policy

September 2009





Michigan CLASS Investment Policy

1.0 PURPOSE:

Michigan CLASS is an interlocal investment program created by an interlocal agreement of various Michigan local units of government dated as of October 1, 1991, as amended, (the "Participation Agreement") for the purpose of jointly investing surplus funds of the participant local units of government. Pursuant to the Participation Agreement and as authorized by the Urban Cooperation Act of 1967, 1967(Ex Sess) PA 7, a board of trustees was created to hold title to investments on behalf of each participant. Capitalized terms used in this policy shall have the meaning ascribed to them in the Participation Agreement.

2.0 SCOPE AND OBJECTIVE:

It is the obligation of Michigan CLASS to cause funds of its participants to be invested in a manner which complies with the Investment criteria contained in the Participation Agreement. Those investment criteria apply to all assets considered Investment Property under the Participation Agreement and specify the objectives of the program related to safety, liquidity and yield (return on investment).

The investments will be diversified by security type and institution in order to minimize risk and exposure. Concentration of investments will depend, among other factors, on market conditions, on availability in terms of desired maturities, collateral and creditworthiness and on market yields.

3.0 DELEGATION OF AUTHORITY

The authority of the Board to manage the Investment Property is derived from the Participation Agreement approved by each Participant pursuant to the Urban Cooperation Act of 1967, 1967(Ex Sess) PA 7. Pursuant to the Participation Agreement, the Board and the Participants have appointed Cutwater Investor Services Corp. (CISC) as Investment Advisor for the term set forth in an Investment Advisor Agreement between CISC and the Board and have delegated the authority to manage the investment property in accordance with the terms of the Participant Agreement.

4.0 AUTHORIZED INSTRUMENTS:

Consistent with the Investment Criteria contained in the Participation Agreement and attached here to as Exhibit A, the board and the Investment Advisor are authorized to invest Investment Property in only the following:

- (a) US Treasury Bonds, Bills, Notes and Treasury Strips,
- (b) Obligations of an agency or instrumentality of the United States.
- (c) Commercial paper rated at the time of purchase within the highest two classifications established by not less than two standard rating services (i.e., as of September 18, 2009, A-1+ and A-1 by Standard & Poor's Ratings Service, P-1 by Moody's Investors Service, or F1+ and F1 by Fitch, Inc.) and that matures not more than 270 days after the date of purchase.
- (d) Commercial Paper which is rated at the time of purchase within the highest two classifications by not less than two standard rating services (i.e., as of September 18, 2009, A-1+ and A-1 by Standard & Poor's Ratings Service, P-1 by Moody's Investors Service, or F1+ and F1 by Fitch, Inc.), which matures not more than 270 days after the date of purchase and which is guaranteed by the FDIC Temporary Liquidity Guarantee Program, until the termination date of FDIC Temporary Liquidity Guarantee Program guarantee, occurring on the earlier of (i) the date an issuing institution opts out of participation in the program; (ii) the maturity date of the debt instrument; or (iii) June 30, 2012 for debt issued before April 1, 2009 and December 31, 2012 for debt issued on or after April 1, 2009.
- (e) Bankers' acceptances issued by FDIC member United States banks.
- (f) Repurchase agreements consisting of instruments listed in a subdivision (a or b) Repurchase agreements shall be 102% collateralized with Public Securities Association (PSA) Master Repurchase agreement on file and or tri-party custody agreement on file.
- (g) Certificates of deposit issued by and deposit accounts of a financial institution eligible under law to be a depository of Participant local units of government so long as such articles of deposit and/or deposit accounts are secured 102% at the value of each by eligible collateral listed on Exhibit B here to.
- (h) Mutual funds registered under the investment company act of 1940, maintaining a \$1.00 per share net asset value, and with authority to purchase investment vehicles that are legal for direct investment by all participant local units whose monies are invested in mutual funds that such participants acknowledge that the funds be placed in a special sub account created pursuant to the Participation Agreement, as amended.
- (i) Any other investment permissible to all Participants individually under Michigan Law and authorized by the board.

5.0 SAFEKEEPING AND CUSTODY:

As provided by the Participation Agreement, all security transactions, including collateral for repurchase agreements and financial institution deposits, entered into on behalf of Participants may be on a cash or delivery versus payment basis as determined by the Investment Advisor. Pursuant to the Participation Agreement, the Investment Advisor has appointed a Custodian to



receive, hold for reinvestment, and clears all Investment Funds and Investment property, as a fiduciary, in accordance with the Participation Agreement.

6.0 PRUDENCE:

Investment of Investment Property, by the Investment Advisor, on behalf of Participants shall be made with the judgment and care under certain circumstances then prevailing which persons of fiduciary prudence discretion and intelligence exercise in the management of assets, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

7.0 ACKNOWLEDGEMENT:

The Investment Advisor shall provide the broker or financial intermediary a copy of the Michigan CLASS investment policy and a form on which the broker or financial intermediary must acknowledge receipt of the Investment Policy and agree to comply with the said policy regarding the purchase and sale of securities.

8.0 REPORTS

In accordance with the Participation Agreement the Investment Advisor shall prepare or cause to be prepared a quarterly report and a written annual report, including the opinion of an independent public accountant to the Board of Trustees of Michigan CLASS within ninety days after the close of the fiscal year.

9.0 EFFECTIVE DATE:

This policy shall become effective on the day following adoption by the Board of Trustees of the Participation Agreement (Michigan CLASS).

Adopted: December 12, 2008



EXHIBIT B

ELIGIBLE COLLATERAL

1. Assets considered acceptable to the Michigan state treasurer under Section 3 of the Surplus Funds in Treasury Act, 1855 PA 105, to secure deposits of state surplus funds.
2. Any of the following:
 - a. Securities issued by the federal home loan mortgage corporation.
 - b. Securities issued by the federal national mortgage association.
 - c. Securities issued by the government national mortgage association.
3. Other securities considered acceptable to the depositor of public funds and the financial institution.
4. Any other collateral permissible by Michigan law and authorized by the Board, except that in no case shall an asset with a rating classification lower than A-1 by Standard & Poor's Ratings Service, P-1 by Moody's Investors Service or F1 by Fitch, Inc. be accepted as eligible collateral.