

CITY OF MIDDLETOWN INVESTMENT POLICY

October 24, 2006

This document will govern the investment activities of the City of Middletown.

Policy Statement and Scope of Policy

It is the policy of the City of Middletown to invest public funds in a manner which will guarantee the maximum security of those funds. Investing for the highest return, meeting the cash flow demands of the City, and conforming to all state and local states governing the investment of public funds are also of primary importance.

This investment policy applies to all interim funds of the City.

Investment Objectives

The primary objectives, in priority order, of the City of Middletown's investment activities shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. At no time will the safety of the portfolio's principal investment be impaired or jeopardized. Safety is herein defined as the certainty of receiving full par value plus accrued interest, at the securities legal final maturity.

Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements. Portfolio liquidity is defined as the ability to sell a security on a short notice near the par value of the security. Liquidity shall be assured by keeping an adequate amount of short-term (30 days or less) investments in the portfolio to accommodate the cash needs of the City.

Return on Investments: The City's investment portfolio shall be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

Deregulation of Authority

Management responsibility for the investment program is hereby delegated to the City Treasurer, who shall be responsible for the implementation of the investment program and the establishment of investment procedures consistent with this policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer. The City Treasurer shall be responsible for all transactions undertaken.

Authorized Financial Institutions

The City Treasurer will maintain a list of financial institutions authorized to provide investment services. No public deposit shall be made except in qualified public depositories as established in Chapter 135 of the Ohio Revised Code.

Authorized Investments

The City Treasurer is authorized to invest interim funds of the City in the following securities:

1. Certificates of deposit of banks located within the City of Middletown.
2. United States Treasury bills, notes, bonds or any other obligation guaranteed as to principal and interest by the United States.
3. The Ohio Subdivision's Fund (STAR OHIO).
4. Obligations of the City of Middletown, Ohio.
5. No load money market mutual funds that are restricted to investing in only direct obligations of the United States government.

Investments in derivatives are specifically prohibited. Investments in stripped principal or interest obligations of otherwise eligible obligations are also specifically prohibited.

Maximum Maturity

The City will attempt to make investments with anticipated cash flow requirements. The maximum maturity of any investment in the City portfolio will be 60 months, except for obligations of the City of Middletown, Ohio.

Safekeeping of Securities

Investments purchased for the portfolio will be delivered to the City's custodial agent using standard delivery versus payment procedures. Securities shall be pledged at the Federal Reserve Bank to collateralize all certificates of deposit of Middletown banks. The City of Middletown requires specific collateral of all certificate of deposit investments.

Authorized Investment Advisors/Brokers

Investment advisors and brokers will be selected by the City Treasurer and the City Finance Director. The City will do business only with the advisors and brokers located in the State of Ohio.

Pursuant to Chapter 135 of the Ohio Revised Code, all brokers, advisors, and financial institutions initiating transactions with the City of Middletown by giving advice or executing transactions initiated by the investment authority, must acknowledge their agreement to abide by the investment policy's content.

The Institution below by signing submits that it has read and acknowledges the investment policy, and agrees to abide by its content.

NAME OF INSTITUTION

AUTHORIZED OFFICER

DATE