

TOWN OF JUPITER INVESTMENT POLICY

I. SCOPE:

The purpose of this Investment Policy is to adopt a written investment plan to implement investment activity for the investment of any public funds in excess of the amounts needed to meet the Town of Jupiter's (Town) current expenses. This investment policy shall not apply to the Police Pension, or funds related to the issuance of debt where there are other existing policies, indentures or bond covenants in effect for such funds.

The responsibility for the establishment of this policy rests with the Jupiter Town Council. The Finance Director, acting as the Town's Investment Officer, under the supervision of the Town Manager, shall be responsible for the implementation of this policy and for managing the Town's investment portfolio within its guidelines.

II. INVESTMENT OBJECTIVES

The primary objectives of the Investment Policy of the Town, in order of priority, shall be:

SAFETY OF CAPITAL - The safety and preservation of principal shall be the foremost objective. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from institutional or securities defaults or erosion of market value. The Town shall seek to diversify its investments to avoid incurring unreasonable risks regarding specific security types and/or individual financial institutions.

LIQUIDITY OF FUNDS- The Town's investment portfolio shall remain sufficiently liquid to meet all operating and capital requirements that may be budgeted or reasonably anticipated.

INVESTMENT INCOME - The investment plan shall seek to earn a reasonable rate of return through budget and economic cycles given the limitations of market conditions and the limitations imposed by maintaining safety of principal and liquidity. Return on investment is of least importance when compared to the safety and liquidity objectives described above.

III. PERFORMANCE MEASUREMENT

The investment plan of the Town shall be designed to meet or exceed the weighted average return of three month U. S. Treasury Bills (25%) and one year U. S. Treasury Bills (75%). The Town's investment plan shall seek to achieve returns above this threshold, subject to market conditions and consistent with the parameters and risk limitations identified within this policy and prudent investment practices.

IV. PRUDENCE AND ETHICAL STANDARDS

The standard of prudence and care that the Finance Director shall apply in the context of managing the Town's investment plan is the "Prudent Person Rule" as provided by the GFOA (Government Finance Officers Association) which states:

Investments shall 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.

Any Town Investment Officer who acts in accordance with the written procedures of this investment policy and exercising due diligence shall be relieved of any and all personal responsibility for an individual security's credit risk or market price fluctuations.

Any and all Town employees who are involved in the Town's investment plan shall refrain from any personal business activity that could conflict with the proper execution of the Town's investment plan, or which could reasonably be expected to impair their ability to make impartial investment decisions for the benefit of the Town. Any and all employees involved in the Town's investment plan shall disclose to the Town Manager and the Town Council any material financial interest in financial institutions that conduct business with the Town and shall also disclose any large, personal financial and/or investment positions which could be related to the performance of the Town's investment portfolio.

V. AUTHORIZED INVESTMENTS

On behalf of the Town Council, the Finance Director acting as the Town's Investment Officer is authorized to invest funds covered under this Investment Policy in any of the securities listed below:

1. U.S. Government Debt or Obligations the interest and principal of which is unconditionally guaranteed by the U.S. Government or of a U.S. Government Agency such as the Government National Mortgage Association, U.S. Government Sponsored Enterprises, including but not limited to, obligations of the Federal Farm Credit Banks; the Federal National Mortgage Association, including Federal National Mortgage Association participation certificates and mortgage pass-through certificates guaranteed by the Federal National Mortgage Association; the Federal Home Loan

Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the Federal Home Loan Bank or its district banks.

2. High Grade Corporate Debt obligations of domestic or foreign corporations, which may include corporate notes, medium term notes, bankers acceptances, commercial paper and certain asset backed securities. At the time of purchase, qualifying corporate debt obligations shall be rated by two nationally recognized credit rating agencies, one of which must be either Moody's, S&P or Fitch and shall be rated, at a minimum, at or above Aa by Moody's, AA by S&P, or AA by Fitch.

3. Interest bearing certificates of deposit or savings accounts in banks organized under the laws of the State of Florida, in national banks organized under the laws of the United States and doing business in and situated in the State of Florida, in savings and loan associations which are under State supervision, or in savings and loan associations organized under law and under federal supervision and doing business in and situated in the State of Florida provided that any and all such deposits are secured by collateral as may be prescribed by law and provided that the financial institution has been designated as a "qualified public depository" pursuant to State law. The Town is specifically prohibited from holding any Town funds in any bank or savings and loan association which has not been designated as a "qualified public depository" by the State of Florida pursuant to the provisions of Chapter 280, Florida Statutes.

4. Money Market Mutual/Trust Funds ("Funds") which meet the Securities and Exchange Commission definition of a money market fund provided such Funds do not have holding in foreign investments greater than 20% of total investment holdings. Such Funds may include The Florida Local Government Investment Trust (Florida Association of Court Clerks), The Florida Municipal Investment Trust (Florida League of Cities) and The "Florida Prime" (State Board of Administration) pursuant to Chapter 218.405, Florida Statutes which requires that a resolution of the Town Council be filed with the State Board of Administration authorizing investment in the trust fund. At the time of purchase, qualifying Funds shall be rated by two nationally recognized credit rating agencies, one of which must be either Moody's, S&P, Fitch or Morningstar and shall be rated, at a minimum, at or above Aa-mf by Moody's, AA-m by S&P, AA-mm by Fitch or four stars by Morningstar.

5. State and Local Taxable and/or Tax Exempt Debt issued by states, counties, cities or other taxing authorities. The debt obligations shall be rated by two nationally recognized credit rating agencies, one of which must be either Moody's, S&P or Fitch and shall be rated, at a minimum, at or above Aa by Moody's, AA by S&P, or AA by Fitch.

6. Floating rate securities, money market mutual funds and repurchase agreements in categories 1, 2 or 3 above provided that the rate on floating rate securities is tied to the interest rate paid on U. S. Treasury securities, LIBOR or an index thereof.

The Town is specifically prohibited from investing any Town funds covered by this Investment Policy in any form of corporate equity instruments, commodities, financial

forwards or futures, options, reverse repurchase agreements, inverse floaters or any form of derivative instrument or product.

Any investment which is held by the Town at the time of the adoption of this policy may be held until sold or to maturity to avoid the loss of Town funds.

VI. MASTER REPURCHASE AGREEMENTS

All approved institutions and dealers, as identified below who are transacting repurchase agreements shall execute and perform in compliance with the Master Repurchase Agreement (attached as Appendix A). The terms and requirements of the Master Repurchase Agreement will be supplemented by the requirements set forth below.

Investments in any securities authorized under the above section of this Investment Policy may be under a repurchase agreement provided that in all cases, the Town shall retain possession of the underlying pledged securities. It is to the Town's benefit to invest current operating funds overnight and on weekends when the funds are not immediately needed to pay the operating expenses of the Town. To accommodate these funds, the Town may invest these funds in overnight repurchase agreements with a qualified public depository. The following conditions must be met by the qualified public depository before entering into any repurchase agreement:

1. Each repurchase agreement must be at least 100% collateralized by specific United States Government securities.
2. The pledged securities collateralizing the agreement must be held in the Town's name or safekeeping account so that the Town clearly has legal possession of said pledged securities.
3. The depository must show exactly where the pledged securities are being held.
4. Current operating funds may only be invested in agreements which are overnight or over a weekend to provide liquidity.
5. Written confirmation must be received for each transaction.

VII. MATURITY AND LIQUIDITY REQUIREMENTS

The Town's investment portfolio shall be structured so as to provide the necessary funds to pay the expenses of the Town as they come due. Investments shall be purchased consistent with a "buy and hold to maturity" philosophy, matching maturities with known cash needs and the anticipated cash flow needs of the Town.

VIII. PORTFOLIO COMPOSITION

The Town's investment portfolio shall be designed to provide a balance of short-term and medium-term maturities designed to meet the liquidity needs of the Town. The

investment portfolio shall be commensurate with the nature and size of the public funds with the custody of the Town, shall be diversified with respect to investment instruments and issuers as follows:

1. At any given time, at least 30% of the total dollar cost of the portfolio shall mature within one year.
2. At any given time, not more than 10% of the total dollar cost of the portfolio shall mature beyond five years, unless a specific project and related cash reserve fund are identified and established for maturity beyond five years.
3. No security purchased may have a maturity of more than 15 years.
4. Exclusive of securities held under a safekeeping agreement, no bank or savings association shall hold more than 50% of the total dollar cost of the of the Town's investment portfolio.

IX. RISK AND DIVERSIFICATION

In order to reduce the risk of loss from the over concentration of assets in a specific maturity, issuer, instrument, dealer or bank, the investment portfolio shall be managed in a manner designed to minimize risk from default and changes in market condition. The Finance Director, acting as the Town Investment Officer, shall endeavor to balance the portfolio amongst issues, issuers, maturities, investment vehicles and financial institutions. The Town Manager and the Finance Director shall review the portfolio on at least a semi-annual basis to review the adequacy of the diversification strategy, and may recommend changes they deem appropriate to same to the Town Council.

X. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

The Town may purchase securities from any primary dealer in government securities, a regional broker if they have been in business for at least 10 years and have a minimum of \$10,000,000 of capital, or a qualified public depository. The Town is encouraged to deal with knowledgeable financial institutions, brokers and dealers located in Palm Beach County and the surrounding areas. Broker-dealers shall be selected using the following criteria:

1. The institutional and broker qualifications as they relate to both general and specific product knowledge.
2. The ability to provide value added services.
3. Pricing competitiveness.
4. The financial strength of the company based on two years of audited financial statements.

5. Proof of Financial Industry Regulatory Authority (FINRA) certification and State registration.
6. At least three references from other public entities in Florida that the broker/dealer has an ongoing business relationship.

All authorized investment institutions and dealers conducting business with the Town shall be given a copy of the Town's Investment Policy and shall be required to abide by this Investment Policy. Authorized investment institutions and dealers shall execute a certification acknowledging that they have received a copy of the Investment Policy that they have read and understand the requirements and limitations contained in the policy and that they agree to follow all terms and conditions contained therein.

XI. THIRD - PARTY CUSTODIAL AGREEMENTS

All investments purchased or collateral obtained as security for investments purchased under this policy shall be properly designated as an asset of the Town and held in safekeeping by a third party custodial bank or savings association, chartered by the United States Government or the State of Florida. This third party shall be a designated agent of the Town and shall ensure that all assets which are held on behalf of the Town shall be clearly held and accounted for to indicate ownership by the Town. No withdrawal of such securities, either in whole or in part, shall be made from safekeeping except as authorized by the Finance Director .

If applicable, the Town shall settle the purchase or sale of securities on a "delivery vs. payment" basis to ensure that the custodian will have the security or money in hand at the conclusion of the transaction.

XII. COMPETITIVE BIDDING REQUIREMENTS

For all investment purchases or sales made pursuant to this policy, the Town shall seek at least three quotations from authorized brokers, dealers and financial institutions, whenever feasible and appropriate, in order to maximize the performance of the portfolio. Competitive bids will not be required when:

1. The security involved is a new issue and can be purchased at auction or at a preset, initial offering price.
2. The security is available through a direct issue or private placement. In all cases where competitive bidding is not feasible, the appropriateness and return offered by the investment shall be compared to other investments with similar maturities and risks available in the open financial markets and a written report shall be submitted and approved by the Town Manager.

XIII. CONTINUING EDUCATION

All Town officials responsible for making investment decisions shall annually complete a minimum of eight hours of continuing education related to investment practices and products.

XIV. INTERNAL CONTROLS

The Finance Director shall establish a system of internal controls for the Town Investments. These internal controls shall be reviewed periodically by the Town Manager and annually by the Town auditor in conjunction with the annual financial and compliance audit of the Town.

These controls are designed to prevent losses of public funds from fraud, employee error, misrepresentations by brokers, dealers or other third parties, unanticipated changes in financial markets or imprudent actions by Town employees or officers.

XV. REPORTING

The Finance Director shall submit an investment report to the Town Manager and the Town Council on at least a quarterly basis. The report shall show investments by fund and indicate the type of investment, purchase and maturity dates, purchase price, stated interest rate, fiscal year to date earnings and estimated market value as of the date of the report.

XVI. CASH MANAGEMENT

Except as otherwise directed by the Town Council or State law, the Finance Director is hereby authorized to pool the cash of the various funds covered by this policy in order to maximize investment earnings where it is advantageous and prudent to do so. Investment income from this pooled cash shall be allocated to the various funds based upon their respective participation in the pool as of the last day of the month.

XVII. TELEPHONE OR WIRE TRANSFERS

The Finance Director shall develop a written agreement with all of the Town's banks and third party custodians outlining the various controls, security provisions and which will delineate the responsibilities of each party making and receiving wire transfers.

Wire transfers via the internet shall require a secondary approval by an authorized member of staff. Due to the potential for errors and improprieties arising from telephone transactions, all telephone transactions shall be supported by written communications and shall be approved by the Finance Director. Written communications may be via fax but only if on Town letterhead. All banks and safekeeping institutions shall be provided with a list of authorized signatures.