INDIANA FINANCE AUTHORITY
INVESTMENT POLICY

I. Scope and Intent

This document sets forth the investment policy of the Indiana Finance Authority ("IFA"). This policy applies to the investment of all funds, including, but not limited to, bond proceeds and gross revenues for which the IFA and appropriate trustee(s) have investment responsibility[1]. The Members of the IFA are responsible for fiduciary oversight of these invested funds. The Members have approved this Investment Policy in furtherance of their goal to meet the investment objectives listed in Section II hereof.

II. Objectives

The primary objectives, in priority order, of the IFA's investment program shall be:

1. Safety -- Safety of principal shall be the foremost objective of the investment program. Investments shall be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk will be minimized both by diversification (limiting the potential for loss from any one issuer or any one type of security) and by limiting investments to the types of securities described in Section V hereof. Market risk will be minimized both by structuring the portfolio so that investments generally mature in time to meet anticipated cash requirements (limiting the need to sell securities prior to maturity) and by investing primarily in shorter-term securities.

2. Liquidity -- The investment portfolio shall be structured so that investments generally mature in time to meet anticipated cash requirements. Further, since all cash requirements cannot be anticipated, the portfolio shall consist primarily of cash equivalents and securities with active secondary or resale markets.

3. Yield -- The investment portfolio shall be structured with the objective of attaining a market rate of return, taking into account the constraints of safety and liquidity described above. Return on investment is less important than safety and liquidity. Return on investment should be in excess of inflation, and should typically approximate or exceed the calculated yield on 3-month constant-maturity U.S. Treasury obligations.

4. Full Investment -- To the extent practicable, all funds shall be fully deployed as earning assets.

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[1] As it relates to the investment of indentured funds, it relates only to the extent those funds are not invested in purpose investments, *i.e.* investments that are acquired to carry out the governmental purpose of the bond issue.

5. Minimal Turnover -- Securities shall typically not be sold prior to maturity, with the following exceptions: (1) A declining-credit security can be sold early to minimize the potential loss of principal. (2) A security can be sold and replaced with another if such action improves the quality or yield of the portfolio. (3) A security can be sold early to meet liquidity needs.

III. Delegation of Authority

The authority to operate and manage the investment program is granted to the Public Finance Director, together with any investment officer(s) that he or she designates as such (together, the "Investment Officers"). The Public Finance Director and any additional Investment Officers shall establish controls and procedures to implement this program which shall include regular reporting to the Members of the IFA.

IV. Standard of Care

1. Prudence -- Investments shall be made in accordance with the prudent person standard. This standard provides that an investor shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

   Investment officers acting in accordance with this investment policy statement and any written procedures and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expected results are reported in a timely fashion and that appropriate action is taken to control adverse developments.

2. Ethics and Conflicts of Interest -- Investment Officers shall refrain from personal business activity that could conflict with the proper execution and management of the IFA's investment program, or that could impair their ability to make impartial decisions. Investment Officers should also maintain knowledge of all applicable laws, rules, and regulations; and not knowingly violate, or participate or assist in the violation of, such laws, rules, and regulations.

V. Permitted Investments

1. The IFA is only permitted to invest indentured funds in those securities authorized by the applicable trust indenture, which authorizations are hereby made a part of this policy. In addition to restrictions under indentures, it is the policy of the IFA to limit allowable investments to the following types of securities:

   - U.S. Treasury securities (*e.g.* bills, notes, bonds, SLGS, STRIPS, and TIPS), which are backed by the full faith and credit of the U.S. government

   - Federal agency obligations (including both federally related institution securities and federally sponsored agency securities), including, but not

limited to, Ginnie Mae, Fannie Mae, Freddie Mac, Farmer Mac, and Federal Home Loan Bank debt
    - any full-faith-and-credit securities are permitted
    - non-full-faith-and-credit debt securities are permitted if rated in one of the two highest rating categories by one of the following rating agencies: Fitch, Moody's, and Standard & Poor's (the "Rating Agencies")

- Mortgage pass-through securities issued by Ginnie Mae, Fannie Mae, or Freddie Mac
    - any full-faith-and-credit securities are permitted
    - non-full-faith-and-credit pass-through securities are permitted if guaranteed by the issuing agency, and if the issuing agency is rated in one of the two highest rating categories by one of the Rating Agencies

- Obligations of state and local governments in the United States and their political subdivisions, if rated in one of the three highest rating categories by one of the Rating Agencies

- Repurchase agreements, if at least 102% collateralized by any of the above

- Money market mutual funds regulated by the Securities and Exchange Commission
    - only no-load funds are permitted (*i.e.* no commission or fee shall be charged on purchases or sales of shares)
    - permitted funds will be those that limit assets of the fund to U.S. Treasury securities, federal agency securities, and repurchase agreements collateralized by the same; or that are rated in the highest rating category by one of the Rating Agencies
    - these funds seek to maintain a stable net asset value of $1.00 per share
    - by definition these funds will meet the requirements for portfolio maturity, portfolio quality, and portfolio diversification in Rule 2a-7 under the Investment Company Act of 1940

- Commercial paper, if rated in the highest rating category by one of the Rating Agencies, with a maturity not to exceed 270 days

- Investment agreements, if the provider is rated in one of the two highest rating categories by one of the Rating Agencies

- Time deposits with maturities not exceeding five years, in state- or nationally chartered banks whose deposits are insured by the Federal Deposit Insurance Corporation, with balances not to exceed $100,000 per institution

2. Additional securities may be added to the above approved list with the approval of the Public Finance Director. All such additions shall be reported to the IFA Members at the next regular meeting.

3. Investments are not permitted in certain derivatives, nor in certain mutual funds which invest primarily in such securities. Investments specifically prohibited are those characterized as being illiquid, highly volatile and difficult to value. Prohibited securities include, but are not limited to, mortgage derivatives such as Z-bonds, PAC-2s, and Re-REMICS.

4. Pursuant to IC 4-4-11-15(50), certain swap agreements (as defined in IC 8-9.5-9-4) are permissible as part of the bond issuance process, pursuant to the guidelines of IC 8-9.5-9-5 and IC 8-9.5-9-7 (Appendix E). These agreements include rate swap agreements, basis swaps, forward rate agreements, interest rate options, rate cap agreements, rate floor agreements, rate collar agreements, and any similar agreements (including any option to enter into any such agreement).

5. At times, funds may be invested for the betterment of the state economy or that of local entities within the state. These development-oriented investments may not fit the permitted investments listed above. In the future, any such investments will be subject to the prior approval of the Members. The Indiana Seed Fund I, LLC, an existing equity investment under the former Indiana Health and Educational Facility Financing Authority, is an example that will not be subject to the requirements herein and was previously approved by that board.

VI. Investment Parameters

1. Maximum Maturity -- to the extent possible, investments will be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, the IFA will not typically invest in securities maturing more than five years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years, however, if the maturities of such investments precede the expected use of funds.

2. Average Maturity -- The average weighted maturity of the portfolio should not typically exceed two years.

3. Diversification -- Investments shall be diversified by type of security and issuer. Except for cash equivalents and U.S. Treasury securities, the total portfolio shall consist of no more than 40% of any single type of security.

4. In lieu of specific investment directives, an Investment Officer may issue general directives to the appropriate trustee for the investment of certain funds, which directives shall be consistent with this policy and the appropriate trust indenture.

VII. Authorized Broker/Dealers

1. All financial institutions currently serving as trustee for any component unit of the IFA are authorized to provide investment services, including investment advice, to the IFA. In addition, the Investment Officers shall maintain a list of broker/dealers authorized to provide the IFA with investment services and advice. Such list shall be reported to the IFA on an annual basis. Broker/dealers may be

primary dealers or regionally recognized dealers. However, any broker/dealer which desires to serve in any capacity other than advisor shall provide the IFA with the following:

- Current audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Certification of having read this Investment Policy

2. Each Investment Officer, with the approval of the Public Finance Director, is authorized to enter into safekeeping agreements, wire transfer agreements or other agreements necessary or useful in administering this policy.

3. The Investment Officers shall conduct an annual review of the financial condition and registration of all broker/dealers on the authorized list.

VIII. Safekeeping and Custody

1. All investment transactions, including, but not limited to, those completed by telephone, shall be supported in writing and approved by an Investment Officer. Written communication may be made by facsimile on IFA letterhead.

2. Book Entry -- The IFA shall strive to invest in book-entry securities, thus avoiding physical delivery of securities. No securities shall be physically stored or kept in the offices of the IFA.

3. Custodial Safekeeping -- Securities purchased from any bank or dealer, including collateral when appropriate, shall generally be placed with the appropriate trustee or with an independent third party for safekeeping.

   Any security that is able to be wired over the FedWire will be kept safe in a customer or trust account in a Federal Reserve Bank through the appropriate custodial bank.

   Any security not able to be wired over the FedWire, that is held by the Depository Trust Corporation (DTC), shall be held in the name of the IFA or trustee through the appropriate custodial bank.

   Securities may be held by a broker/dealer to the extent the broker/dealer serves as an agent for the IFA or the appropriate trustee. No securities will be held by a broker/dealer without evidence of adequate Securities Investor Protection Corporation (SIPC) insurance (or protection judged to be equivalent by the IFA or the appropriate trustee).

4. Delivery vs. Payment -- All securities will be held in accounts in the name of the IFA or the appropriate trustee. Securities will be deposited prior to the release of funds. Securities held by a third party custodian will be evidenced by safekeeping receipts.

IX. Performance and Reporting

1. Annual Report -- The Investment Officers shall prepare an investment report at least annually which shall provide a clear picture of the status of the portfolio and transactions made over the preceding year. Such report shall be designed to allow Members of the IFA to ascertain whether the investment activities during the reporting period have conformed to this policy.

2. Performance -- The portfolio should achieve a market rate of return during a market environment of stable interest rates. Portfolio performance shall be compared at least annually to the yield on 3-month U.S. Treasury obligations. Such performance comparison shall be included in the annual report.