

INVESTMENT POLICIES

Introduction

It is the policy of Adjunct Faculty Organization (AFO) to treat all assets of the Union, including those funds that are legally unrestricted, as though they are held by AFO in a fiduciary capacity for the purpose of accomplishing the Union's tax-exempt mission. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards of AFO shall be those of a prudent investor.

Investment Objectives

AFO's investment objectives are the preservation and protection of the Union's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

Allowable Investments

Investments of AFO shall be made exclusively with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed \$100,000, including interest, at commercial banks or savings and loan institutions;
2. U.S. Treasury securities and securities of Federal agencies and instrumentalities;
3. Corporate bonds and notes rated A or better by Moody's and Standard & Poors;
4. Commercial paper rated P-1/A-1 by Moody's and Standard & Poors;
5. Money market funds that invest in securities approved under these guidelines;
6. Common Stocks of quality some U.S. corporations as recommended by a qualified investment advisor. The intent is to authorize only those stocks typically referred to as "widow and orphan" stocks: "safe," dividend-paying stocks of reputable corporations with a long and successful track record.

AFO shall not engage in margin transactions, short selling, commodity transactions, or use of derivatives.

Diversification

No more than between ten and twenty percent of the investments of AFO shall be in the securities of any one issuer, with the exception of obligations of the U.S. government, its agencies and instrumentalities, and federally insured certificates of deposit. Furthermore, no more than 20% of the total investment portfolio of the AFO shall be held in stocks.

Financial Controls

With the exception of Certificates of Deposit and U.S. Treasuries, the AFO shall not make an investment without the recommendation of a qualified investment advisor. Once recommended, both the Finance Committee and the Executive Board need to approve the recommendation. This approval will be demonstrated by a form signed and dated by all of the following: the President of the AFO, one other member of the AFO Executive Board, and the Chair of the Financial Review Committee of the AFO.