



Investment Policy Statement

1. Introduction

WECC has adopted this Investment Policy Statement to provide guidelines for investment of funds held by WECC. The investment policy and any changes thereto are subject to approval by the Board of Directors (Board).

For the purposes of managing investment risk and to optimize potential returns within acceptable risk parameters, the funds held will be divided into two separate investment pools called the Operating Fund and the Penalties Fund. Collectively, the two pools will be referred to as the Total Fund.

1.1. Purpose

This Investment Policy Statement is set forth by the Board to:

1. Delegate authority and assign responsibilities to all involved parties.
2. Provide investment criteria and guidelines to all Investment Managers regarding the investment of Total Fund assets.
3. Provide the Guiding Principles for investing WECC's funds.
4. Establish a basis for evaluating investment results, including the provision of evaluation benchmarks.
5. Manage Total Fund assets per prudent standards as established in common trust law.

In general, the purpose of this statement is to outline a philosophy that will guide the management of the Total Fund assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

1.2. Scope

This Investment Policy Statement reflects the investment policy, objectives, and constraints of the Total Fund, along with guidelines for managing each of the two investment pools.

1.3. Definitions

Term	Definition
Operating Fund	Funds collected from assessments to be used for annual budgeted expenditures and reserves.
Penalties Fund	Funds collected from penalty sanctions to be used in a future budget year.
Total Fund	Aggregate of the Operating Fund and Penalties Fund assets.
Investment Manager	Any individual, or group of individuals, employed to manage the investments of all or part of the Total Fund assets.
Securities	Marketable investment securities that are defined as acceptable in this statement.
Investment Horizon	Time over which the investment objectives for each fund, as set forth in this statement, are expected to be met.
Preservation of Capital	Investment objective minimizing the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing volatility rather than maximizing return.
Liquidity	Investment objective ensuring the ability to meet all expected or unexpected cash flow needs by investing in securities that can be liquidated readily and efficiently.
Management	Officer delegated by the CEO with the oversight responsibilities of the Investment Policy Statement.

2. Policy

2.1. Delegation of Authority

WECC's Chief Executive Officer (CEO) is responsible for directing and monitoring the investment of Total Fund assets. The CEO is authorized to delegate the Investment Policy oversight responsibilities to Management who will oversee and delegate certain responsibilities to professional investment experts. These include, but are not limited to:

1. Investment Manager has the discretion to purchase, sell, or hold the specific securities that will be used to help meet the Total Fund's investment objectives, subject to the criteria and constraints laid out in this Policy statement.
2. Custodian is responsible for (or through agreement with a sub-custodian) maintaining possession of securities owned by WECC, collecting dividend and interest payments, redeeming maturing securities, and accepting receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Total Fund accounts.
3. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by WECC to assist in meeting the responsibilities and obligations to administer Total Fund assets prudently.

The Board will not reserve any direct control over investment decisions, with the exception of specific constraints described in the Investment Policy. Investment Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the constraints will hamper Investment Managers, each manager should request modifications that the manager deems appropriate. Under the direction and approval of the CEO, Management should approve modifications in writing and will

assess whether any requested modifications are major. The Board must approve all major modifications.

2.2. Assignment of Responsibilities

1. Responsibilities of the Board of Directors

The Board, through the Finance and Audit Committee (FAC), will oversee the implementation of this investment policy. Specific responsibilities include:

- Define the investment objectives and guidelines as per this Investment Policy Statement.
- Oversee Management's implementation of this Investment Policy Statement.
- Maintain and update this Investment Policy Statement annually. As any changes are made, notify the appropriate parties.

2. Responsibilities of the Investment Managers

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction while observing and operating within all policies, guidelines, constraints, and principles as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

- Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- Reporting, on a timely basis, quarterly investment performance results.
- Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of the investment process, or the investment objective progress of the Total Fund's investment management.
- Informing WECC Management regarding any qualitative change to investment management organization (changes in portfolio management personnel, ownership structure, investment philosophy, etc.).
- Voting proxies, if requested by Management, on behalf of the Total Fund and communicating such voting records to Management on a timely basis.

2.3. General Investment Principles

- Investment Managers must make investments solely in the interest of WECC.
- Investment Managers must invest the Total Fund with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
- Investment of the Total Fund must be diversified among the two distinct investment pools based on the time horizons and guidelines established later in this document.
- Investment Managers of varying styles and philosophies may be retained to attain the Total Fund's objectives.

2.4. Performance Review and Evaluation

The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration will be given to the extent to which the investment results are consistent with the investment objectives, guidelines, and constraints as set forth in this statement. The portfolio(s) will be evaluated by Management over at least a three-year period.

Management reserves the right to terminate an Investment Manager for any reason including the following:

- Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established.
- An Investment Manager's failure to adhere to any aspect of this Investment Policy Statement, including communication and reporting requirements.
- Significant changes to the investment management organization personnel.

Management will review Investment Managers regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. Management will report to the Finance and Audit Committee annually.

If any individual Investment Manager's portfolio is in violation of the specific guidelines of this Investment Policy Statement, for any reason including market price fluctuations, the Investment Manager will bring the portfolio into compliance with these guidelines as quickly and prudently as possible in consultation with Management.

2.5. Investment Policy Review

The investment objectives, guidelines, and constraints are presented in Table 1 below:

Table 1: Fund Overview: Objectives, Guidelines, Constraints

Fund	Time Horizon	Risk Tolerance	Purpose	Investment Objectives	Risk Definition	Allowable Assets ¹	Maturity Restrictions
Operating	≤ 2 years	Conservative	Provide cash to meet ongoing financial obligations	Preservation of capital and liquidity	The probability of not meeting ongoing operational cash flow requirements, and the probability of loss of principal over any time horizon	<ul style="list-style-type: none"> • Treasury Bills and U.S government-sponsored agency obligations guaranteed by the U.S. government or collateralized by U.S. government obligations • Money Market Funds with a minimum rating of AA (Standard & Poor's), Aa2 (Moody's) or an equivalent rating by another nationally recognized rating agency • Repurchase 	Maximum maturity for any single security is two years, and the weighted average portfolio maturity may not exceed 12 months

Fund	Time Horizon	Risk Tolerance	Purpose	Investment Objectives	Risk Definition	Allowable Assets ¹	Maturity Restrictions
						<p>Agreements in conjunction with bank sweep accounts collateralized by U.S. government obligations</p> <ul style="list-style-type: none"> Federally insured Certificates of Deposit with financial institutions having a minimum rating of A2 (Standard & Poor's), P-2 (Moody's) or an equivalent rating by another nationally recognized rating agency Corporate Notes and Bonds in any sector except for Energy, Utilities, Financials and cross industry conglomerates that have ownership interests in Energy, Utilities, Financials having a minimum rating of AAA (Standard and Poor's), Aaa (Moody's) or 	

Fund	Time Horizon	Risk Tolerance	Purpose	Investment Objectives	Risk Definition	Allowable Assets ¹	Maturity Restrictions
						an equivalent rating by another nationally recognized rating agency	
Penalties	Fully liquid by December 31 of each year	Conservative	Segregate penalty funds collected to be used to fund expenditures in a future budget year	Preservation of capital and liquidity	The probability of losing principal over any time period	<ul style="list-style-type: none"> • Treasury Bills and U.S. government-sponsored agency obligations guaranteed by the U.S. government or collateralized by U.S. government obligations • Money Market Funds with a minimum rating of AA (Standard & Poor's), Aa2 (Moody's) or an equivalent rating by another nationally recognized rating agency • Repurchase Agreements in conjunction with bank sweep accounts collateralized by U.S. government obligations • Federally insured Certificates of Deposit with 	Maximum maturity for any single security is one year, and the weighted average portfolio maturity may not exceed six months, with the entire portfolio being 100% liquid on December 31 of each year

Fund	Time Horizon	Risk Tolerance	Purpose	Investment Objectives	Risk Definition	Allowable Assets ¹	Maturity Restrictions
						financial institutions having a minimum rating of A2 (Standard & Poor's), P-2 (Moody's) or an equivalent rating by another nationally recognized rating agency • Corporate Notes and Bonds in any sector except for Energy, Utilities, Financials and cross industry conglomerates that have ownership interests in Energy, Utilities, Financials having a minimum rating of AAA (Standard and Poor's), Aaa (Moody's) or an equivalent rating by another nationally recognized rating agency	

To ensure continued relevance of these guidelines, objectives, and constraints as established in Table 1 above, the FAC will review the investment policy at least annually and will present any recommended changes to the Board for approval.

3. Assessing Performance: Investment

Benchmarks

3.1. Total Fund Return Evaluation Benchmark

The CEO will evaluate total return of each fund based on the performance of a public index. Total return should equal or exceed the performance of the public index, based on the permissible asset allocations and investment horizons. The public index will be selected to be consistent with the time horizons permissible in this investment policy. The CEO will approve the public index selected.

Realized returns relative to risk will be considered annually.

This policy supersedes and revokes all past policies and practices, oral and written representations, or statements regarding terms and conditions of employment concerning the subject matter covered herein. WECC reserves the right to add to, delete, change, or revoke this policy at any time, with or without notice. This policy does not create a contract between WECC and any employee or contractor, nor does it create any entitlement to employment or any benefit provided by WECC to its employees or contractors.

Caution!—This document may be out of date if printed.

¹ Excluding U.S. Treasuries and Governmental Agencies, no single issuer may represent more than 5% of the Operating Fund or the Penalties Fund.