

ALABAMA STATE BAR INVESTMENT POLICY

Statement of Investment Objectives and Guidelines

This investment policy is adopted by the Alabama State Bar Board of Commissioners ("Commission") to serve as a framework within which non-state treasury funds of the Alabama State Bar, funds of the Alabama State Bar Foundation and funds of the Client Security Fund will be managed.

The objective of the investment portfolio of the above funds is the protection and preservation of capital (and its purchasing power) while obtaining optimum yield and minimizing inherent risks. These funds should be invested with care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent person acting in a like capacity and familiar with such matters would use in the investment of a fund of like character, with like aims with due consideration.

The Investment Committee ("Committee") shall consist of the Executive Council which shall be responsible to the Commission for prudent and productive management of these funds. The objectives and guidelines that the Committee shall adhere to in making investments involving these funds are as follows:

I. Investment Objectives

A. Return on Investment Objectives

1. To experience a net total return after all management fees, commissions and other expenses that in the long run are in excess of what the Alabama State Bar could have obtained without the engagement of an outside manager given the parameters described below.
2. To achieve a total return that should exceed the rate of inflation (as measured by the CPI) by 3 percent.

The performance evaluation of these funds will be submitted to the Committee quarterly and the Commission annually.

- B. Risk Objectives. To subject the assets only to those risks necessary and appropriate to ensure, primarily, security of principal and, secondarily, capital appreciation, in meeting the investment objectives set forth above.

II. Portfolio Construction

- A. Asset Mix. Assets may be allocated among equities, fixed income investments and cash reserves and the asset mix shall comport with the following guidelines:

Asset Category	Fund Limits
1. Equities	
Maximum	25 Percent
Minimum	0 Percent
2. Fixed Income	
Maximum	75 Percent
Minimum	20 Percent
3. Cash Reserves	
Maximum	80 Percent
Minimum	10 Percent

B. Guidelines for Authorized Investments

1. Equities. The Alabama State Bar may invest in no-load equity index funds comprised of stock issues listed on the New York, American and NASDAQ stock exchanges which have annual operating expenses of less than 1 percent. No more than 5 percent of the assets shall be invested in any single equity index fund.
2. Fixed Income Investments
 - a) Direct Investments
 - i. U. S. Government or U. S. Agency Bonds. The Alabama State Bar may invest in any U. S. Treasury or U. S. agency securities with a maturity not to exceed ten years. No more than 40 percent of assets shall be invested in these instruments.
 - ii. Corporate Bonds. The Alabama State Bar may invest in corporate bonds with a Standard and Poors rating of at least "A" and/or Moody's rating of at least "A", and a maturity of not more than ten years. Not more than 5 percent of an individual issue shall be purchased by the Alabama State Bar nor shall more than 5 percent of the assets be invested in securities of any one issuer. No more than 10 percent of the fund shall be invested in any one industry and no more than 20 percent of the assets shall be invested in corporate bonds.

- iii. Mortgage-Backed Securities. The Alabama State Bar may invest in mortgage-backed securities no less than one-half of which are backed by the U. S. Treasury or another federal agency (GNMA, FNMA or FHLMC). No more than 15 percent of the assets shall be invested in mortgage-backed securities.
 - b) Fixed Investment Funds. The Alabama State Bar may invest in no-load, fixed investment funds which have annual operating expenses of less than 1 percent. No more than 10 percent of the assets shall be invested in any single fund.
3. Cash (or cash equivalent) Reserves
- a) Cash Management Account. A cash management account through a fund manager or a broker may be used as a cash account.
 - b) U. S. Treasury Bills or Short Term (less than 1 year) U. S. Government or Agency Notes. These securities may be purchased through an authorized security broker or bank.
 - c) Certificate of Deposit. A certificate of deposit with a maturity of one year or less with any U. S. bank that meets all the regulatory reserve requirements and minimal capital requirements may be purchased in an amount not to exceed \$100,000 unless funds above this amount are collateralized.
4. Unauthorized Investments. Direct purchases or purchases of indexed equity funds or fixed investment funds that include leveraged investments, options, puts or calls, commodities, or other vehicles that are subject to unreasonable risks or jeopardy are not authorized for investment. Unauthorized investments shall include "load" funds (whether front or back loaded), selling short, commodities, lettered stock and foreign securities other than those listed on the New York Stock Exchange. Unless an investment is specifically listed as an "authorized investment," it cannot be purchased even if it is not included in the list of unauthorized investments. Exceptions to this general policy may be made upon recommendation of the Committee followed by a majority vote of the Commission, in keeping with the objective of maintaining security of principal and obtaining as much appreciation as possible under the investment guidelines.

III. Management and Monitoring of Performance

- A. Investment(s). The Committee may engage one or more fee-for-service investment managers and delegate individual investment decisions to such investment managers within the guidelines of this statement and the specific direction of the Committee. The investment managers may contact the designated liaison of the Committee, who shall be the Executive Director of the Alabama State Bar, between meetings of the Committee to implement or suggest changes in investments or strategy. If necessary, the Committee may meet by telephone to consider changes in investments or strategies.

The selection and allocation of funds to individual statement managers will be made by the Committee. Only with the approval of the Commission may the Committee engage a commission securities broker to manage all or any portion of the assets, but a securities broker may be utilized to execute trades authorized by the Committee or its investment manager(s), except that the Alabama State Bar shall not be charged any additional fee for this service.

- B. Committee Meetings. The Committee will meet at least quarterly to monitor the performance of the assets. In addition to quantitative factors, the Committee will consider manager personnel, investment philosophy, decision-making process, growth plans, and related qualitative issues.
- C. Performance Standards. To assess the stewardship of the Committee and the effectiveness of any investment managers, the standard of performance that will apply will be whether the investment objectives set forth in Section I above have been met or exceeded.
- D. Annual Review. This statement of investment guidelines and policies shall be reviewed at least annually by the Commission.

APPROVED THIS THE _____ DAY OF _____, 2001.

President

ATTEST:

Secretary-treasurer