

KIUC BOARD POLICY NO. 9  
**INVESTMENTS**

**PURPOSE OF POLICY:**

The purpose of this policy is to establish rules within which staff will manage KIUC's investments.

**POLICY CONTENT:**

**I. Scope**

This policy covers most items on the unconsolidated financial statements of KIUC that are labeled as cash, cash equivalents, and investments. It excludes cash held in KIUC's bank accounts used to handle day-to-day transactions, which are generally checking accounts. These day-to-day operational accounts may have widely-varying amounts of cash from one day to the next, as KIUC pays large bills. This policy does not cover investments made by subsidiaries of KIUC. It does cover investments in both equity and debt.

**II. Investment Objectives**

Investors typically pursue multiple objectives, some of which compete with each other. The primary goals of the Board for KIUC's investments are preservation of principal and liquidity. Earning income is a secondary goal.

**III. Rules for Managing Investment Risks**

When KIUC purchases an investment, it must comply with all of the rules stated below. After an investment has been purchased, if the investment ceases to comply with these rules, KIUC staff will use their best efforts to sell the investment promptly, reinvesting the proceeds in a new investment that does comply with the rules.

**A. Credit Ratings.** There are multiple credit rating agencies in the United States. Each agency uses a different grading system for investments. This policy lists that credit rating agencies that KIUC may use, and states rules for minimum grade that its investments must have.

- 1. Acceptable credit rating agencies:** KIUC shall use the credit ratings from three firms: S&P, Moody's, and Fitch. Some investments are rated by only one of these firms; others are rated by two of them; while some investments have ratings from all three.
- 2. No rating below investment grade:** KIUC investments cannot have a credit rating below investment grade from any of its approved credit rating agencies.
- 3. Minimum of Single A:** KIUC investments must have at least one credit rating of at least the lowest grade level of single A used by an acceptable credit rating

agency. (Presently, the lowest grade of single A from S&P and Fitch is "A-", while the lowest single A rating from Moody's is "A3".)

**B. Concentration and Diversification.**

- 1. For securities that are rated AAA by at least one of KIUC's acceptable credit rating agencies:** There are no dollar limits on such investments.
- 2. For securities that are not rated AAA by at least one of KIUC's acceptable credit rating agencies:** KIUC shall not invest more than \$5 million in any single security, nor shall KIUC invest more than \$5 million in aggregate in the securities offered by a single issuer.

**C. Term.** Investments shall have a remaining term of no longer than two years.

**D. Liquidity.** KIUC must be able to sell any investment within one business day. That is, there should be a secondary market for each investment, or the issuer of the investment must be willing to repurchase the security within one business day.

**IV. Equity Investments**

**A. Equity Investments in Subsidiaries.** The Board must authorize KIUC's equity investments in subsidiaries.

**B. Equity Investments in Cooperatives.** As a condition of doing business, some cooperatives (such as CFC and CoBank) require their customers to invest a certain amount of money in equity securities issued by that cooperative. The KIUC CEO has the authority to invest up to \$100,000 in each such required security without obtaining separate approval from the Board. From time to time, these other cooperatives may offer KIUC the opportunity to invest in additional equity securities, with no obligation for KIUC to make such investments. The Board must approve all investments in such optional equity securities.

Adopted on this 27th day of July, 2023

  
Calvin Murashige (Jul 27, 2023 10:28 HST)

Calvin Murashige  
Secretary

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