Section 7.3 Reserve Policy

Subsection 7.300 Purpose
The Bar maintains separate funds for the general and designated operations of the Bar and for its financial welfare. The separate funds are the General Fund, the Client Security Fund, the Affirmative Action Program, Legal Services and all sections funds. A distinct and separate fund balance will be maintained for each fund.

Subsection 7.301 General Fund
The General Fund will maintain cash reserves sufficient to assure fulfillment of obligations to the membership and provide funds for unforeseen future contingencies. The reserves will be used to sustain an acceptable level of operation and continue service to the membership if the standard level of operations is interrupted by unforeseen events. It is also used to offset the effects of an operational reversal until expenditures can be adjusted and to fund specific future capital enhancements and improvements in the operation of the Bar.

Subsection 7.302 Reserve Funds
Separate reserve funds will be established and maintained for the general operating fund and the Board-authorized capital reserve fund, defined as follows:

(a) General Operating Reserve Fund: Established and maintained within the annual budget to assure continued operation of the Bar in the event of a non-dues revenue reversal or a catastrophic event.

(b) Capital Reserve Fund: established by policy decisions based on predetermined activities to replace, replenish or preserve capital assets or capital improvements that are purchased or made infrequently, to meet current regulatory requirements or provide enhanced services to the membership. Capital reserve items are capital assets that cost more than $5,000 or items whose implementation or purchase extend into more than one fiscal year or whose purchase is planned for a future year.

(c) Each fund will maintain a separate and distinct level of cash reserves, although the reserve funds may be merged for investment purposes to obtain a higher return on the total funds invested. The operating reserve of the General Fund will be a minimum of $500,000. The capital reserve level will be determined by the Board based on predetermined activities.

Section 7.4 Investment Policy

Subsection 7.400 Purpose
This investment policy is established to provide direction and limits for the Bar’s investment manager in investing all cash assets held by the Bar. The funds are to be invested in a manner that ensures the protection of the Bar’s cash assets and provides a dependable source of operating revenue. The investment objectives are in order of importance: to ensure the safety of the assets, to ensure sufficient liquidity and to obtain the highest possible rate of return. The policy consists of objectives for the Bar’s short-term and long-term investments.
The objective of the **Short-term Investment** policy is to provide for short-term investment of cash to be used within the Bar’s current fiscal year, generally one year or less. The objective shall be to minimize or eliminate risk while achieving a reasonable yield within the range of short-term expectations.

The objective of the **Long-term Investment** policy is to provide for long-term growth and stability of all reserves, designated, and contingency funds. The funds are invested to maximize the return on the investment, consistent with an appropriate level of risk and subject to the generation of adequate current income. This investment fund shall be diversified to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the Bar. Long-term investment strategy should achieve reasonable yields while minimizing exposure to risk.

**Subsection 7.401 Investment Management**

The Executive Director or the Chief Financial Officer is authorized and directed to deposit, sell, convert or withdraw cash on deposit in excess of that required for current operations and to invest those funds in accordance with the Bar’s investment policy using expert advice and assistance as he or she may require. The Bar will maintain a list of all authorized institutions that are approved for investment purposes.

**Management and Monitoring of Performance**

Investment Committee. An “Investment Committee” consisting of members of the Budget & Finance Committee and the Bar’s Chief Financial Officer shall monitor the investment policy and portfolio.

Investment(s). The Committee may engage one or more fee-for-service investment managers with varying styles and expertise and delegate individual investment decisions to such investment managers within the guidelines of this policy and the specific direction of the Committee. The investment managers may contact the designated liaison of the Committee, who shall be the Bar’s Chief Financial Officer 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.

Committee Meetings. The investment manager(s) shall prepare quarterly reports of the portfolio’s performance. The Committee will meet at least quarterly to monitor the performance of the assets.

Performance Standards. The investment committee will evaluate investment managers using a number of factors including performance relative to the most applicable benchmarks, quality of communications with the investment committee, and adherence to the Bar’s investment policy.

Annual Review. This investment guidelines and policies shall be reviewed at least annually by the Budget & Finance Committee.

**Subsection 7.402 Approved Investments**

Investments will be limited to the following obligations and subject to the portfolio limitations as to issuer:
(a) The State of Oregon Local Government Investment Pool (LGIP) no percentage limit for this issuer.
(b) U.S. Treasury obligations - no percentage limitation for this issuer.
(c) Federal Agency Obligations - each issuer is limited to $250,000, but not to exceed 25 percent of total invested assets.
(d) U.S. Corporate Bond or Note - each issuer limited to $100,000.
(e) Commercial Paper - each issuer limited to $100,000.
(f) Mutual funds that commingle one or more of the approved types of investments, or securities meeting the minimum credit quality standards of this policy.
(g) Mutual funds of U.S. and foreign equities.
(h) Federal deposit insurance corporation insured accounts.
(i) Individual public-traded stocks, excluding margin transactions, short sales, and derivatives.
(j) Mutual funds investing in infrastructure, in commodities, and in instruments such as high yield bonds, adjustable rate bonds, derivatives, futures, currencies, mortgage-backed securities, and ETFs, but not swaps or speculative instruments or mortgage backed securities, and only for the purpose of both managing risk and diversifying the portfolio and not at all for purposes of leveraging, with all such investments in total not to exceed 35% of the total invested assets.
<table>
<thead>
<tr>
<th>Security</th>
<th>Minimum credit quality</th>
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</thead>
<tbody>
<tr>
<td>Interest bearing deposits of banks, savings and loans and credit unions</td>
<td>The issuing financial institution must be rated “well capitalized” as defined by the financial institution’s regulator. Those that are not “well capitalized” will be limited by the level of their deposit insurance.</td>
</tr>
<tr>
<td>Obligations issued or guaranteed by U.S., local, city and state governments and agencies</td>
<td>A-/A3 as defined by Standard &amp; Poor’s and Moody’s</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>The issuing financial institution must be rated “well capitalized” as defined by the financial institution’s regulator. Those that are not “well capitalized” will be limited by the level of their deposit insurance.</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>The issuing financial institution must be rated “well capitalized” as defined by the financial institution’s regulator. Those that are not “well capitalized” will be limited by the level of their deposit insurance.</td>
</tr>
<tr>
<td>Obligations issued or guaranteed by the U.S. Federal government</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Obligations issued or guaranteed by U.S. Federal agencies</td>
<td>AAA/AAA as defined by Standard &amp; Poor’s and Moody’s</td>
</tr>
<tr>
<td>Obligations issued or guaranteed by U.S. government-sponsored enterprises</td>
<td>AAA/AAA as defined by Standard &amp; Poor’s and Moody’s</td>
</tr>
<tr>
<td>Obligations issued or guaranteed by local, city and state governments and agencies</td>
<td>A-/A3 as defined by Standard &amp; Poor’s and Moody’s</td>
</tr>
<tr>
<td>Obligations of U.S. corporations</td>
<td>A-/A3 as defined by Standard &amp; Poor’s and Moody’s</td>
</tr>
</tbody>
</table>

**Subsection 7.403 Limitations**

At the discretion of the Budget & Finance Committee, the entire investment portfolio may be invested in any combination of the Local Government Investment Pool, U.S. Treasury obligations or federal agency obligations. The maturities of the investment obligations will be the investment manager’s estimate of the Bar’s cash needs, subject to the specific fund liquidity requirements. No maturity period will exceed 84 months.

**Subsection 7.404 Prudent Person Standard**

The standard of prudence to be used by the investment manager in managing the overall portfolio will be the prudent investor rule, which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own