PORT OF SEATTLE

STATEMENT OF INVESTMENT POLICY

Exhibit A
To Resolution No. 3663

1. POLICY

It shall be the policy of the Port of Seattle (the "Port") to manage its investments in order to preserve principal while maximizing income and maintaining liquidity to meet anticipated cash needs and to conform to all statutes governing the investment of public funds.

2. INVESTMENT OBJECTIVES

The primary investment objectives of the Port, in priority order, are as follows:

1. **Safety** – Safety of principal is the foremost objective of the Port's investment program. Investments shall be selected in a manner that seeks to insure the preservation of capital in the portfolio. This will be accomplished through security selection, portfolio diversification, and maturity limitations, as more fully described below.

2. **Liquidity** – The Port's investment portfolio shall remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated.

3. **Yield** – The portfolio shall be managed with the objective of attaining a market rate of return throughout economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of least importance compared to the objectives of safety and liquidity.

3. SCOPE

This policy covers all funds managed by the Port as reported in the Port's Annual Financial Report unless specifically excluded by this policy. This policy does not apply to the Port's deferred compensation funds, employee pension, health and welfare funds, or other funds managed by third party administrators.

This investment policy does not cover any moneys collected and held by King County or the State of Washington until such time as those moneys are remitted to the Port of Seattle.

All investments shall comply with federal and state laws and this policy. Funds related to the issuance of tax-exempt debt shall at all times be invested and otherwise treated in accordance with Internal Revenue Service rules and regulations.

4. STANDARDS OF CARE

Prudence - The standard of prudence to be used by investment personnel shall be the "Prudent Investor Rule," and shall be applied in the context of managing the overall portfolio at all times:

> 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 affairs, not for speculation, but for investment, considering, in priority order**,** the probable safety and liquidity of their capital as well as the probable income to be derived.

Investment personnel acting in accordance with this policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are promptly reported and appropriate action is taken to control adverse consequences.

Ethics and Conflict of Interest - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or that could impair their ability to make impartial decisions. Investment officials and personnel shall disclose to the Port's General Counsel any material financial interests in financial institutions that conduct business with the Port, and shall further disclose any personal financial/investment positions that could be related to the performance of the Port's portfolio**.**

5. DELEGATION OF AUTHORITY

Authority to manage the Port's investment program shall reside with the Chief Financial Officer, appointed Port Treasurer pursuant to Resolution No. 3476. The Treasurer shall be accountable for all investment transactions and shall establish written procedures and internal controls designed to insure that the Port's assets are protected from loss, theft or misuse. The Treasurer may delegate the day-to-day duties and responsibilities related to the Port's investment program.

6. SAFEKEEPING AND CUSTODY

All transactions involving authorized investments shall be settled on a delivery versus payment (DVP) basis. All securities shall be held at the Port's safekeeping agent, or that agent's representative in New York City, or the agent's account at the Federal Reserve Bank.

7. SECURITIES LENDING

The Treasurer may enter into one or more contracts with the custodial banks or financial institutions, or any one of them, holding the Port's securities for the lending of all or part of these securities to reputable brokers and financial institutions to earn additional investment revenue or fees from such loans, provided that collateral equal to at least 102% of the market value of loaned securities shall be continuously maintained.

8. FINANCIAL INSTITUTIONS AND SECURITIES DEALERS

The Treasurer shall maintain a list of financial institutions and security broker/dealers authorized to provide investment services to the Port. Firms eligible to provide such services must meet the following criteria:

Financial Institutions

Banks: The Port may make deposits and purchase CDs only from banks that are qualified public depositories as determined by the Washington Public Deposit Protection Commission (PDPC). The Treasurer shall monitor the net worth and financial condition of these institutions on an ongoing basis, and may restrict and/or exclude any institution based on such evaluation.

Approved Securities Dealers

Primary Dealers: Security Dealers that can buy and sell Government Securities and deal directly with the Federal Reserve Bank of New York.

Secondary Dealers: The Port will transact securities with Secondary Dealers having an office in the State of Washington, doing investment business with other public entities in the State, that have a minimum capitalization of $10 million and retained earnings of $1 million.

Security broker/dealers engaged in investment transactions with the Port must have demonstrated knowledge and expertise in public sector investing and shall certify, in writing, that the dealer has read, understands, and agrees to comply with this investment policy. Dealers shall also provide the Port with annual audited financial statements. Should concerns arise regarding a dealer's financial condition, business practices, or compliance with the Port's investment policy, the firm may be restricted from conducting business with the Port at the sole discretion of the Treasurer.

9. AUTHORIZED INVESTMENTS

In accordance with and subject to restrictions embodied in Revised Code of Washington (RCW) 36.29.020, the following investments are authorized by this policy:

A. Certificates of Deposit (CDs) with qualified public depositories as defined in RCW 39.58.

B. Certificates, notes, bonds, bills, or other obligations of the U.S. government or its agencies, or of any corporation wholly owned by the U.S. government, all of which are secured by the full faith and credit of the United States for the repayment of principal and interest.

C. Obligations of U.S. government-sponsored corporations eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. These include, but are not limited to, Federal Home Loan Bank bonds or notes, Federal Farm Credit Bank consolidated notes and bonds, Federal National Mortgage Association notes, debentures and bonds, Federal Home Loan Mortgage Corporation bonds or notes. In addition, the following mortgage backed securities of these agencies are allowed for purchase including: (1) collateralized mortgage pools having a stated final maturity not exceeding the maturity limits of this policy and (2) planned amortization and sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities and having a stated final maturity not exceeding the maturity limits of this policy.

D. Bankers' Acceptances purchased in the secondary market. Bankers' Acceptance purchases are limited to the largest 50 world banks as listed each July in the American Banker. The banks must meet Tier one and Tier two capital standards.

E. Commercial Paper authorized by RCW 43.84.080(7) purchased from the secondary market, consistent with policy of the State Investment Board. Any changes to the State Investment Board Guidelines will be communicated in writing to the Commission as soon as possible.

F. Repurchase Agreements structured with securities eligible for purchase (as defined in B through E above), provided that a Master Repurchase Agreement and Annex(es) have been executed with the contra-party.

1) All securities used in a repurchase agreement shall be priced to reflect current market conditions.

2) Repurchase Agreements ("Repos") will not exceed 60 days in duration and will be collateralized in excess of 102% if under 30 days and 105% from 30 – 60 days. The collateral must be marked to market no less frequently than daily, and additional collateral posted if necessary. Pricing shall be rendered at a price the Port could reasonably expect to receive if those securities were sold on the open market (bid side of the market). The maturity of the underlying collateral cannot exceed ten years.

3) Collateral on Repurchase Agreements shall be delivered to the Port's Safekeeping Agent as described in Section 6. Any excess collateral requirement will be determined at the time of the transaction, as specified in the Master Repurchase Agreement.

G. Reverse Repurchase Agreements ("Reverse Repos") not exceeding 60 days in duration. When used for yield enhancement rather than cash management purposes, only "matched book" transactions will be utilized, meaning that the maturity date of the security furnished as collateral is identical to the end date of the reverse repo transaction. Reverse Repos will only be executed with Approved Security Dealers or Financial Institutions.

H. Municipal Bonds of the State of Washington and any local government of the State of Washington or general obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington. RCW 39.59.020 prohibits purchase of municipal revenue bonds of jurisdictions outside the State of Washington. At the time of purchase, these bonds must have one of the three highest credit ratings of a nationally recognized rating agency (i.e. "A" or better).

Investments shall **not** be made in the following securities:

A. Corporate stocks

B. Corporate bonds

C. Foreign Government Obligations

D. Futures Contracts

E. Investments in Commodities

F. Real Estate

G. Limited Partnerships

H. Negotiable Certificates of Deposit

I. Inverse Floaters

J. "Interest Only" and "Principal Only" Mortgage Backed Securities

10. DIVERSIFICATION

Portfolio risk shall be mitigated by diversification with respect to security class and issuer. The following limitations shall apply:

Type of Securities	Maximum Holding
U.S. Treasury Bills, Certificates, Notes and Bonds	100% of portfolio
U.S. Government Agency Securities (*)	60% of portfolio
Agency Mortgage-Backed Securities	10% of portfolio
Certificates of Deposit	15% of portfolio 5% per Issuer
Bankers' Acceptances	20% of portfolio 5% per bank
Commercial Paper	20% of portfolio 3% per issuer
Repurchase Agreements	
Overnight	15% of portfolio
Term Only	25% of portfolio
Reverse Repurchase Agreements	5% of portfolio
Municipal Securities	20% of portfolio 5% per issuer

(*) U. S. Government Agency Discount Notes shall not apply toward maximum Agency limitations. In addition, Discount Notes cannot exceed 20% of the Portfolio.

11. MATURITY RESTRICTIONS

The investment program shall be administered in a manner that will ensure adequate liquidity to meet reasonably anticipated cash needs. Purchases shall attempt to match, but should not exceed, the anticipated need for the funds. To further ensure the satisfaction of these needs, securities purchased shall have a maximum maturity not longer than ten (10) years from settlement date.

12. PORTFOLIO STRATEGY STANDARD

The portfolio shall maintain a 2.0 target (modified) duration standard plus or minus 50 basis points.

13. POLICY EXCEPTIONS

No immediate transaction is required if any policy exception or a sudden unexpected change in portfolio size causes the category holdings to exceed their limits, or the portfolio duration to fall outside of target. Subsequent investment transactions will work towards bringing the portfolio into compliance with the above guidelines within a reasonable amount of time. Within fifteen (15) days of an exception, staff will notify the audit committee and identify a plan and estimated time for returning the portfolio to its policy parameters. Weekly reports will be submitted to the audit committee until the portfolio is within its established policy parameters.

14. PERFORMANCE STANDARDS

The portfolio shall be managed to obtain a market rate of return through economic cycles and consistent with the Port's investment objectives. Portfolio performance shall be benchmarked against the Merrill Lynch Treasury/Agency 3 Year Index for the period of time being evaluated.

15. INDEPENDENT REVIEW

Annually, the Washington State Auditor's Office and external auditors will review the Port's investments and investment controls to ensure effective and appropriate controls exist. A periodic review of investments and controls, by the Port's internal auditor, will also occur.

16. REPORTING

At least annually, the Treasurer will provide an investment report to the Port Commission.