

**SUBJECT: EXCEPTION TO INVESTMENT POLICY**

An exception is made to the Investment Policy established by the Board of Trustees, to permit the student Finance Club to raise money for an endowment fund to be managed by student members of the club.

The Board of Trustees will approve the exception statement when finalized.<sup>1</sup>

The document entitled "Investment Policies and Procedures for CMU Student Finance Club," dated February 28, 1992, is approved.

**Investment Policies and Procedures for CMU Student Finance Club**

The primary investment goal is to invest in stocks whose current market price appears to be below the expected long-term fundamental value. Funds are invested in stocks that meet fundamental standards of selection set by the student investment committee. Although the funds are fully invested in stocks at most times, liquidity can be stored in cash equivalents. The account's performance will be evaluated annually relative to a stock market index which closely corresponds to the fund's investment characteristics and relative risk level.

Policies

1. Securities will not be purchased on margin.
2. Options, futures contracts or any derivative security purchases or sales are prohibited. Selling of shares short is prohibited.
3. Cash equivalents may be purchased as deemed appropriate by the Portfolio Committee.
4. Investments, except for cash equivalents, are restricted to common and preferred stocks listed on major U.S. stock exchanges or traded on the National Over the Counter Market.

**Authority:** <sup>1</sup>BTM 12-12-91 at 2779; <sup>2</sup>BTM 2-28-92 at 2798/2800.

**SUBJECT: EXCEPTION TO INVESTMENT POLICY (Continued)**

5. Investment in initial public offerings is prohibited.
6. In compliance with Article IX, Sections 19 and 20, of the Michigan Constitution, investment in instruments issued by any financial institution organized under federal or state law is not to exceed 50% of the net worth of that institution.
7. Investments will be held in the name of Central Michigan University.
8. Investment earnings credited to the Finance Club will be those generated by its investment activities. Short-term investment earnings from the University's pooled cash will not be distributed to the Finance Club.
9. Endowment fund principal will only be used to affect investment transactions and will not be used for operating expenses of the Finance Club.
10. Not more than 10% of the endowment fund's assets can be invested in one company's common or preferred stock at any time.
11. If for any reason the investment activity of the fund ceases functioning, any remaining fund assets will revert to the general fund of the University.

Procedures

1. Brokerage and any other account statements will be mailed directly to the University's Business Services Office by outside agencies. That office will forward a copy to the Finance Club. University accounting statements for the endowment fund will be handled in the same manner.
2. The Business Services office will issue a quarterly report on the status of Finance Club investments. The report will be disseminated to the University Investment Committee and the Finance Club.

**SUBJECT: EXCEPTION TO INVESTMENT POLICY (Continued)**

3. An Advisory Committee to the Finance Club consisting of one(1) alumni representative, two (2) Finance Department faculty members, and the Dean of the College of Business Administration will review the investment activity of the Finance Club to insure that the Portfolio Committee adheres to the policies set forth above.
4. Investment transactions will be processed through the Business Services office. Requests to initiate investment transactions will be sent to the Business Services office. They will indicate the specific investment transaction and contain signatures signifying approval of a faculty advisor and the student portfolio committee manager.
5. Brokerage and other investment accounts for the Finance Club activity will be in the name of Central Michigan University but will be established and maintained separately from other University investment accounts.
6. Investment decisions of the Finance Club will be made and approved by the club's Portfolio Committee. Those decisions can be vetoed by one of the faculty members of the Advisory Committee.
7. Prior to purchase transactions on behalf of the Finance Club the Business Services Office will review the account to make certain funds are available.
8. The investment activity of the student Finance Club will be subject to the same controls and audit reviews as the University's other financial operations.

February 28, 1992.