

ALTERNATIVES FEDERAL CREDIT UNION INVESTMENT POLICY

Date of Last Review and Update by Board: July 27 2006

The purposes and objectives of this investment policy are to ensure that Credit Union surplus funds are maintained in safe, liquid, legal, income-earning vehicles consistent with the credit union's overall asset- liability management ("ALM") strategy and member demands for cash. In no event will investment activity be undertaken if the same ALM, liquidity, and earnings objectives can be attained through issuance of member loans.

Investment strategy within the constraints of this policy is formulated by Budget Committee. The members of the Budget Committee are appointed by the Board for one year terms at the first Board meeting after the Annual Membership Meeting. The Committee will consist of: Treasurer (chair), two Board members, CFO, CEO, (and other CU members as appointed). Meetings of this committee are held monthly with additional meetings on an as-needed basis. No member of the Committee, Board and their immediate families may receive anything of value in connection with investment transactions.

The Budget Committee will review this policy annually. The Directors are responsible for results of the portfolio and should be well informed. The investment managers must understand investments they are allowed to purchase. The CEO is authorized to execute transactions consistent with the Budget Committee's overall strategy.

All investment transactions will be reviewed by the Budget Committee and reported to the Board quarterly. The reports to the Committee will include a listing of all investments, market value prices, and unrealized gain/loss.

All investments qualifying for accounting treatment mandated by FASB 115 will be considered as "available-for-sale" unless specifically classified "held to maturity" by the Budget Committee and reported to the Board. Market trading is specifically prohibited by this policy.

The authorized signers on investment accounts are:

William Myers	CEO
Joseph Welch	CFO
Mary Ziegler	Director of Consumer Lending

This includes Corporate Central accounts, wire transfers, and non-local investments.

To control concentration risk, funds committed to any individual investment or investment transaction may not exceed 25% of the credit union's total investment portfolio or \$500,000, whichever is lesser (with the exception of investments at Members United).

Investment maturities will be structured within the overall portfolio in a fashion consistent with the credit union's liquidity and ALM needs. Generally, this will include maintenance of a

average of 1% total assets in same-day accessible investments (such as corporate daily accounts) and the laddering of term investment maturities to minimize liquidity and interest rate risks. In order to minimize idle cash, it is expected that a Line of Credit will be accessed occasionally for overnight and short term needs.

The investment portfolio will be generally structured in a even maturity ladder, with 5% of assets maturing each year. The more investable funds the longer the extension of the ladder. This provides for continuous liquidity, yield, and scalability as the investment pool shrinks or grows.

Investments are required by policy to comply with all applicable rules and regulations, including all safety and soundness considerations. The Credit Union will not invest in multiple indexed, or reverse indexed securities or derivative mortgage securities.

Credit Risk will be further controlled by investing in only the following 100% principal insured authorized investments:

1. US Treasury bills, note and bonds
2. US Agency obligations, including FHLB, FHLMC, FNMA, SLMA, and SBA
 - a. Secondary bids should be price checked with two brokers.
 - b. Price checking need not be performed on new issue securities which are sold everywhere at par.
3. Domestic bank and savings loan certificates
 - a. The institution must have a minimum of 3% unimpaired equity and positive earnings at the time of investment.
 - b. Price checking of CDs is by subscription to a rate service which updates offering electronically daily.
4. Investments and deposits with federally insured credit unions.
5. Money market funds as permissible for federal credit unions.
6. Corporate capital shares and corporate deposits over \$100,000. Uninsured investments in a corporate credit union are permitted
 - a. Quarterly review of financial statements of the institution or the analysis of a third party rater.
7. Uninsured investments in CUSOs subject to the limitations of the Federal Credit Union Act. Each individual investment must have prior Board approval.

If an investment falls outside of policy, this will be reported to the Board.

Approved brokers and dealers:

Dave Oldaker, Scott Starr, 100 Brickstone Sq, Andover, MA 01810
CU Investment Solutions Inc, 9701 Renner Blvd Suite 350, Lenexa KS 66219
John Pierce, Paine-Webber, 140 Broadway, 40th Fl, NYC NY 10005-1197
Members United CUSO, Balance Sheet Solutions LLC.

New brokers and dealers may be added to this list only after a background check has been performed and documented which establishes their suitability. Approved broker list shall be reviewed annually, with a publically available report of the NASD disclosure events.

<http://www.nasd.com/InvestorInformation/InvestorProtection/ChecktheBackgroundofYourInvestmentProfessional/index.htm>

Members United Central Federal Credit Union is authorized to safekeep investments made through any investment house, subject to the appropriate contracts being issued and maintained.