

WEBB COUNTY
POLICY FOR THE INVESTMENT OF COUNTY
FUNDS (2015)

This policy for the investment of funds of Webb County is adopted by the Webb County Commissioners Court pursuant to Section 116.112 of the Texas Local Government Code, Chapter 2256 of the Texas Government Code, and Chapter 2257 of the Texas Government Code. This policy will be reviewed and adopted by order at least annually, in accordance with Section. 2256.005 (e) of the Texas Government Code.

ARTICLE I. DEFINITIONS

Unless the context requires otherwise, the following terms and phrases used shall mean the following:

- A. “Authorized Investment” -- the types of investments authorized for the investment of the County’s funds listed in Article IV hereof.
- B. “Commissioners Court” -- the Webb County Commissioners Court. Composed of four (4) Commissioners and a County Judge.
- C. “County” – Webb County.
- D. “FDIC” -- The Federal Deposit Insurance Corporation.
- E. “Funds” -- all funds and accounts containing money, investments, or other financial assets belonging to the County, the investment of which is governed by the Public Funds Investment Act.
- F. “Investment Officer” -- the County Treasurer and a County Treasurer’s employee designated as the County’s Investment Officer by the Commissioners Court; such person(s) is/are responsible for the investment of the County’s funds.
- G. “Investment Policy” -- this policy for the funds of Webb County.
- H. “Public Funds Collateral Act” -- Chapter 2257 of the Texas Government Code.
- I. “Public Funds Investment Act” -- Chapter 2256 of the Texas Government Code.

ARTICLE II. INVESTMENT POLICY

Section 2.01 Applicability. This Investment Policy applies to all funds. See Sections 3.02 through 3.04.

Section 2.02 Purpose. The Commissioners Court desires to adopt this Investment Policy in order to comply with the Public Funds Investment Act and to set forth the general policies governing investment of the Funds, the specific investment strategies applicable to each particular Fund, the guidelines for the investment of the Funds, including the types of investments authorized for the Funds, and the investment management policies of the County.

Section 2.03 Investment Policy. The primary concern of the Investment officer in the investment of the Funds shall be the preservation and safety of the principal. To the extent that the principal is protected, the secondary concern of the Investment Officer in investing the Funds shall be the liquidity of the County’s investments. Finally, to the extent that principal is protected and there is liquidity, the Investment Officer shall invest the Funds to yield the market rate of return in accordance with this Investment Policy. The investment of all the Funds shall be undertaken in accordance with the provisions of the Investment Policy.

Section 2.04 Standard of Care. The Investment Officer shall invest the Funds with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of the principal and probable income to be derived.

Section 2.05 Investment Diversification. Investments shall be diversified by security type and issuer. The investments shall also be diversified as to maturity as described in the investment strategies in Article III.

Section 2.06 Investment Yield. To the extent that the principal is protected and there is liquidity of the investments, the Funds shall be invested to yield the market rate of return of comparable maturity, taking into consideration the strength of any insured financial institution selling investments to the County, and complying with all applicable laws, rules, or regulations and any bond resolutions or orders adopted from time to time by the Commissioners Court requiring yield restrictions.

Section 2.07. Investment Maturities. The Funds shall be invested to mature to meet the County's cash requirements, but when cash requirements are met, the Funds shall be invested in accordance with the investment strategies developed for individual Funds, as described in Article III.

ARTICLE III. INVESTMENT STRATEGIES

Section 3.01. Purpose. The purpose of this Article III is to describe the investment objectives for each separate Fund and to provide investment strategies to obtain such objectives in order to ensure that investments in a particular Fund are suitable for and meet the objectives of the Fund.

Section 3.02 General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, and Fiduciary Funds.

A. The same investment objectives apply to each of the following funds: General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds and Fiduciary Funds. They are: (1) preserving the safety of the principal; (2) ensuring that money is available as needed to meet the liabilities of each fund, as estimated on its annual operating budget or cash flow; and (3) ensuring that the investments can be readily liquidated in the event there are unexpected additional operating costs.

B. The Investment Officer shall invest money of the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds and Fiduciary Funds in any Authorized Investment; provided that, however, for money needed for the County's monthly operating expenses, as determined by the annual operating budget and cash flow, investments will mature no later than the date the money will be needed to pay such operating expenses. For any operating reserve, no investment will have a maturity greater than 12 months from date of purchase, unless the Commissioners Court authorizes an investment with a longer maturity. At no time will investments of 12 months or more constitute more than 15% of the portfolio's of the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds and Fiduciary Funds.

Section 3.03 Capital Projects Funds.

A. The investment objectives of the Capital Projects Funds are: (1) preserving the safety of the principal; (2) ensuring that money is available as needed to meet the construction needs of the County; and (3) to the extent principal is protected and there is adequate liquidity, obtaining the maximum yield on investments as permitted by market conditions.

B. When applicable, the engineer/architect for a project shall submit to the Commissioners Court and the Investment Officer semi-annual written reports stating the anticipated construction needs of the County for the succeeding 12 months. Unless otherwise directed by the Commissioners Court, the written reports shall be submitted two months prior to the end of the County's fiscal year and six months thereafter.

C. The Investment Officer shall invest money of the Capital Projects Funds in any Authorized Investment; provided, however, that for money needed to meet the construction needs of the County, investments will mature no later than the date the money is expected to be needed to pay for the project. For other monies, investments will mature no later than 12 months after the date of purchase, unless the Commissioners Court authorized an investment with a longer maturity. At no time will investments with maturities of 12 months or more constitute more than 25% of the Capital Projects Funds portfolio.

Section 3.04. Debt Service Funds. A. The Investment objectives of the Debt Service Funds are: (1) preserving the safety of the principal; (2) ensuring that money is available as necessary to meet the debt service needs of the County; and (3) to the extent that principal is protected and there is adequate liquidity, obtaining the maximum yield as permitted by market conditions.

B. The Investment Officer shall invest money in the Debt Service Funds in any Authorized Investment for such Funds, and in accordance with any covenants made regarding the investment of these Funds as provided in any applicable bond order or resolution; provided, however, that for money needed for the County's next debt service payments, the investments will mature no later than the date the debt service payment is due. Once the immediate succeeding debt service payment is funded, investments will be purchased for the next debt service payment. If the next two debt service payments are fully funded, excess funds can be used for investments with maturity dates not to exceed two years from date of purchase unless otherwise authorized by the Commissioners Court. At no time will investments with maturities of two years or more constitute more than 20% of the Debt Service Fund portfolio.

ARTICLE IV. INVESTMENT GUIDELINES

Section 4.01. Purpose. The purpose of this Article IV is to set forth the types of Authorized Investments in which the Funds may be invested and the manner in which certain investments may be made.

Section 4.02. Authorized Investments. A. The Investment Officer is authorized to invest the Funds in the following types of investments:

1. Obligations of, or Guaranteed by, the United States Government. The Funds may be invested in obligations of, or guaranteed by, the United States or one of its agencies or instrumentalities. Authorized Investments in obligations of, or guaranteed by, the United States shall not constitute more than 75% of the portfolio. This includes "pass-through" mortgage-backed securities issued by such agencies or instrumentalities, with the exception of mortgage-backed securities listed in Section 4.03.

2. Certificates of Deposit. The Funds may be invested in certificates of deposit issued by a federally insured state or national bank domiciled in Texas or by a savings bank domiciled in Texas. Principal and accrued interest on certificates issued by a savings bank shall not exceed FDIC limits. Principal and accrued interest on certificates issued by a state or national bank domiciled in Texas shall not exceed FDIC limits and /or the collateral pledged as security for the County's investments as set forth in Section 4.04. Authorized Investments in certificates of deposit shall not constitute more than 20% of the portfolio.

3. Investment Pools. The Funds may be invested in investment pools authorized by the Public Funds Investment Act, Section 2256.016 ("eligible investment pools"), if the Commissioners Court by resolution or order authorizes investment in the particular eligible investment pool. An eligible investment pool shall invest the funds it receives from the County in authorized investments permitted by the Public Funds Investment Act. The County by contract may delegate to an eligible investment pool the authority to hold legal title as custodian of investments purchased with its local funds. Authorized Investments in eligible investments pool may constitute up to 100% of the portfolio.

4. Mutual Funds and Money Market Mutual Funds. The Funds may be invested in mutual funds and AAA-rated money market mutual funds permitted by and in conformance with the Public Funds Investment Act, Section 2256.014, Texas Government Code. Authorized Investments in mutual funds are restricted to 15% of the monthly average fund balance in accordance with the Public Funds Investment Act, Section 2256.014 © (1). No more than 80% of the County’s monthly average fund balance may be invested in the aggregate separately or collectively in money market funds and mutual funds. In accordance with the Public Funds Investment Act, Section 2256.014 © (3), no bond proceeds, reserves or debt service funds may be placed in mutual funds.

5. Repurchased Agreements. The Funds may be invested in fully collateralized repurchase agreements if the repurchase agreement 1) has a defined termination date; 2) is secured by obligations described by Section 2256.009 (a) (1) of the Public Funds Investment Act; 3) requires the securities being purchased by the County to be pledged to the County, held in the County’s name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County; and 4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state. In this section, “repurchase agreement” means a simultaneous agreement to buy, hold for a specified period of time, and sell back at a future date, obligations described by Section 2256.009 (a) (1) of the Public Funds Investment Act, at a market value at the time funds are disbursed of not less than the principal amount of the funds disbursed. Authorized investments in repurchase agreements shall not constitute more than 50% of the portfolio.

Section 4.03.Prohibited Investments. The Funds are strictly prohibited from being invested in any of the following investment instruments:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
4. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Section 4.04.Security of Funds/Collateral Policy. A. All Funds held by an insured state or national bank domiciled in Texas in demand deposits or in certificates of deposit shall be secured by the FDIC and /or by 102% in pledged collateral. All Funds held in certificates of deposit by a savings bank domiciled in Texas must be fully secured by the FDIC. The County recognizes that the FDIC insurance is only available up to a maximum of \$250,000 per public unit.

B. To the extent the Funds held by banks domiciled in Texas are not insured by the FDIC, they shall be secured in the manner provided by law for the security of funds by the Public Funds Collateral Act. There shall be pledged as collateral for such funds, at a rate of 102% collateral, any of the following book entry securities: (1) government securities or obligations issued by the State of Texas, its agencies or political subdivisions, and approved by the Attorney General of Texas, payable from taxes; or (2) obligations of the United States or its agencies and instrumentalities, excluding mortgage backed securities; or (3) any other obligations or securities authorized to be collateral securing the funds of counties under the laws of the State of Texas that are approved by the Commissioners Court. All collateral shall be placed with an independent third party financial institution for safekeeping, with original safekeeping receipts issued to the County.

Section 4.05.Competitive Bidding. At least three bids/offers shall be solicited for each investment. Bids/offers may be solicited orally, in writing, electronically, or in any combination thereof.

Section 4.06.Authorized Financial Dealers and Institutions. A list will be maintained by the Investment Officer of creditworthy financial institutions and dealers authorized to sell investments to the County. All financial institutions and dealers who would like to become qualified to bid/offer on investments other than certificates of deposit and repurchase agreements must submit the following to the investment officer: (1) audited financial statements; (2) proof of National Association of Securities Dealers (NASD) certification, or for financial institutions, a statement from a senior bank official that the institution is registered as a government securities dealer; (3) proof of state registration; and (4) certification required by the Public Funds Investment Act. Compliance with these requirements must be verified by the Investment Officer before any transaction can be completed. An annual review of the financial condition and registration of qualified dealers and institutions will be conducted by the Investment Officer.

Section 4.07.Electronic Wire Transfers. Electronic means may be used to transfer or invest all Funds.

Section 4.08.Delivery vs. Payment. All investments, except certificates of deposit, investment pool funds and mutual funds, will be executed by delivery vs. payment (DVP) to ensure that investments purchased are deposited in the County's financial institution prior to the release of money in payment therefore.

Section 4.09.Loss of Required Rating. An investment under Section 4.02 that requires a minimum rating does not qualify as an Authorized Investment during the period that the investment does not have the minimum rating. The Investment Officer shall take all prudent measures that are consistent with this Investment Policy to liquidate any investment that does not comply with a minimum rating requirement.

ARTICLE V. INVESTMENT MANAGEMENT

Section 5.01.Designation of Investment Officer. The Commissioners Court may designate the County Treasurer, and/or one or more County Treasurer's employees to serve as the Investment Officer for the County. The Investment Officer has the authority to invest the Funds in accordance with this Investment Policy and applicable law.

Section 5.02 Investment Training. The Investment Officer (s) shall attend at least one training session relating to such person's responsibilities under the Public Funds Investment Act within 12 months after taking office or assuming duties and attend an investment training yearly to obtain not less than 10 hours of instruction relating to investment responsibilities from an independent source approved by the Webb County Commissioners Court. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

Section 5.03.Compliance Audit. The County, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to this Investment Policy.

Section 5.04.Internal Management. Reports Not less than quarterly, the Investment Officer shall prepare and submit to the Commissioners Court a written report of investment transactions for all Funds as required by the Public Funds Investment Act, Section 2256.023 (b), Texas Government Code.

Section 5.05.Conflicts of Interest. In the event that the Investment Officer has a personal business relationship with an entity seeking to sell an investment to the County, the Investment Officer shall file a statement with the Commissioners Court and the Texas Ethics Commission disclosing that personal business relationship prior to purchasing such investment. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the County shall file a statement with the Commissioners Court and the Texas Ethics Commission disclosing that relationship.

Section 5.06. Disclosure of Investment Policies. A. The Investment Officer shall provide a copy of this Investment Policy to any person offering to engage in an investment transaction with the County. The qualified representative of the business organization or senior bank official offering to engage in an investment transaction with the County shall execute a written acknowledgment in the form set forth in Appendix “A” hereto, to the effect that the qualified representative or senior bank official has received and reviewed the Investment Policy of the County and acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude the investment transactions conducted between the County and the organization that are not authorized by the County’s investment policy. The Investment Officer shall not acquire or otherwise obtain any authorized investment described in the investment policy of the County from a person who has not delivered to the County a written acknowledgement substantially to the effect as set forth in Appendix “A”.

B. The County shall present the Investment Officer with a copy of this Investment Policy and the Investment Officer shall execute a written statement in the form set forth in Appendix “B” to the effect that the Investment Officer has reviewed the Investment Policy and has implemented procedures and controls to comply with this Investment Policy.

ARTICLE VI. MISCELLANEOUS

Section 6.01. Open Meeting. The Commissioners Court officially finds, determines, and declares that this Investment Policy was reviewed, carefully considered, and adopted at a regular meeting of the Commissioners Court beginning at 5:30 p.m. on **August 24, 2015** and that a sufficient written notice of the date, hour, place, and subject of this meeting was posted at a place readily accessible and convenient to the public within the County and on a bulletin board located at a place convenient to the public in the Webb County Courthouse for the time required by law preceding this meeting, as required by the Open Meetings Act, Texas Government Code, Section 551, etsecy. as amended, and that this meeting had been open to the public as required by law at all times during which this Investment Policy was discussed, considered, and acted upon. The Commissioners Court further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 6.02. Effective Date. This Investment Policy shall be effective as of **August 24, 2015.**

(SEAL)

Honorable Tano E. Tijerina
Webb County Judge

Margie Ramirez Ibarra
Webb County Clerk

**WEBB COUNTY COMMISSIONERS COURT
ORDER**

WHEREAS, the Commissioners Court of Webb County, Texas, desires to adopt an Investment Policy in order to comply with the Public Funds Investment Act as outlined under chapter 2256 of the Texas Government Code; and

WHEREAS, the Commissioners Court of Webb County, Texas, is desirous in its Investment Policy to set forth the general policies governing investment of Public Funds, the specific investment strategies applicable to each particular Fund, the guidelines for the investment of the Funds, and the investment management policies of Webb County; and

WHEREAS, the Commissioners Court of Webb County, pursuant to Texas Government Code section 2256.005, must review its Investment Policy on annual basis; and

WHEREAS, the Commissioners Court of Webb County, Texas has reviewed its Investment Policy and Investment Strategies for Fiscal Year 2015.

NOW THEREFORE, be it **ORDERED** that the Commissioners Court of Webb County, Texas adopts Webb County Investment Policy for fiscal year 2015.

Passed and Approved on this the 24th day of August, 2015.

Honorable Tano E. Tijerina
Webb County Judge

ATTESTED:

Margie Ramirez Ibarra
Webb County Clerk

TEXAS ASSOCIATION OF COUNTIES
2014 Certificate of Membership
County Investment Academy

Honorable Delia Perales

Successfully completed investment education that satisfies Section 2256.008 of
the Texas Public Funds Investment Act. This ongoing commitment to
continuing education provides maximum benefit to

Webb County

Issued by the Texas Association of Counties the thirty-first day of December, 2014



Hon. Don Allred, President



Gene Terry, Executive Director

Investment Account #	Fund Number	Fund Name
<i>TEXPOOL</i>		
Bank Acct: 24022000:		
005	862	PERMANENT SCHOOL FUND
006	001	GENERAL FUND
016	600	DEBT SERVICE
018	007	HOTEL MOTEL OCCUPANCY TAX
020	801	WATER UTILITY
027	166	CONSTABLE PCT. 1 FEDERAL FORFEITURE
028	171	CONSTABLE PCT. 4 FEDERAL FORFEITURE
030	861	AVAILABLE SCHOOL FUND
031	168	SHERIFF STATE FORFEITURE
032	170	SHERIFF FED. FORFEITURE TREASURY
033	167	DA STATE FORFEITURE
034	169	DA FEDERAL FORFEITURE
041	143	VERTEX TARGETD OPPORTUNITY
047	149	TJPC-P JJAEP TEXAS EDUC.
048	375	CHILD WELFARE UNIT
068	605	BLDG MAINT & CONST. FY 7/8
078	164	COUNTY ATTORNEY STATE FORFEITURE
079	010	OLD MILWAUKEE DEPOSITED FUNDS (ROAD & BRIDGE)
087	163	COUNTY ATTY FEDERAL FORFEITURE
088	175	SHERIFF JUSTICE FEDERAL FORFEITURE
089	529	DETENTION PROPERTY FUND
090	179	COUNTY ATTY FEDERAL FORFEITURE JLEO

**Investment
Account #**

**Fund
Number**

Fund Name

TEXAS CLASS

Bank Acct: 0102320:

001

001

GENERAL FUND

APPENDIX “A”



Delia Perales
Webb County Treasurer

August 24, 2015

AUTHORIZED LOCAL BANKS FOR 1 - 2 YEARS CD'S:

COMPASS BANK

TEXAS COMMUNITY BANK

WELLS FARGO

COMMERCE BANK

LAREDO FEDERAL CREDIT UNION

INVESTMENT POOLS:

TEXPOOL AND TEXPOOL PRIME

TEXAS CLASS

MBS - MULTI-BANK SECURITIES, INC.



**TEXAS PUBLIC FUNDS INVESTMENT ACT
ACKNOWLEDGEMENT AND CERTIFICATION
OF INVESTMENT POLICIES**


This Acknowledgement and Certification is executed on behalf of the Texas Local Government Investment Pools, TexPool and TexPool Prime (collectively, "TexPool"), and Federated Investment Counseling, as investment adviser to TexPool ("Adviser"), pursuant to Section 2256.005(k), Texas Government Code, in connection with investment transactions conducted between the **Webb County** ("Investing Entity") and TexPool.


The undersigned, who is a qualified representative of both TexPool and Adviser (the "Qualified Representative") hereby certifies on behalf of TexPool and Adviser that, as of the date of this letter:

- (i.) The Qualified Representative is duly authorized to execute this Acknowledgment and Certification on behalf of TexPool and Adviser; and
- (ii.) The Qualified Representative has received and reviewed the Investing Entity's investment policy attached hereto as Exhibit A (the "Policy"); and
- (iii.) TexPool and Adviser have implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Investing Entity and TexPool that are not authorized by the Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Investing Entity's entire portfolio or requires an interpretation of subjective investment standards.

TEXPOOL and TEXPOOL PRIME

FEDERATED INVESTMENT
COUNSELING


Signature: Steve Friedman
Authorized Signatory


Signature: Steve Friedman
Vice President

Date: 6/29/2015

Date: 6/29/2015

ANNOUNCEMENTS

We would like to recognize and welcome the following entity who joined the TexPool program in June 2015:

TexPool

Travis County MUD 17

Upcoming Events

07/12/15 – 07/14/15

TASSCUBO Summer Workshop
San Antonio

08/26/15 – 08/28/15

TAC Legislative Conference
Austin

09/14/15 – 09/17/15

CTAT Annual Conference
Wichita Falls

TexPool Advisory Board Members

Overseen by the State of Texas Comptroller of Public Accounts Glenn Hegar.

Operated under the supervision of the Texas Treasury Safekeeping Trust Company.

Additional information regarding TexPool is available upon request:

www.texpool.com

1-866-839-7665

(1-866-TEX-POOL)

Fax: 866-839-3291

Federated, founded in 1955, is publicly traded on the NYSE. It is one of the largest managers of AAA-rated money market portfolios in the country (Source: iMoneyNet as of 2/28/15).

Visit us at FederatedInvestors.com.

G35884-24 (7/15)

Federated is a registered trademark of Federated Investors, Inc.

2015 ©Federated Investors, Inc.

Economic and Market Commentary

Month in Cash: Looking forward—really!—to the end of summer

July 1, 2015

For most of us, summer is a time to pull back from the hustle and bustle of life. No one—especially school children and college students—want to think about it ending. But this year, at least in the financial industry, we are looking forward to September. It is the month that the market expects the Federal Reserve will raise rates for the first time since 2008. For cash managers, that will bring on more celebratory fireworks than the Fourth of July.

Anticipation for liftoff has ratcheted up following the June meeting of the Federal Open Market Committee (FOMC). Its statement and economic/rate projections point to a September hike, and also increased the likelihood of an additional rise in December. While this has been our base case for some time, with the housing market heating up, the labor market strengthening, consumer confidence climbing and the poor first quarter long forgotten, it is almost hard to imagine that the hikes wouldn't unfold this way. But inflation is still not quite where the Fed would like to see it, with PCE still below the two percent level. It is hanging in there: not getting worse, but not getting any better.

However, at this point, it would take a substantial negative event to postpone the hike, and we don't believe that even a Greek default will do it. In any case, none of the global banks we deal with in the prime or municipal money market portfolios have any meaningful exposure to Greece, and therefore the portfolios won't be impacted in any way, shape or form.

As you know, while the Fed's maneuvers on the longer term are always in the back of our minds, they take a back seat to the daily trading we do with the central bank. Lately, that has become much easier as the Fed's staff has gotten better and better at running the operations. A year-and-a-half into the implementation of the reverse repo program, it finally is running smoothly, issuing enough collateral to keep rates above the floor. And since the Fed started adding term-repo issuances for quarter end, there's been less concern about supply now than there had been. While the Fed will have to navigate the reverse repo program when rates rise, it has \$4 trillion on its balance sheet to use if it needs to control the rate more firmly.

(continued page 6)

PERFORMANCE AS OF JUNE 30, 2015

	TexPool	TexPool Prime
Current Invested Balance	\$13,993,984,983.46	\$1,192,234,404.60
Weighted Average Maturity (1)*	43 Days	36 Days
Weighted Average Maturity (2)*	67 Days	44 Days
Net Asset Value	1.00004	1.00000
Total Number of Participants	2,330	188
Management Fee on Invested Balance	0.0473%	0.0638%
Interest Distributed	\$654,174.74	\$102,437.86
Management Fee Collected	\$531,255.87	\$50,120.59
Standard & Poor's Current Rating	AAAm	AAAm

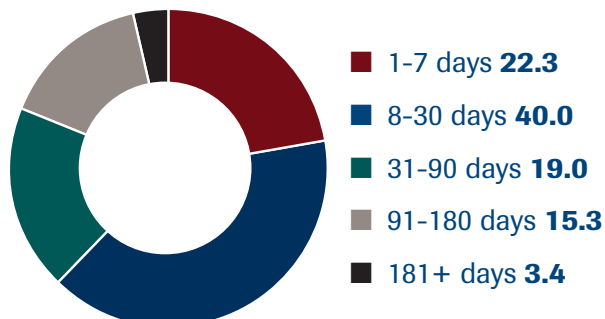
Month Averages

Average Invested Balance	\$13,868,608,835.11	\$1,173,675,796.05
Average Monthly Yield, on a simple basis (3)*	0.06%	0.11%
Average Weighted Average Maturity (1)*	48 Days	37 Days
Average Weighted Average Maturity (2)*	74 Days	45 Days

*Definitions for Average Monthly Yield and Weighted Average Maturity can be found on page 2.

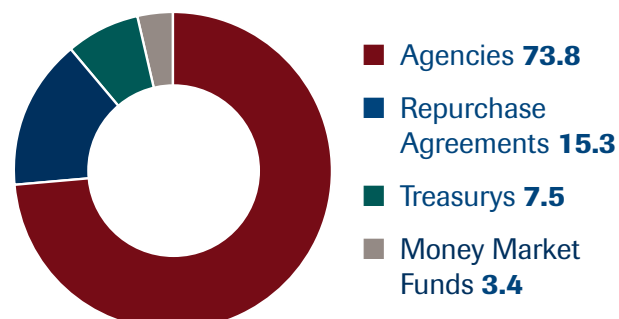
Portfolio by Maturity (%)

As of June 30, 2015



Portfolio by Type of Investment (%)

As of June 30, 2015



PORTFOLIO ASSET SUMMARY AS OF JUNE 30, 2015

	Book Value	Market Value
Uninvested Balance	\$519,586.25	\$519,586.25
Receivable for Investments Sold	0.00	0.00
Accrual of Interest Income	18,432,212.26	18,432,212.26
Interest and Management Fees Payable	-654,125.50	-654,125.50
Payable for Investments Purchased	0.00	0.00
Accrued Expenses & Taxes	0.00	0.00
Repurchase Agreements	2,133,326,000.00	2,133,264,483.50
Mutual Fund Investments	475,020,952.90	475,020,952.90
Government Securities	9,291,034,191.28	9,291,665,739.56
US Treasury Bills	0.00	0.00
US Treasury Notes	2,076,306,166.27	2,076,420,460.53
Total	\$13,993,984,983.46	\$13,994,669,309.51

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool. The only source of payment to the Participants is the assets of TexPool. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

PARTICIPANT SUMMARY

	Number of Participants	Balance
School District	575	\$4,380,688,251.00
Higher Education	56	\$1,122,348,779.54
Healthcare	81	\$517,414,521.04
Utility District	722	\$1,922,567,803.89
City	451	\$3,883,164,351.63
County	177	\$1,175,061,147.84
Other	268	\$992,253,183.83

Definition of Weighted Average Maturity (1) & (2)

*(1) "WAM Days" is the mean average of the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid, (b) would be repaid upon a demand by TexPool, or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates set forth in (b) and (c) if their scheduled maturity is 397 days or less; and the later of the two dates set forth in (b) and (c) if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

*(2) "WAM Days" is calculated in the same manner as the described in footnote 1, but is based solely on the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid or (b) would be repaid upon a demand by TexPool, without reference to when interest rates of securities within TexPool are scheduled to be readjusted.

Definition of Average Monthly Yield (3)

*(3) This current yield for TexPool Prime for each date may reflect a waiver of some portion or all of each of the management fees.

TEXPOOL

DAILY SUMMARY

Date	Money Mkt. Fund Equiv. (SEC Std.)	Daily Allocation Factor	TexPool Invested Balance	Market Value Per Share	WAM Days (1)	WAM Days (2)
6/1	0.0571%	0.000001565	\$13,792,320,811.35	1.00006	50	77
6/2	0.0575%	0.000001576	\$13,771,021,924.68	1.00006	47	74
6/3	0.0561%	0.000001536	\$13,753,469,883.31	1.00007	49	77
6/4	0.0566%	0.000001552	\$13,766,304,309.06	1.00007	49	76
6/5	0.0563%	0.000001543	\$13,689,964,028.18	1.00007	49	77
6/6	0.0563%	0.000001543	\$13,689,964,028.18	1.00007	49	77
6/7	0.0563%	0.000001543	\$13,689,964,028.18	1.00007	49	77
6/8	0.0564%	0.000001544	\$13,591,275,670.79	1.00005	47	74
6/9	0.0563%	0.000001542	\$13,598,240,893.27	1.00007	46	74
6/10	0.0562%	0.000001540	\$13,591,545,996.48	1.00006	47	74
6/11	0.0581%	0.000001591	\$13,575,573,441.59	1.00007	47	73
6/12	0.0584%	0.000001601	\$13,649,880,704.99	1.00006	48	75
6/13	0.0584%	0.000001601	\$13,649,880,704.99	1.00006	48	75
6/14	0.0584%	0.000001601	\$13,649,880,704.99	1.00006	48	75
6/15	0.0588%	0.000001612	\$13,646,236,526.44	1.00004	46	73
6/16	0.0598%	0.000001638	\$13,837,046,376.66	1.00005	46	72
6/17	0.0595%	0.000001631	\$13,836,248,097.96	1.00004	47	73
6/18	0.0568%	0.000001557	\$14,192,192,210.91	1.00004	50	75
6/19	0.0590%	0.000001616	\$14,138,222,716.69	1.00005	50	76
6/20	0.0590%	0.000001616	\$14,138,222,716.69	1.00005	50	76
6/21	0.0590%	0.000001616	\$14,138,222,716.69	1.00005	50	76
6/22	0.0584%	0.000001600	\$14,167,987,519.47	1.00004	48	73
6/23	0.0566%	0.000001550	\$13,920,695,590.05	1.00005	48	74
6/24	0.0580%	0.000001590	\$13,942,346,694.32	1.00004	48	73
6/25	0.0572%	0.000001568	\$14,221,691,293.11	1.00005	46	71
6/26	0.0570%	0.000001561	\$14,169,376,513.84	1.00005	46	70
6/27	0.0570%	0.000001561	\$14,169,376,513.84	1.00005	46	70
6/28	0.0570%	0.000001561	\$14,169,376,513.84	1.00005	46	70
6/29	0.0561%	0.000001536	\$13,917,750,939.38	1.00004	44	68
6/30	0.0571%	0.000001565	\$13,993,984,983.46	1.00004	43	67
Average:	0.0575%	0.000001575	\$13,868,608,835.11	1.00005	48	74

June 25, 2015

Ms. Delia Peralez
Treasurer
Webb County
1110 Washington St., Suite 202
Laredo, TX 78040

Re: Webb County Investment Policy

Dear Ms. Peralez:

Thank you for your interest in the Texas CLASS program. This letter is to acknowledge that the Texas CLASS staff has received from you (the "Investor") and reviewed the Investment Policy (described in (ii) below) and the form of resolution (the "Resolution") proposed for adoption by your governing body (the "Governing Body") approving the Investment Policy. According to the Resolution, the Investment Policy has been developed in accordance with the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "Act"), and, upon adoption, will authorize you to deposit funds in Texas CLASS for investment by Texas CLASS. You also have represented to the undersigned that:

- i. The Investment Officer named in the Resolution has been, or upon adoption of the Resolution will be, (a) duly designated by official action of the Governing Body to act as its Investment Officer pursuant to the Act, (b) vested with full power and authority under the Act and other applicable law (collectively, the "Authorized Investments Law") to engage in investment activities on behalf of the Investor and to perform all obligations in connection therewith, and (c) duly authorized to execute this letter on behalf of the Investor for the purpose of confirming the representations of the Investor set forth herein;
- ii. Pursuant to the Act, the Governing Body of the Investor has, or will upon approval of the Resolution have, duly adopted a written investment policy, including an investment strategy (as the same may be amended, the "Investment Policy"), and the Investment Officer (a) has furnished a true and correct copy of the Investment Policy to us and (b) will promptly notify us of any rescission of, or amendment to, the Investment Policy, provided that we shall be entitled to rely upon the most recent version of the Investment Policy furnished by the Investment Officer; and
- iii. The Investor has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions with Texas CLASS, and prior to investing assets through the Texas CLASS program, the Investment Officer will determine that the contemplated investment is authorized under the Authorized Investments Law and is consistent with the Investment Policy.

Texas CLASS acknowledges that it has reviewed the investment policy of the above-named entity and has implemented reasonable procedures and controls in an effort to preclude investment transactions involving funds invested on behalf of Texas CLASS participants that

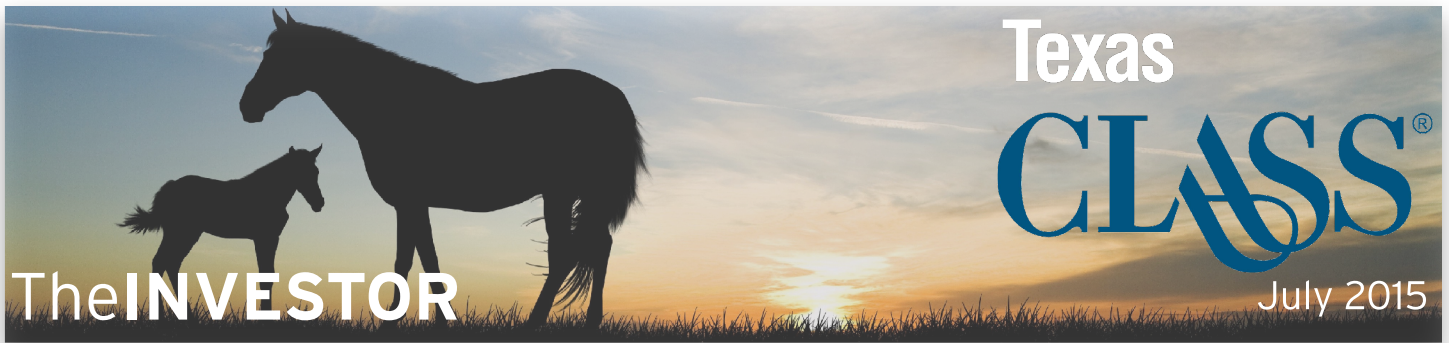
are not authorized by the entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards. The Texas CLASS Program allows the purchase of investments that are authorized by the Act. Texas CLASS is committed to the high standards and level of service that participants expect in the investments of their funds.

The foregoing representations of the Investor are true and correct as of the date hereof.

Sincerely,



Gregory S. Wright
Texas CLASS Administrator



Texas Cooperative Liquid Assets Securities System

The NEWS

Know Your Rates

At Texas CLASS, we think it is important that you understand key aspects of the business. In this month's Texas CLASS Investor, we cover the different rates and weighted average maturities that we report to you, the Texas CLASS Participants.

Annual Yield: Dividend factor exponentially raised to the number of days in the year.

Average 30-Day Yield: The sum of the most recent dividend factors for the past 30 days times 365, times 100, divided by 30.

Daily Rate: Dividend factor times the number of days in the year times 100.

Dividend Factor (Daily Dividend): Portfolio investment income earned minus the expenses for the period divided by the total shares outstanding in the portfolio.

Weighted Average Maturity (to reset): The average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount invested in the portfolio. Weighted average maturity (WAM) measures the sensitivity of fixed income portfolios to interest rate changes. The longer the WAM, the more sensitive it is to changes in interest rates. When a bond is held longer, the opportunity is greater for interest rates to move up or down and affect the performance of the bonds in the portfolio. If interest rates move up, the value of a bond decreases because there are bonds in the market that now pay more interest and therefore are more attractive. Weighted Average Maturity (To

Rate as of 07-10-2015	
Daily Rate (%)	0.16
Annual Yield (%)	0.13
Average 30 Day Yield (%)	0.15
Weighted Average Maturity (To Reset)	50 Days
Weighted Average Maturity (To Final)	53 Days
Daily Dividend	0.000004237705

[Rates Disclaimer](#)

Reset) is the WAM of the portfolio taking into account the next reset dates on the floating rate positions rather than the final maturity of the position. The WAM (To Reset) for the Texas CLASS portfolios is kept under 60 days, which helps enhance liquidity and limits market price exposure.

Weighted Average Maturity (to Final): Same as "Weighted Average Maturity (To Reset)" except the WAM calculation goes to the final maturities of all positions regardless if they may have a floating interest rate associated with them.

All comments and discussion presented are purely based on opinion and assumptions, not fact, and these assumptions may or may not be correct based on foreseen and unforeseen events. The information above is not a recommendation to buy, sell, implement or change any securities or investment strategy, function or process. Any financial and/or investment decision should be made only after considerable research, consideration and involvement with an experienced professional engaged for the specific purpose. Of course past performance is not an indication of future performance. Any financial and/or investment decision may incur losses. Public Trust Advisors, LLC is not a chartered bank, trust company or depository institution. It is not authorized to accept deposits or trust accounts and is not licensed or regulated by any state or federal banking authority.



TheECONOMY

Strong Enough?

The Federal Reserve (Fed) acknowledged a modest upgrade of economic conditions during its June meeting, as recent data appears to have confirmed a rebound from the first quarter malaise. In addition, the Fed continues to project that it will raise interest rates 0.50% by year-end. With the U.S. economy slowly on the mend, the Fed must now determine if the economy is strong enough to withstand higher interest rates. This debate has undoubtedly been complicated by the recent market volatility stemming from events abroad.

While the debt crisis in Greece has been an issue for over five years, a breakdown in negotiations has left the country closer to a "Grexit" than at any point in recent memory. The Chinese stock market has seen a rapid and volatile drop, having now entered bear market territory. And closer to home, the Puerto Rican government has stated that its debts are "not payable." While these issues may not directly impact the U.S. economy to any great degree, the Fed might view a stumble in the global economy significant enough to warrant caution at home.

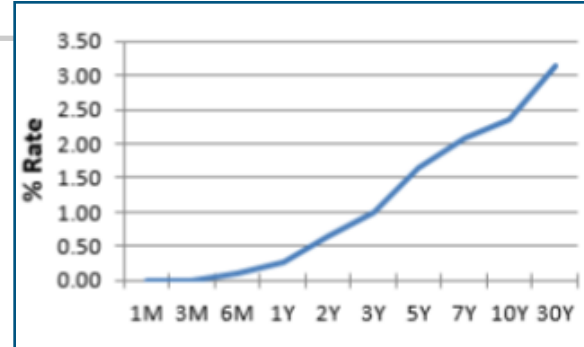
Economists are now projecting second quarter growth around 2.50%. If momentum is carried over into the second half this year, the Fed may decide the benefits of raising rates, such as policy flexibility and deterring market imbalances outweigh the risk of stifling the economy. The recent uptrend in hiring appears to have bolstered consumer confidence, which could provide a much needed boost to spending. The Fed remains data dependent and not beholden to any pre-set course of action. The hope is for consumers to power the U.S. economy past any global disruptions, allowing the Fed to finally begin the lengthy process of normalizing rates.

Portfolio Strategy

Short-term rates continued to be well anchored by the Fed's zero interest target rate policy. However, we are preparing for the Fed to eventually lift rates in the second half of 2015. As always, we remain focused on safety, liquidity and then yield. Texas CLASS is rated AAAM by Standard & Poor's.

Standard & Poor's Ratings in no way guarantee favorable performance results and should not be construed as safety in an investment

US Treasury Curve



Source: Bloomberg

Current Economic Releases

Data	Period	Value
GDP QoQ	Q1'15	-0.20%
US Unemployment	May '14	5.50%
ISM Manufacturing	June '14	53.5
PPI YoY	May '14	-3.00%
CPI YoY	May '14	0.00%
Fed Funds Target	June 17 '15	0- 0.25%

Source: Bloomberg

Treasury Yields

Maturity	7/1/15	6/1/15	CHANGE
3 Month	0.000%	0.000%	0.000%
6 Month	0.060%	0.050%	0.010%
1-Year	0.260%	0.240%	0.020%

Source: Bloomberg

Commercial Paper Yields (A1/P1)

Maturity	7/1/15	6/1/15	CHANGE
1 Month	0.150%	0.150%	0.000%
3 Month	0.240%	0.240%	0.000%
6 Month	0.390%	0.370%	0.020%
9 Month	0.560%	0.510%	0.050%

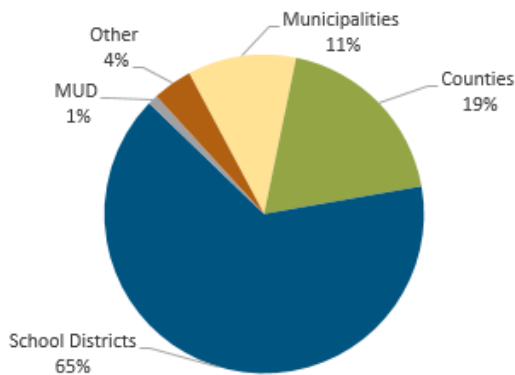
Source: Bloomberg



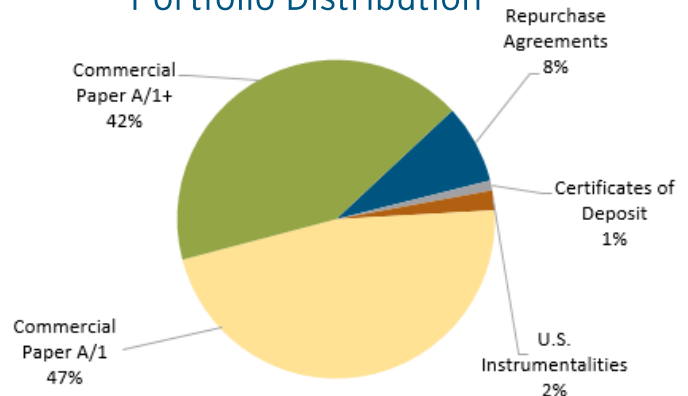
Fund Highlights as of June 30, 2015 (Unaudited)

The following information is provided in accordance with Texas state statute 2256.0016. As of June 30, 2015 the portfolio contained the following types of securities:

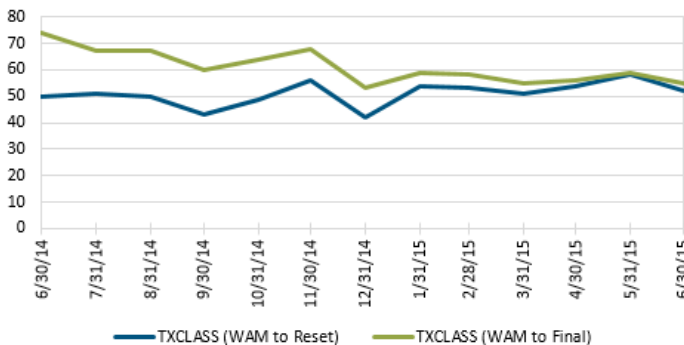
Participant Asset Distribution



Portfolio Distribution

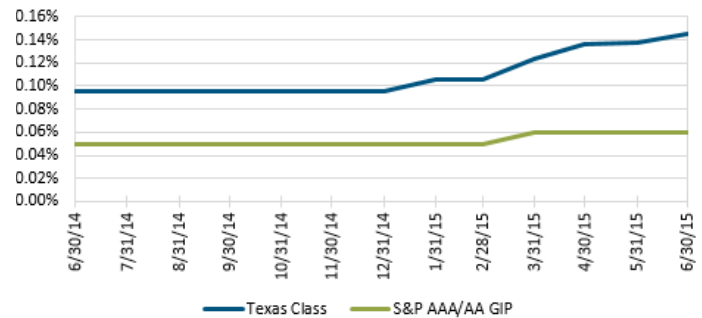


Weighted Average Maturity



Texas CLASS vs S&P AAA/AA GIP*

(30 Day Avg Yields)



Program Yields**

April-15	0.14%
May-15	0.14%
June-15	0.15%

	March 31, 2015	June 30, 2015
Shares Balance	3,567,751,935	3,063,563,780
Market Value	3,568,273,900	3,064,008,701
Amortized Cost	3,568,059,039	3,063,804,911

Weighted Average Maturity ***

April	54
May	58
June	52

** 30 day yield as of the last day of the month

*** As of the end of the last day of the month

Data Unaudited. All comments and discussion presented are purely based on opinion and assumptions, not fact, and these assumptions may or may not be correct based on foreseen and unforeseen events. The information above is not a recommendation to buy, sell, implement or change any securities or investment strategy, function or process. Any financial and/or investment decision should be made only after considerable research, consideration and involvement with an experienced professional engaged for the specific purpose. Additionally, past performance is not an indication of future performance. Any financial and/or investment decision may incur losses.

*** The benchmark, the S&P US AAA & AA Rated GIP All 30 Day Net Yield (LGIP30D) is a performance indicator of rated GIPs that maintain a stable net asset value of \$1.00 per share and is an unmanaged market index representative of the LGIP universe. The S&P benchmark utilized in this comparison is a composite of all rated stable net asset value pools. GIPs in the index include only those rated based on Standard & Poor's money market criteria. Pools rated 'AAA' provide excellent safety and a superior capacity to maintain principal value while those rated 'AA' offer very good safety and a strong capacity to maintain principal value (Source: Standard & Poor's website). The comparison between this index and the portfolio may differ in holdings, duration and percentage composition of each holding. Such differences may account for variances in yield.

Counties

ARANSAS COUNTY	GILLESPIE COUNTY	SAN PATRICIO COUNTY
BASTROP COUNTY	GUADALUPE COUNTY	SMITH COUNTY
BEE COUNTY	HARRIS COUNTY	TARRANT COUNTY
BELL COUNTY	HARRISON COUNTY	TAYLOR COUNTY
BRAZORIA COUNTY	HAYS COUNTY	TOM GREEN COUNTY
BREWSTER COUNTY	HIDALGO COUNTY	TOM GREEN COUNTY CLERK
BURLESON COUNTY	HILL COUNTY	VAN ZANDT COUNTY
BURNET COUNTY	HOPKINS COUNTY	WALKER COUNTY
CALDWELL COUNTY	HOWARD COUNTY	WALLER COUNTY
CARSON COUNTY	JACKSON COUNTY	WASHINGTON COUNTY
CASS COUNTY	JEFFERSON COUNTY	WEBB COUNTY
CHAMBERS COUNTY	JOHNSON COUNTY	WILSON COUNTY
COKE COUNTY	KARNES COUNTY	WILLACY COUNTY
COLLIN COUNTY	LEE COUNTY	
COLORADO COUNTY	LIMESTONE COUNTY	
COUNTY OF MEDINA	MCLENNAN COUNTY	
DENTON COUNTY	MIDLAND COUNTY	
ECTOR COUNTY	MONTGOMERY COUNTY	
EL PASO COUNTY	NAVARRO COUNTY	
ELLIS COUNTY	NUECES COUNTY	
FORT BEND COUNTY	POLK COUNTY	
FRANKLIN COUNTY	ROCKWALL COUNTY	
GALVESTON COUNTY	SAN JACINTO COUNTY	



School Districts

ALAMO HEIGHTS ISD	CLEAR CREEK ISD	EL PASO ISD
ALICE ISD	COLUMBIA - BRAZORIA ISD	ELDRIDGE ROAD M.U.D.
ALLEN ISD	COLUMBUS ISD	ENNIS I.S.D.
ALVIN ISD	CONNALLY ISD	EVERMAN ISD
ANAHUAC ISD	CONROE ISD	FARMERSVILLE ISD
ANGLETON INDEPENDENT SCHOOL	COPPELL ISD	FORNEY I.S.D.
ARANSAS COUNTY ISD	CORPUS CHRISTI ISD	FORT HANCOCK ISD
ARLINGTON ISD	CROSBYTON CISD	FORT SAM HOUSTON ISD
ATHENS ISD	CROWLEY I.S.D.	FORT WORTH I.S.D.
ATLANTA ISD	DALLAS COUNTY SCHOOLS	FRANKSTON ISD
BECKVILLE ISD	DALLAS ISD	FREDERICKSBURG ISD
BEEVILLE ISD	DEER PARK ISD	FRENSHIP ISD
BIRDVILLE ISD	DEL VALLE ISD	FRIENDSWOOD ISD
BRENHAM ISD	DESOTO ISD	GALVESTON INDEPENDENT SCHOOL DISTRICT
BROWNSVILLE ISD	DEVERS ISD	GEORGE WEST ISD
BURKBURNETT ISD	DICKINSON ISD	GEORGETOWN ISD
CALDWELL ISD	DUNCANVILLE ISD	GOLIAD ISD
CALHOUN COUNTY ISD	EAGLE MOUNTAIN-SAGINAW ISD	GONZALES ISD
CANUTILLO ISD	EANES ISD	GRAND PRAIRIE ISD
CARROLL ISD	EAST CENTRAL ISD	GREENVILLE I.S.D.
CELINA ISD	EDCOUCH-ELSA ISD	GROESBECK ISD
CHANNELVIEW ISD	EDGEWOOD ISD	GUNTER ISD
CHAPEL HILL ISD	EDINBURG C.I.S.D.	HARDIN ISD



HARLANDALE ISD

HARLINGEN CISD

HAYS CISD

HEREFORD ISD

HITCHCOCK ISD

HUDSON I.S.D.

HUNTSVILLE I.S.D.

HUTTO ISD

INDUSTRIAL ISD

IRVING ISD

JACKSONVILLE ISD

KATY ISD

KAUFMAN ISD

KEMP ISD

KENEDY ISD

KILGORE ISD

KILLEEN ISD

LA PORTE ISD

LA VEGA ISD

LA VERNIA ISD

LAKE DALLAS ISD

LAKE TRAVIS ISD

LAKE WORTH I.S.D.

LAMAR CISD

LANCASTER ISD

LAREDO ISD

LEANDER ISD

LEVERETTS CHAPEL I.S.D.

LITTLE CYPRESS-MAURICEVILLE
CISD

LITTLE ELM ISD

LOCKHART ISD

LONGVIEW INDEPENDENT
SCHOOL DISTRICT

LORENZO ISD

LOVEJOY I.S.D.

MABANK ISD

MAGNOLIA ISD

MANSFIELD ISD

MARSHALL ISD

MCKINNEY ISD

MERCEDES ISD

MEYERSVILLE ISD

MIDLAND ISD

MIDWAY ISD

MILLSAP ISD

MISSION CISD

MONTGOMERY I.S.D.

MT. PLEASANT I.S.D.

NACOGDOCHES ISD

NEW BRAUNFELS ISD

NORTH EAST ISD

NORTH FOREST ISD

NORTHPOINTE W.C.I.D.

NORTHSIDE ISD

OVERTON ISD

PALESTINE ISD

PALMER ISD

PARIS ISD

PASADENA ISD

PEARSALL ISD

PETTUS ISD

PFLUGERVILLE ISD

PHARR-SAN JUAN-ALAMO ISD

PINE TREE ISD

PROSPER I.S.D.

QUEEN CITY ISD

RANDOLPH FIELD ISD

RAYMONDVILLE ISD

RED OAK ISD

REDWATER ISD

REFUGIO ISD

RICE CISD

RICHARDSON ISD

RIO GRANDE CITY CISD

RIVER ROAD ISD

ROCKWALL ISD



ROGERS ISD	TERRELL ISD
ROMA ISD	TEXARKANA ISD
ROOSEVELT ISD	TEXAS SCHOOL FOR THE BLIND ISD
S & S CISD	TEXAS SCHOOL FOR THE DEAF
SABINE ISD	THORNDALE ISD
SALADO ISD	TROUP ISD
SAN ANGELO ISD	TULOSO - MIDWAY ISD
SAN BENITO CISD	TYLER ISD
SAN FELIPE - DEL RIO CISD	UNITED ISD
SANTA FE ISD	VAN ALSTYNE ISD
SCHERTZ CIBOLO UNIVERSAL CITY ISD	VICTORIA ISD
SCURRY - ROSSER ISD	VIDOR I.S.D.
SEALY I.S.D.	WACO ISD
SEGUIN ISD	WALLER ISD
SHARYLAND ISD	WAXAHACHIE ISD
SHERMAN ISD	WEATHERFORD ISD
SINTON ISD	WESLACO ISD
SOUTH SAN ANTONIO ISD	WEST ISD
STAFFORD MSD	WHITE OAK ISD
STAMFORD ISD	WHITEHOUSE I.S.D.
SWEENEY INDEPENDENT SCHOOL DISTRICT	WHITESBORO I.S.D.
TAFT ISD	WYLIE ISD
TATUM ISD	YORKTOWN ISD
TAYLOR ISD	YSLETA ISD
TEMPLE ISD	ZAPATA COUNTY ISD



MUNICIPAL INVESTMENT POLICY RECOMMENDATIONS AND GUIDELINES

YOUR INVESTMENT POLICY

Since 1988, Multi-Bank Securities, Inc. (MBS) has been serving the investment needs of municipalities throughout the United States. It is with great care that we recommend investment products we feel are appropriate and strictly adhere to your investment policy guidelines. We have systems in place to assist you in reducing the risk of making inappropriate investments.

MAINTENANCE OF YOUR POLICY

It is our policy to review and maintain a copy of your investment policy on file. Should your policy need reviewing, your MBS account executive is ready to help. Our team of highly skilled professionals is required to regularly complete continuing education to ensure a broad understanding of how fixed-income products impact the municipal market. They are well-versed in current regional, state and federal governmental investment statutes and policies.

SAMPLE INVESTMENT POLICIES

National municipal organizations such as the Association of Public Treasurers of the United States & Canada (APT) and the Government Finance Officers Association (GFOA) make sample investment policy guidelines and recommendations available to governmental entities. To receive a free copy, please contact your MBS representative.

WWW.MBSSECURITIES.COM

Member of FINRA & SIPC; MSRB Registered

2015 MUNI Investment Policy.pdf 03.20.15



IMPORTANT COMPLIANCE INFORMATION

USA PATRIOT ACT

Multi-Bank Securities, Inc. is committed to complying with the U.S. statutory and regulatory requirements designed to combat money laundering and terrorist financing. The USA PATRIOT Act requires all financial institutions to obtain certain identification documents or other information in order to comply with their customer identification procedures (CIP).

When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We also may ask to see your driver's license or other identifying documents. Until you provide the required information or documents, we may not be able to open an account or effect any transactions for you. For additional information, contact Merlin Elsner, our designated AML officer, at (800) 967-9008.

ORDER ROUTING

Ordering routing information for your specific orders is available upon request by contacting your account executive. You also can see the most recent quarterly order routing information on our corporate website, www.mbssecurities.com, by clicking on Order Routing at the bottom of the home page.

FINRA BROKERCHECK INFORMATION

The FINRA BrokerCheck Program is available at www.finra.org and can be accessed by clicking on Protect Yourself, then clicking on BrokerCheck under Before You Invest. This site gives background information, registration/license status and disciplinary history of brokers and firms.

SECURITIES INVESTOR PROTECTION CORPORATION (SIPC)

Information about SIPC, including the SIPC brochure, can be obtained by calling SIPC at (202) 371-8300 or on the SIPC website: www.sipc.org.

FIRM CONTACT INFORMATION

If you have any concerns about your account, please contact Merlin Elsner, our chief compliance officer, at (800) 967-9008.

Updated March 2015



PRIVACY POLICY

Multi-Bank Securities, Inc. respects your right to privacy. We always have been committed to securing the confidentiality and integrity of your personal information. We are proud of our privacy practices and want our current and prospective clients to understand what information we collect and how we use it.

WHY WE COLLECT YOUR INFORMATION

We gather information about you and your accounts so we can (i) know who you are and thereby prevent unauthorized access to your information, (ii) design and improve the products and services we offer, and (iii) comply with the laws and regulations that govern the financial industry.

WHAT INFORMATION WE COLLECT

We may collect the following types of nonpublic personal information about you:

- Information about your identity, such as your name, address and tax identification number
- Information about your transactions with us
- Information we receive from you on applications, forms or through discussion

SOURCES FROM WHICH WE OBTAIN YOUR INFORMATION

We collect nonpublic personal information about Multi-Bank Securities, Inc.'s clients from the following sources:

- Information we receive from you on applications, forms or through direct discussion with you
- Information we may obtain via the Internet
- Information we receive from our clearing firm or any third-party vendor for authentication purposes

WHAT INFORMATION WE DISCLOSE

Your securities account is carried by our clearing firm pursuant to clearing agreements. We may disclose to them all the information we collect regarding your account. Our clearing firm is contractually obligated to keep the information we have provided them confidential and use the information only for the services required and as allowed by applicable law or regulation.

We also may disclose information to third parties to effect a transaction you request or authorize; for example, to a bank from which you wish to purchase a certificate of deposit.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law and noted above. Moreover, we will not release information about our customers or former customers, except as noted above, unless one of the following conditions is met:

- We receive your prior written consent
- We believe the recipient to be you or your authorized representative
- We are required by law or regulation to release information to the recipient

CONFIDENTIALITY AND SECURITY

We maintain physical, electronic and procedural safeguards to protect your personal account information. We also restrict access to your personal and financial data to authorized associates who have a need for these records. We require all non-affiliated organizations to conform to our privacy standards and are contractually obligated to keep the provided information confidential and used only as requested. Furthermore, we will continue to adhere to the privacy policies and practices described in this notice even after your account is closed or becomes inactive.

The examples contained within the Privacy Policy are illustrations and are not intended to be exclusive. If there are material changes to this policy, they will be posted on our website at www.mbssecurities.com.

Updated March 2015



BUSINESS CONTINUITY STATEMENT

If you cannot contact us as you usually do through your account executive or your branch office after a significant business disruption, you should call our alternative number, (800) 967-5094 or go to our website at www.mbssecurities.com. If you cannot access us through either of these means, contact our clearing firm Pershing LLC (Pershing) directly in one of the following ways:

1. Call 1 (201) 413-3635. Pershing will process limited trade-related transactions (option No. 1), cash disbursements (option No. 2) and security transfers (option No. 3) on your behalf
2. Via Facsimile at 1 (201) 413-5368
3. Via postal service at Pershing LLC, P.O. Box 2065, Jersey City, NJ 07303-2065

OUR BUSINESS CONTINUITY PLAN

We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption. Our business continuity plan addresses the following: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees and regulators; alternate physical locations of employees; critical suppliers, contractors, banks and counterparty impact; regulatory reporting; and assuring our customers' prompt access to their funds and securities if we are unable to continue our business. Our clearing firm, Pershing, backs up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our clearing firm that its objective is to quickly restore its own operations and be able to complete existing transactions and accept new transactions and payments. Your orders and requests for funds and securities could be delayed during the restoration period.

VARYING DISRUPTIONS

Significant business disruptions can vary in their scope, including the business district, the city or the entire region where one or more of our offices are located. Within each of these areas, the severity of the disruption also can vary from minimal to severe. In the event of a disruption to one or more of our offices, we will transfer our operations to an appropriate site when needed, and expect to recover and resume business within 24 hours. In the event of a disruption affecting a larger area, we will transfer our operations to a site outside of the affected area when needed, and expect to recover and resume business within 48 hours. In either situation, we plan to continue in business, transferring operations to our clearing firm if necessary, and notify you through our website, www.mbssecurities.com, or through our customer emergency number, (800) 967-5094, on how to contact us. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customers' prompt access to their funds and securities.

If you have questions about our business continuity planning, you can contact us at businesscontinuity@mbssecurities.com.

Corporate Headquarters

1000 Town Center, Suite 2300
Southfield, MI 48075
(800) 967-9045 phone
(248) 291-1101 fax

Updated March 2015

APPENDIX “B”



Delia Perales
Webb County Treasurer

August 24, 2015

Honorable Judge Tano E. Tijerina
And Webb County Commissioners
Webb County Courthouse
Laredo, Texas 78040

Dear Sir or Madam:

Enclosed please find a copy of Policy for the Investment of County Funds which is required to be adopted each year pursuant to Section 116.112 of the Texas Local Government Code, Chapter 2256 (The Public Funds Investment Act - attached Exhibit I) and Chapter 2257 (Collateral for Public Funds - attached Exhibit II).

I have enclosed my 2014 Investment Officer Certificate as having completed the required yearly education hours. As per the Public Funds Investment Act Sec. 2256.005 (b), I am aware that my duty is to (first) protect the principal of the money, (secondly), is liquidity, making sure that the money is there at all times to pay as needed, and (third), is the yield. Diversification of the investment portfolio is of utmost importance.

This document has been revised by the County Treasurer and our County Attorney and is hereby presented for your approval and filing at the County Clerk's office.

Sincerely,

Delia Perales
Webb County Treasurer

EXHIBITS

EXHIBIT I

CHAPTER 2256.

PUBLIC FUNDS INVESTMENT

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

- (A) are not required by law to be deposited in the state treasury; and
- (B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

- (A) preservation and safety of principal;
- (B) liquidity; and
- (C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the

National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

(1) a local government;

(2) a state agency;

(3) a nonprofit corporation acting on behalf of a local government or a state agency; or

(4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

(1) a public retirement system as defined by Section 802.001;

(2) state funds invested as authorized by Section 404.024;

(3) an institution of higher education having total endowments of at least \$95

million in book value on May 1, 1995;

(4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;

(5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or

(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER.

(a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

(1) be written;

(2) primarily emphasize safety of principal and liquidity;

(3) address investment diversification, yield, and maturity and the quality and capability of investment management; and

(4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

(1) orally;

(2) in writing;

(3) electronically; or

(4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

(1) understanding of the suitability of the investment to the financial requirements of the entity;

(2) preservation and safety of principal;

(3) liquidity;

(4) marketability of the investment if the need arises to liquidate the investment before maturity;

(5) diversification of the investment portfolio; and

(6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of

the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

(1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with an investing entity or to an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. For purposes of this subsection, a business organization includes investment pools and an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a person who has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 1, eff. June 17, 2011.

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 2, eff. June 17, 2011.

This section was amended by the 84th Legislature. Pending publication of the current

statutes, see H.B. 870 and H.B. 1148, 84th Legislature, Regular Session, for amendments affecting this section.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS. (a) Except as provided by Subsections (b) and (e), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) except as provided by Subsections (b) and (e), attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 3, eff. June 17, 2011.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized

investments under this subchapter:

- (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- (2) direct obligations of this state or its agencies and instrumentalities;
- (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and
- (6) bonds issued, assumed, or guaranteed by the State of Israel.

(b) The following are not authorized investments under this section:

- (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 4, eff. June 17, 2011.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

- (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- (2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or
- (3) secured in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

- (1) the funds are invested by an investing entity through:
 - (A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. 256), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 5, eff. June 17, 2011.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

(1) has a defined termination date;

(2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1); and

(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 6, eff. June 17, 2011.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

- (1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;
- (2) a loan made under the program must allow for termination at any time;
- (3) a loan made under the program must be secured by:
 - (A) pledged securities described by Section 2256.009;
 - (B) pledged irrevocable letters of credit issued by a bank that is:
 - (i) organized and existing under the laws of the United States or any other state; and
 - (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
 - (C) cash invested in accordance with Section:
 - (i) 2256.009;
 - (ii) 2256.013;
 - (iii) 2256.014; or
 - (iv) 2256.016;
- (4) the terms of a loan made under the program must require that the securities being held as collateral be:
 - (A) pledged to the investing entity;
 - (B) held in the investing entity's name; and
 - (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;
- (5) a loan made under the program must be placed through:
 - (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or
 - (B) a financial institution doing business in this state; and
- (6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
- (2) will be, in accordance with its terms, liquidated in full at maturity;
- (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
- and
- (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies; or

(B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS. (a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
- (3) has a dollar-weighted average stated maturity of 90 days or fewer; and
- (4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years;
- (3) is invested exclusively in obligations approved by this subchapter;
- (4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
- (5) conforms to the requirements set forth in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

(c) An entity is not authorized by this section to:

- (1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);
- (2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or
- (3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

- (1) has a defined termination date;
- (2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
- (3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has;

(4) the objectives of the pool;

(5) the size of the pool;

(6) the names of the members of the advisory board of the pool and the dates their terms expire;

(7) the custodian bank that will safekeep the pool's assets;

(8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;

(9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

(10) the name and address of the independent auditor of the pool;

(11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the

entity to invest funds in and withdraw funds from the pool; and

(12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

(1) investment transaction confirmations; and

(2) a monthly report that contains, at a minimum, the following information:

(A) the types and percentage breakdown of securities in which the pool is invested;

(B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;

(C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;

(D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;

(E) the size of the pool;

(F) the number of participants in the pool;

(G) the custodian bank that is safekeeping the assets of the pool;

(H) a listing of daily transaction activity of the entity participating in the pool;

(I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;

(J) the portfolio managers of the pool; and

(K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool created to function as a money market mutual fund shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 7, eff. June 17, 2011.

Sec. 2256.017. EXISTING INVESTMENTS. An entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric

energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. 495), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. 894), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. 2346), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the

debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Corporate bonds are not an eligible investment for a public funds investment pool.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. 1543), Sec. 1, eff. June 17, 2011.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. 1464), Sec. 1, eff. September 1, 2005.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

(1) describe in detail the investment position of the entity on the date of the report;

(2) be prepared jointly by all investment officers of the entity;

(3) be signed by each investment officer of the entity;

(4) contain a summary statement of each pooled fund group that states the:

(A) beginning market value for the reporting period;

(B) ending market value for the period; and

(C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b), this subchapter does not:

- (1) prohibit an investment specifically authorized by other law; or
- (2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

- (1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;
- (2) an entity created under Chapter 392, Local Government Code; or
- (3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been

purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

EXHIBIT II

CHAPTER 2257.

COLLATERAL FOR PUBLIC FUNDS

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2257. COLLATERAL FOR PUBLIC FUNDS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2257.001. SHORT TITLE. This chapter may be cited as the Public Funds Collateral Act.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.002. DEFINITIONS. In this chapter:

- (1) "Bank holding company" has the meaning assigned by Section 31.002(a), Finance Code.
- (2) "Control" has the meaning assigned by Section 31.002(a), Finance Code.
- (3) "Deposit of public funds" means public funds of a public entity that:
 - (A) the comptroller does not manage under Chapter 404; and
 - (B) are held as a demand or time deposit by a depository institution expressly authorized by law to accept a public entity's demand or time deposit.
- (4) "Eligible security" means:
 - (A) a surety bond;
 - (B) an investment security;
 - (C) an ownership or beneficial interest in an investment security, other than an option contract to purchase or sell an investment security;
 - (D) a fixed-rate collateralized mortgage obligation that has an expected weighted average life of 10 years or less and does not constitute a high-risk mortgage security;
 - (E) a floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security; or
 - (F) a letter of credit issued by a federal home loan bank.
- (5) "Investment security" means:
 - (A) an obligation that in the opinion of the attorney general of the United States is a general obligation of the United States and backed by its full faith and credit;
 - (B) a general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues; or
 - (C) a security in which a public entity may invest under Subchapter A, Chapter 2256.
- (6) "Permitted institution" means:
 - (A) a Federal Reserve Bank;
 - (B) a clearing corporation, as defined by Section 8.102, Business & Commerce Code;
 - (C) a bank eligible to be a custodian under Section 2257.041; or
 - (D) a state or nationally chartered bank that is controlled by a bank holding company that controls a bank eligible to be a custodian under Section 2257.041.
- (7) "Public agency" means a state or a political or governmental entity, agency, instrumentality, or subdivision of a state, including a municipality, an institution of higher education, as defined by Section 61.003, Education Code, a junior college, a

district created under Article XVI, Section 59, of the Texas Constitution, and a public hospital.

(8) "Public entity" means a public agency in this state, but does not include an institution of higher education, as defined by Section 61.003, Education Code.

(9) "State agency" means a public entity that:

(A) has authority that is not limited to a geographic portion of the state; and

(B) was created by the constitution or a statute.

(10) "Trust receipt" means evidence of receipt, identification, and recording, including:

(A) a physical controlled trust receipt; or

(B) a written or electronically transmitted advice of transaction.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1995, 74th Leg., ch. 76, Sec. 5.48(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 914, Sec. 5, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 254, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 891, Sec. 3.22(4), eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1423, Sec. 8.70, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 7.63, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 783 (H.B. 2103), Sec. 1, eff. June 17, 2011.

Sec. 2257.0025. HIGH-RISK MORTGAGE SECURITY. (a) For purposes of this chapter, a fixed-rate collateralized mortgage obligation is a high-risk mortgage security if the security:

(1) has an average life sensitivity with a weighted average life that:

(A) extends by more than four years, assuming an immediate and sustained parallel shift in the yield curve of plus 300 basis points; or

(B) shortens by more than six years, assuming an immediate and sustained parallel shift in the yield curve of minus 300 basis points; and

(2) is price sensitive; that is, the estimated change in the price of the mortgage derivative product is more than 17 percent, because of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

(b) For purposes of this chapter, a floating-rate collateralized mortgage obligation is a high-risk mortgage security if the security:

(1) bears an interest rate that is equal to the contractual cap on the instrument; or

(2) is price sensitive; that is, the estimated change in the price of the mortgage derivative product is more than 17 percent, because of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

Added by Acts 1997, 75th Leg., ch. 254, Sec. 2, eff. Sept. 1, 1997.

Sec. 2257.003. CHAPTER NOT APPLICABLE TO DEFERRED COMPENSATION PLANS. This chapter does not apply to funds that a public entity maintains or administers under a deferred compensation plan, the federal income tax treatment of which is governed by Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Sections 401(k) and 457).

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.004. CONFLICT WITH OTHER LAW. This chapter prevails over any other law

relating to security for a deposit of public funds to the extent of any conflict.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.005. CONTRACT GOVERNS LEGAL ACTION. A legal action brought by or against a public entity that arises out of or in connection with the duties of a depository, custodian, or permitted institution under this chapter must be brought and maintained as provided by the contract with the public entity.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

SUBCHAPTER B. DEPOSITORY; SECURITY FOR DEPOSIT OF PUBLIC FUNDS

Sec. 2257.021. COLLATERAL REQUIRED. A deposit of public funds shall be secured by eligible security to the extent and in the manner required by this chapter.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.022. AMOUNT OF COLLATERAL. (a) Except as provided by Subsection (b), the total value of eligible security to secure a deposit of public funds must be in an amount not less than the amount of the deposit of public funds:

- (1) increased by the amount of any accrued interest; and
- (2) reduced to the extent that the United States or an instrumentality of the United States insures the deposit.

(b) The total value of eligible security described by Section 45.201(4)(D), Education Code, to secure a deposit of public funds of a school district must be in an amount not less than 110 percent of the amount of the deposit as determined under Subsection (a). The total market value of the eligible security must be reported at least once each month to the school district.

(c) The value of a surety bond is its face value.

(d) The value of an investment security is its market value.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 2003, 78th Leg., ch. 201, Sec. 46, eff. Sept. 1, 2003.

Sec. 2257.023. COLLATERAL POLICY. (a) In accordance with a written policy approved by the governing body of the public entity, a public entity shall determine if an investment security is eligible to secure deposits of public funds.

(b) The written policy may include:

- (1) the security of the institution that obtains or holds an investment security;
- (2) the substitution or release of an investment security; and
- (3) the method by which an investment security used to secure a deposit of public funds is valued.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.024. CONTRACT FOR SECURING DEPOSIT OF PUBLIC FUNDS. (a) A public entity may contract with a bank that has its main office or a branch office in this state to secure a deposit of public funds.

(b) The contract may contain a term or condition relating to an investment security used as security for a deposit of public funds, including a term or condition relating to the:

- (1) possession of the collateral;
- (2) substitution or release of an investment security;
- (3) ownership of the investment securities of the bank used to secure a deposit of public funds; and
- (4) method by which an investment security used to secure a deposit of public funds is valued.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1999, 76th Leg., ch. 344, Sec. 5.006, eff. Sept. 1, 1999.

Sec. 2257.025. RECORDS OF DEPOSITORY. (a) A public entity's depository shall maintain a separate, accurate, and complete record relating to a pledged investment security, a deposit of public funds, and a transaction related to a pledged investment security.

(b) The comptroller or the public entity may examine and verify at any reasonable time a pledged investment security or a record a depository maintains under this section.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.16, eff. Sept. 1, 1997.

Sec. 2257.026. CHANGE IN AMOUNT OR ACTIVITY OF DEPOSITS OF PUBLIC FUNDS. A public entity shall inform the depository for the public entity's deposit of public funds of a significant change in the amount or activity of those deposits within a reasonable time before the change occurs.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

SUBCHAPTER C. CUSTODIAN; PERMITTED INSTITUTION

Sec. 2257.041. DEPOSIT OF SECURITIES WITH CUSTODIAN. (a) In addition to other authority granted by law, a depository for a public entity other than a state agency may deposit with a custodian a security pledged to secure a deposit of public funds.

(b) At the request of the public entity, a depository for a public entity other than a state agency shall deposit with a custodian a security pledged to secure a deposit of public funds.

(c) A depository for a state agency shall deposit with a custodian a security pledged to secure a deposit of public funds. The custodian and the state agency shall agree in writing on the terms and conditions for securing a deposit of public funds.

(d) A custodian must be approved by the public entity and be:

- (1) a state or national bank that:
 - (A) is designated by the comptroller as a state depository;
 - (B) has its main office or a branch office in this state; and
 - (C) has a capital stock and permanent surplus of \$5 million or more;
- (2) the Texas Treasury Safekeeping Trust Company;
- (3) a Federal Reserve Bank or a branch of a Federal Reserve Bank;
- (4) a federal home loan bank; or
- (5) a financial institution authorized to exercise fiduciary powers that is

designated by the comptroller as a custodian pursuant to Section 404.031(e).

(e) A custodian holds in trust the securities to secure the deposit of public funds of the public entity in the depository pledging the securities.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1995,

74th Leg., ch. 1010, Sec. 1, eff. June 17, 1995; Acts 1997, 75th Leg., ch. 891, Sec. 3.17, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 344, Sec. 5.007, eff. Sept. 1, 1999.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 3, eff. September 1, 2009.

Sec. 2257.042. DEPOSIT OF SECURITIES WITH PERMITTED INSTITUTION. (a) A custodian may deposit with a permitted institution an investment security the custodian holds under Section 2257.041.

(b) If a deposit is made under Subsection (a):

(1) the permitted institution shall hold the investment security to secure funds the public entity deposits in the depository that pledges the investment security;

(2) the trust receipt the custodian issues under Section 2257.045 shall show that the custodian has deposited the security in a permitted institution; and

(3) the permitted institution, on receipt of the investment security, shall immediately issue to the custodian an advice of transaction or other document that is evidence that the custodian deposited the security in the permitted institution.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.043. DEPOSITORY AS CUSTODIAN OR PERMITTED INSTITUTION. (a) A public entity other than a state agency may prohibit a depository or an entity of which the depository is a branch from being the custodian of or permitted institution for a security the depository pledges to secure a deposit of public funds.

(b) A depository or an entity of which the depository is a branch may not be the custodian of or permitted institution for a security the depository pledges to secure a deposit of public funds by a state agency.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.044. CUSTODIAN AS BAILEE. (a) A custodian under this chapter or a custodian of a security pledged to an institution of higher education, as defined by Section 61.003, Education Code, whether acting alone or through a permitted institution, is for all purposes the bailee or agent of the public entity or institution depositing the public funds with the depository.

(b) To the extent of any conflict, Subsection (a) prevails over Chapter 8 or 9, Business & Commerce Code.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.045. RECEIPT OF SECURITY BY CUSTODIAN. (a) On receipt of an investment security, a custodian shall immediately identify on its books and records, by book entry or another method, the pledge of the security to the public entity.

(b) For a deposit of public funds under Subchapter F, the custodian shall issue and deliver to the comptroller a trust receipt for the pledged security.

(c) For any other deposit of public funds under this chapter, at the written direction of the appropriate public entity officer, the custodian shall:

(1) issue and deliver to the appropriate public entity officer a trust receipt for the pledged security; or

(2) issue and deliver a trust receipt for the pledged security to the public entity's depository and instruct the depository to deliver the trust receipt to the public entity officer immediately.

(d) The custodian shall issue and deliver the trust receipt as soon as practicable on the same business day on which the investment security is received.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 434 (S.B. 581), Sec. 1, eff. June 14, 2013.

Sec. 2257.046. BOOKS AND RECORDS OF CUSTODIAN; INSPECTION. (a) A public entity's custodian shall maintain a separate, accurate, and complete record relating to each pledged investment security and each transaction relating to a pledged investment security.

(b) The comptroller or the public entity may examine and verify at any reasonable time a pledged investment security or a record a custodian maintains under this section. The public entity or its agent may inspect at any time an investment security evidenced by a trust receipt.

(c) The public entity's custodian shall file a collateral report with the comptroller in the manner and on the dates prescribed by the comptroller.

(d) At the request of the appropriate public entity officer, the public entity's custodian shall provide a current list of all pledged investment securities. The list must include, for each pledged investment security:

- (1) the name of the public entity;
- (2) the date the security was pledged to secure the public entity's deposit;
- (3) the Committee on Uniform Security Identification Procedures (CUSIP) number of the security;
- (4) the face value and maturity date of the security; and
- (5) the confirmation number on the trust receipt issued by the custodian.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.18, eff. Sept. 1, 1997.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 434 (S.B. 581), Sec. 2, eff. June 14, 2013.

Sec. 2257.047. BOOKS AND RECORDS OF PERMITTED INSTITUTION. (a) A permitted institution may apply book entry procedures when an investment security held by a custodian is deposited under Section 2257.042.

(b) A permitted institution's records must at all times state the name of the custodian that deposits an investment security in the permitted institution.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.048. ATTACHMENT AND PERFECTION OF SECURITY INTEREST. (a) A security interest that arises out of a depository's pledge of a security to secure a deposit of public funds by a public entity or an institution of higher education, as defined by Section 61.003, Education Code, is created, attaches, and is perfected for all purposes under state law from the time that the custodian identifies the pledge of the security on the custodian's books and records and issues the trust receipt.

(b) A security interest in a pledged security remains perfected in the hands of a subsequent custodian or permitted institution.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.061. AUDITS AND EXAMINATIONS. As part of an audit or regulatory examination of a public entity's depository or custodian, the auditor or examiner shall:

- (1) examine and verify pledged investment securities and records maintained under Section 2257.025 or 2257.046; and
- (2) report any significant or material noncompliance with this chapter to the comptroller.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

Sec. 2257.062. PENALTIES. (a) The comptroller may revoke a depository's designation as a state depository for one year if, after notice and a hearing, the comptroller makes a written finding that the depository, while acting as either a depository or a custodian:

- (1) did not maintain reasonable compliance with this chapter; and
- (2) failed to remedy a violation of this chapter within a reasonable time after receiving written notice of the violation.

(b) The comptroller may permanently revoke a depository's designation as a state depository if the comptroller makes a written finding that the depository:

- (1) has not maintained reasonable compliance with this chapter; and
- (2) has acted in bad faith by not remedying a violation of this chapter.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

Sec. 2257.063. MITIGATING CIRCUMSTANCES. (a) The comptroller shall consider the total circumstances relating to the performance of a depository or custodian when the comptroller makes a finding required by Section 2257.062, including the extent to which the noncompliance is minor, isolated, temporary, or nonrecurrent.

(b) The comptroller may not find that a depository or custodian did not maintain reasonable compliance with this chapter if the noncompliance results from the public entity's failure to comply with Section 2257.026.

(c) This section does not relieve a depository or custodian of the obligation to secure a deposit of public funds with eligible security in the amount and manner required by this chapter within a reasonable time after the public entity deposits the deposit of public funds with the depository.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

Sec. 2257.064. REINSTATEMENT. The comptroller may reinstate a depository's designation as a state depository if:

- (1) the comptroller determines that the depository has remedied all violations of this chapter; and
- (2) the depository assures the comptroller to the comptroller's satisfaction that the depository will maintain reasonable compliance with this chapter.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

SUBCHAPTER E. EXEMPT INSTITUTIONS

Sec. 2257.081. DEFINITION. In this subchapter, "exempt institution" means:

- (1) a public retirement system, as defined by Section 802.001; or
- (2) the permanent school fund, as described by Section 43.001, Education Code.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 165, Sec. 6.31, eff. Sept. 1, 1997.

Sec. 2257.082. FUNDS OF EXEMPT INSTITUTION. An exempt institution is not required to have its funds fully insured or collateralized at all times if:

- (1) the funds are held by:
 - (A) a custodian of the institution's assets under a trust agreement; or
 - (B) a person in connection with a transaction related to an investment; and
- (2) the governing body of the institution, in exercising its fiduciary responsibility, determines that the institution is adequately protected by using a trust agreement, special deposit, surety bond, substantial deposit insurance, or other method an exempt institution commonly uses to protect itself from liability.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.083. INVESTMENT; SELECTION OF DEPOSITORY. This chapter does not:

- (1) prohibit an exempt institution from prudently investing in a certificate of deposit; or
- (2) restrict the selection of a depository by the governing body of an exempt institution in accordance with its fiduciary duty.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

SUBCHAPTER F. POOLED COLLATERAL TO SECURE

DEPOSITS OF CERTAIN PUBLIC FUNDS

Sec. 2257.101. DEFINITION. In this subchapter, "participating institution" means a financial institution that holds one or more deposits of public funds and that participates in the pooled collateral program under this subchapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.102. POOLED COLLATERAL PROGRAM. (a) As an alternative to collateralization under Subchapter B, the comptroller by rule shall establish a program for centralized pooled collateralization of deposits of public funds and for monitoring collateral maintained by participating institutions. The rules must provide that deposits of public funds of a county are not eligible for collateralization under the program. The comptroller shall provide for a separate collateral pool for any single participating institution's deposits of public funds.

(b) Under the pooled collateral program, the collateral of a participating institution pledged for a public deposit may not be combined with, cross-collateralized with, aggregated with, or pledged to another participating institution's collateral pools for pledging purposes.

(c) A participating institution may pledge its pooled securities to more than one participating depositor under contract with that participating institution.

(d) The pooled collateral program must provide for:

- (1) participation in the program by a participating institution and each affected public entity to be voluntary;

- (2) uniform procedures for processing all collateral transactions that are subject to an approved security agreement described by Section 2257.103; and
- (3) the pledging of a participating institution's collateral securities using a single custodial account instead of an account for each depositor of public funds.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.103. PARTICIPATION IN POOLED COLLATERAL PROGRAM. A financial institution may participate in the pooled collateral program only if:

- (1) the institution has entered into a binding collateral security agreement with a public agency for a deposit of public funds and the agreement permits the institution's participation in the program;
- (2) the comptroller has approved the institution's participation in the program; and
- (3) the comptroller has approved or provided the collateral security agreement form used.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.104. COLLATERAL REQUIRED; CUSTODIAN TRUSTEE. (a) Each participating institution shall secure its deposits of public funds with eligible securities the total value of which equals at least 102 percent of the amount of the deposits of public funds covered by a security agreement described by Section 2257.103 and deposited with the participating institution, reduced to the extent that the United States or an instrumentality of the United States insures the deposits. For purposes of determining whether collateral is sufficient to secure a deposit of public funds, Section 2257.022(b) does not apply to a deposit of public funds held by the participating institution and collateralized under this subchapter.

(b) A participating institution shall provide for the collateral securities to be held by a custodian trustee, on behalf of the participating institution, in trust for the benefit of the pooled collateral program. A custodian trustee must qualify as a custodian under Section 2257.041.

(c) The comptroller by rule shall regulate a custodian trustee under the pooled collateral program in the manner provided by Subchapter C to the extent practicable. The rules must ensure that a custodian trustee depository does not own, is not owned by, and is independent of the financial institution or institutions for which it holds the securities in trust, except that the rules must allow the following to be a custodian trustee:

- (1) a federal reserve bank;
- (2) a banker's bank, as defined by Section 34.105, Finance Code; and
- (3) a federal home loan bank.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.105. MONITORING COLLATERAL. (a) Each participating institution shall file the following reports with the comptroller electronically and as prescribed by rules of the comptroller:

- (1) a daily report of the aggregate ledger balance of deposits of public agencies participating in the pooled collateral program that are held by the institution, with each public entity's funds held itemized;
- (2) a weekly summary report of the total market value of securities held by a custodian trustee on behalf of the participating institution;

(3) a monthly report listing the collateral securities held by a custodian trustee on behalf of the participating institution, together with the value of the securities; and

(4) as applicable, a participating institution's annual report that includes the participating institution's financial statements.

(b) The comptroller shall provide the participating institution an acknowledgment of each report received.

(c) The comptroller shall provide a daily report of the market value of the securities held in each pool.

(d) The comptroller shall post each report on the comptroller's Internet website.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.106. ANNUAL ASSESSMENT. (a) Once each state fiscal year, the comptroller shall impose against each participating institution an assessment in an amount sufficient to pay the costs of administering this subchapter. The amount of an assessment must be based on factors that include the number of public entity accounts a participating institution maintains, the number of transactions a participating institution conducts, and the aggregate average weekly deposit amounts during that state fiscal year of each participating institution's deposits of public funds collateralized under this subchapter. The comptroller by rule shall establish the formula for determining the amount of the assessments imposed under this subsection.

(b) The comptroller shall provide to each participating institution a notice of the amount of the assessment against the institution.

(c) A participating institution shall remit to the comptroller the amount assessed against it under this section not later than the 45th day after the date the institution receives the notice under Subsection (b).

(d) Money remitted to the comptroller under this section may be appropriated only for the purposes of administering this subchapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.107. PENALTY FOR REPORTING VIOLATION. The comptroller may impose an administrative penalty against a participating institution that does not timely file a report required by Section 2257.105.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.108. NOTICE OF COLLATERAL VIOLATION; ADMINISTRATIVE PENALTY. (a) The comptroller may issue a notice to a participating institution that the institution appears to be in violation of collateral requirements under Section 2257.104 and rules of the comptroller.

(b) The comptroller may impose an administrative penalty against a participating institution that does not maintain collateral in an amount and in the manner required by Section 2257.104 and rules of the comptroller if the participating institution has not remedied the violation before the third business day after the date a notice is issued under Subsection (a).

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.109. PENALTY FOR FAILURE TO PAY ASSESSMENT. The comptroller may impose an

administrative penalty against a participating institution that does not pay an assessment against it in the time provided by Section 2257.106(c).

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.110. PENALTY AMOUNT; PENALTIES NOT EXCLUSIVE. (a) The comptroller by rule shall adopt a formula for determining the amount of a penalty under this subchapter. For each violation and for each day of a continuing violation, a penalty must be at least \$100 per day and not more than \$1,000 per day. The penalty must be based on factors that include:

- (1) the aggregate average weekly deposit amounts during the state fiscal year of the institution's deposits of public funds;
- (2) the number of violations by the institution during the state fiscal year;
- (3) the number of days of a continuing violation; and
- (4) the average asset base of the institution as reported on the institution's year-end report of condition.

(b) The penalties provided by Sections 2257.107-2257.109 are in addition to those provided by Subchapter D or other law.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.111. PENALTY PROCEEDING CONTESTED CASE. A proceeding to impose a penalty under Section 2257.107, 2257.108, or 2257.109 is a contested case under Chapter 2001.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.112. SUIT TO COLLECT PENALTY. The attorney general may sue to collect a penalty imposed under Section 2257.107, 2257.108, or 2257.109.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.113. ENFORCEMENT STAYED PENDING REVIEW. Enforcement of a penalty imposed under Section 2257.107, 2257.108, or 2257.109 may be stayed during the time the order is under judicial review if the participating institution pays the penalty to the clerk of the court or files a supersedeas bond with the court in the amount of the penalty. A participating institution that cannot afford to pay the penalty or file the bond may stay the enforcement by filing an affidavit in the manner required by the Texas Rules of Civil Procedure for a party who cannot afford to file security for costs, subject to the right of the comptroller to contest the affidavit as provided by those rules.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.114. USE OF COLLECTED PENALTIES. Money collected as penalties under this subchapter may be appropriated only for the purposes of administering this subchapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.