

COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION



**REQUEST FOR PROPOSALS
FOR**

DEPOSITORY SERVICES

RFP NO. EDC 2023-07

***Sealed proposals will be received until 2:00 p.m. on
September 13, 2023***

***Deadline for Questions until 10:00 am on
September 5, 2023***

***Anticipated Contract Commencement
October 1, 2023***

Return RFP to: Fred Welch
Executive Director Copperas
Cove Economic Development
Corporation
207 S. 3rd Street, Suite 200
Copperas Cove, TX 76522

1.0 GENERAL INFORMATION

1.1 PURPOSE

The purpose of this Request for Proposal (RFP) is to solicit sealed proposals from qualified banking institutions to establish a contract for Banking Services through competitive negotiations to the Copperas Cove Economic Development Corporation (EDC). The contract period will begin October 1, 2023, and extend through September 30, 2028. Through this contract the EDC intends to minimize banking costs, improve operational efficiency, and maximize investment capabilities.

1.2 INSTRUCTIONS TO OFFERORS

1. The envelope or package containing the completed Request for Proposal should be marked legibly on the outside with the submitter's name and address along with "Request for Proposal for Depository Services; RFP No. EDC 2023-07."
2. The offeror shall sign and date the submittal where provided within the RFP. The person signing the proposal must have the authority to bind the firm in a contract. Proposals which are not signed and dated in this manner may be rejected.
3. All documents shall be received at the Copperas Cove Economic Development Corporation, Finance Department, located at 207 S. 3rd Street, Suite 200, Copperas Cove, Texas 76522, by the deadline shown on the cover sheet of this Request for Proposals.
4. Facsimile transmittals and electronic transmittals will not be acceptable. USB format is acceptable (mailed or delivered, per instructions).
5. The EDC, reserves the right to reject any or all Request for Proposals (RFP) as it shall deem to be in the best interests of the EDC.
6. Any interpretations, corrections or changes to this RFP and specifications will be made by addenda. Sole issuing authority of addenda shall be vested in the Copperas Cove Economic Development Corporation. Addenda will be loaded on the EDC's website at www.coveedc.com. Offerors shall acknowledge receipt of all addenda on the sealed envelope or package containing their proposal.

The Economic Development Corporation is aware of the time and effort you expend in preparing and submitting proposals. Please let us know of any proposal requirements causing you difficulty in responding to our Request for Proposals. We want to facilitate your participation so that all responsible vendors can compete for the EDC's business.

If you have any questions concerning this Request for Proposal, it should be submitted in writing to: Fred Welch- Executive Director fwelch@coveedc.com.

1.3 INFORMATION REQUESTED FROM OFFERORS

Each RFP shall contain all the items listed below. Incomplete statements may be rejected in technical review by the Evaluation Committee.

A. Provide a completed Vendor Information Sheet and W9 for accounts payable purposes on Appendix E.

B. Provide a summary of the Bank's history including information on parent company, if applicable.

C. Provide a listing of present office locations and state the location of the office(s) which will provide services to the EDC.

1.4 MINIMUM QUALIFICATIONS

The proposal must demonstrate that the Offeror has the resources and capabilities to provide the requested banking services on an "as needed" basis as prescribed in the RFP. Offerors shall submit documentation with their proposal demonstrating compliance with the minimum qualifications.

The following criteria shall be met in order to be considered under this RFP:

- The Offeror shall be a "Qualified Public Depository in the State of Texas".
- The Offeror shall have at least five (5) years of similar governmental banking experience.
- The Offeror must have a local branch within the City limits.

1.5 SUBMISSION INFORMATION

The EDC will receive Proposals prior to September 13, 2023 @ 2:00 PM. Deadline for questions or requests for clarification must be submitted to Fred Welch in writing prior to September 5, 2023, @ 12:00 PM via email at fwelch@coveedc.com. All responses to the question will be posted in addendum form and posted to the EDC's website.

One (1) original copy and (3) copies (you may include a USB drive as well) of the RFP shall be submitted in an envelope or box bearing the name and address of the respondent and also be identified in the lower left corner with "Request for Proposal for Bank Depository Services, RFP No. EDC 2023-07" and be addressed as follows:

**Copperas Cove Economic
Development Corporation
Attn: Fred Welch
207 S 3rd Street
Copperas Cove, Texas 76522**

1.6 EVALUATION PROCESS

Evaluation factors outlined below shall be applied to all eligible, responsive Banks, in comparing proposals and selecting the successful Bank. Award of a contract may be made without discussion with the Banks after the proposals are received. Therefore, proposals should be submitted on the most favorable terms.

Evaluation criteria on which each Bank will be evaluated are as follows:

- Time deposit interest rate 25%
- Cost of Service 25%
- Service availability 25%
- Safety and creditworthiness of bank 25%

All responses to this RFP will be reviewed by the Investment Committee. Selection of the Depository shall be based on the institution offering the most favorable terms and conditions for handling the EDC's funds and the services available. The final selection will be made by the EDC Board of Directors during a public Board Meeting.

1.7 CONTRACT TERM

The term of the contract will be for a five (5) year period from October 1, 2023 through September 30, 2028. Cost of services shall not be increased during the term of the contract. Comparable services as a result of system upgrades or bank mergers shall not cause an increase in pricing.

1.8 NEGOTIATIONS

The EDC reserves the right to negotiate any and all elements which comprise the Bank's proposal to ensure the best possible consideration be afforded to parties concerned.

In addition, the EDC's Board of Directors reserves the right to reject any and all proposals and to re-advertise for proposals in such event.

1.9 CONTRACTUAL ARRANGEMENTS

The Contract shall be prepared under the direction of the EDC, its attorney and shall incorporate all applicable provisions. A price per item fee is desired, with monthly payments as agreed for services rendered.

The Bank should be aware the contents of the successful proposal will become a part of any subsequent contractual document which may result

from this RFP. Failure of the Bank to accept this obligation may result in the cancellation of the award.

The Contract shall be for the provision of services as requested herein, at the fees submitted in the proposal for the term of the contract. The EDC shall agree to make monthly payments as agreed for services rendered.

1.10 RELEASE OF INFORMATION

Information submitted by the Bank shall not be released by the EDC during the proposal evaluation period or prior to contract award.

1.11 RIGHTS AND REMEDIES

The rights and remedies of the EDC provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or under any subsequent contract.

2.0 PROPOSAL FORMAT

Proposals must be submitted containing the following sections in the order indicated:

2.1 COVER LETTER

This section should contain the name and address of the proposing Bank, the contact individuals authorized to answer technical, price, and/or contract questions together with their telephone numbers and mailing addresses. The statement of validity shall be included. The cover letter must be signed by a person authorized to bind the Bank.

- **Please include a statement of validity for a minimum of ninety (90) days subsequent to September 5, 2023.**

2.2 REFERENCES

Indicate the Bank's background in providing banking services to public organizations. List any banking services contracts currently in place. Provide a list of client references including client name, contact persons, and phone numbers (minimum of five).

2.3 COST AND SCHEDULE PROPOSAL

The EDC desires a price per item fee proposal with monthly payments for services rendered. The contract will be for a period of 60-months.

The compensation proposal should be documented by completing the Cost and Schedule Proposal Form (**Appendix A**, attached hereto) and submitting it with the RFP. It is intended that the Cost and Schedule Proposal Form include all of the unit prices for services requested. All volumes indicated are

estimates. The contract will not necessarily be awarded to the Bank that provides the lowest cost proposal but rather to the Bank that submits the most responsive proposal meeting the EDC's requirements.

If a service requirement cannot be met by the Bank, then "No Proposal" should be entered on the Form for that specific requirement. An alternate proposal may be made by the Bank.

2.4 BANK PERFORMANCE ANALYSIS

The Bank should complete the attached Bank Performance Analysis Form (**Appendix B**), attached hereto and submit it with the RFP. Financial strength and capacity should be based upon the information contained in annual financial reports and call reports.

2.5 ADDITIONAL DATA AND INFORMATION

Give any additional information considered essential to the proposal. Alternative proposals which you feel may benefit the parties may also be submitted. If there is no additional information to present, so state.

3.0 DESCRIPTION OF THE OPERATING SYSTEM

The EDC presently requires (1) demand accounts. The EDC also reserves the right to alter the structure and number of accounts during the life of the Contract. However, the Banks RFP response should be based on the account structure presented in the RFP. Should the EDC and the Bank mutually agree to a structure that differs from the RFP, it is agreed that adjusted pricing will be commensurate with the volume of services used. The Bank must agree that the source of unit pricing for new services not specifically requested in the RFP will be the Bank's most recently published price list for cash management services.

4.0 NATURE OF SERVICES REQUIRED

The banking services required by the Corporation are discussed below. **Appendix A** includes the Cost and Schedule Proposal Form and the desired scheduling requirements for the required services.

4.1 INTERNET BASED ON-LINE REPORTING SYSTEM

The Corporation requires an internet based on-line reporting system that provides the daily ending ledger and collected balances from the prior day for all accounts, a detail of the prior day's debit and credit transactions, and current day debit and credit transactions. Reporting should allow balance, detail, and summary reporting by a defined date period. Balance reporting for the previous day should be available by 8:00 a.m. Samples of the reports are to be included in the proposal.

4.2 INTERNET BASED ON-LINE TRANSACTION INITIATION

The internet banking system must allow for the initiation and verification of Fed wire transfers, ACH and NACHA transactions, intra-bank transfers, positive pay, and stop payments. Wire and ACH transfers will include repetitive and non-repetitive transactions. The system must include user defined security requirements. The option to initiate Fed wire transfers, ACH transactions, intra-bank transfers, and stop payments via telephone (including the security of secondary telephone verification) is required in the event of emergency operations.

4.3 CHECK CLEARING AND AVAILABILITY

A major portion of the EDC's revenue is collected through checks received from the City, and some from sale of property. Therefore, the EDC considers it essential that availability on these items is maximized through aggressive check clearing efforts.

4.4 RETURNS AND CHARGEBACKS

Unless directed otherwise, the Bank will automatically redeposit return items a second time. Items returned a second time will be charged to the EDC's Operating Cash Account and returned promptly to the Financial Point of Contact (POC) of the EDC.

4.5 DISBURSEMENT SERVICES

The Bank shall possess the ability to process all disbursement checks, both manual and electronic checks, for accounts payable and payroll application through the operating account.

4.6 POSITIVE PAY

The EDC requires the Bank to provide positive pay services in an effort to prevent check fraud. The Corporation will provide a list of checks to the bank upon disbursement of checks that the bank will use to confirm payee, amounts, check numbers, dates and account numbers when the check is presented to the bank for payment. This verification process should be conducted electronically. In instances where the check presented does not agree to the list provided by the EDC, the bank will not pay the check until it has conferred with the Executive Director or Point of Contact at the EDC and obtain authorization to pay said check.

4.7 STOP PAYMENTS

The EDC will require stop payment issuance and confirmation upon receipt of written request. All stop payments should be permanent and not require renewals.

4.8 DIRECT DEPOSIT

The Bank shall possess the ability to perform wire transfers and direct deposit in a timely manner.

4.9 WIRE TRANSFER SERVICES

A standard wire transfer agreement will be executed with the bank. This proposal should include a copy of your standard transfer procedures and wire transfer agreement. The EDC requires adequate security provisions and procedures. Wire transfer requests must be available online and full information should be submitted detailing the use thereof.

4.10 AUTOMATED CLEARING HOUSE (ACH) ORIGINATIONS

The EDC requires the Bank to provide services that will move funds electronically between financial institutions in the Federal Reserve System in the United States. The Bank should make every effort to process ACHs in accordance with the National Automated Clearing House Association and the Federal Reserve System in the United States. The Bank should submit its guidelines and agreement with this request for proposals.

4.11 BANK STATEMENTS

The EDC requires a bank statement for each account within five business days after the close of the calendar month. The bank shall furnish imaged copies of checks in numerical order. Statements must be available to the EDC via secure internet access.

4.12 ACCOUNT ANALYSIS

The EDC requires a monthly account analysis in summary form and by individual account. Since the Corporation will consider the analysis an invoice, it must provide a comprehensive, detailed recap of services performed.

4.13 CERTIFICATES OF DEPOSIT

As stated in Section 1.1, investment activities are considered separate and apart from this RFP. However, the Corporation is interested in Certificates of Deposit. In Part C of the Cost and Schedule Proposal Form, the Bank should present a floating rate bid for Certificates of Deposit.

4.14 ACCOUNT EXECUTIVE

An account executive must be assigned to the account to coordinate the account services and expedite the solution of any problem. A trained and competent backup for the account executive, familiar with the account,

should be assigned in the proposal. Stipulate the name and a brief biography of the account executive to be assigned to the EDC's account.

4.15 ADDITIONAL SERVICES

If new services become available and are provided during the period of this contract, they will be charged at the banks then published rate.

5.0 COLLATERAL REQUIREMENTS

The EDC's Investment Policy and State law requires all deposits and investments of the Corporation funds with commercial banks be secured by pledged collateral with a market value equal to no less than 102% of the deposits and investments. The Bank is required to pledge the collateral within five (5) days after notification of selection as the Depository.

The Corporation shall accept only the following securities as collateral:

- U.S. Treasury securities maturing in less than two (2) years.
- Short-term obligation of U.S. Government Agencies which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- Federal Deposit Insurance (FDIC) coverage of principal invested.
- Direct or unconditionally guaranteed obligations of the State of Texas except the Corporation will not accept Industrial Revenue Bonds or Private Activity Bonds as pledged securities.
- Any other acceptable security as defined in the Texas Local Government Code, Section 105.051 and subject to the approval of the Board of Directors.
- All collateral shall be subject to inspection and audit by the EDC's independent auditors.

5.1 COMPENSATION

The EDC desires to compensate the Bank for services performed on a fee basis. Therefore, the monthly account analysis will be considered an invoice and monitored accordingly. If the EDC discovers it has been overcharged after payment has been rendered, the EDC shall be reimbursed.

It is the EDC's intent that the Cost and Schedule Proposal Form reflect all services and prices for which the Bank will expect payment. It is understood that volumes indicated thereon are estimates and actual volumes will vary from month to month. If the EDC requests a service(s) not presently included on the Form, the Bank must agree the unit price will be no more

than the price appearing on its most recently published price for cash management services.

The EDC desires interest be paid on demand balances maintained with the Bank. In Part D of the Cost and Schedule Proposal Form, the Bank should present its proposed method for compensating the Corporation.

APPENDIX A – COST AND SCHEDULE PROPOSAL FORM

In your completion of Appendix A all monthly volumes presented below are only estimates to be used in the preparation of Appendix A. The Corporation will not be penalized in any way for increases or decreases of monthly volume.

Part A - Service Charges

| TYPE OF SERVICE CHARGE | ESTIMATED MONTHLY VOLUME | UNIT PRICE | MONTHLY PRICE |
|---|--------------------------------|---------------|------------------|
| Account Maintenance | 1 account | | |
| Internet Banking and Reporting | | | |
| Items Deposited | 3/monthly | | |
| On-Us | | | |
| Local | | | |
| Texas Fed Cities | | | |
| Other 11th Dist. Fed Cities | | | |
| Non-11th Dist. Fed Items | | | |
| Encoding Charge for Deposited Items | 3 | | |
| Deposits Posted / Merchant Capture | 0 | | |
| Deposits | | | |
| Same Day Credit | 3 | | |
| Next Day Credit | 3 | | |
| Checks Paid | 480/year | | |
| Chargeback Items - Reclear | 0 | | |
| Stop Payments - Manual | 5/year | | |
| Stop Payments - Automated | 0 | | |
| Numeric Sort of Monthly Paid Items | < 40 | | |
| ACH Item Processing | <800/year | | |
| Wire Transfers | | | |
| Outgoing | 10 | | |
| Incoming | 10 | | |
| Collateral Cost | | | |
| Optional Valuation Listing | | | |
| Credit for Average balances | 400,000 | | |
| Non-recurring Charge Rates | | | |
| Deposit Slips (3-Part) | | | |
| Check Forms (3-Part) | | | |
| Mechanized | | | |
| Manual | | | |
| Locking Depository Bag (1) (Approximately 10" x 12") | | | |
| Other Charges | | | |
| Positive Pay | | | |
| FDIC Insurance | | | |
| Ledger Overdraft | | | |
| Return Item Telephone Notification | | | |

Part A – Service Charges (Continued)

| TYPE OF SERVICE CHARGE | ESTIMATED MONTHLY VOLUME | UNIT PRICE | MONTHLY PRICE |
|------------------------------|--------------------------------|---------------|------------------|
| Wire Transfer Devices | | | |
| Telephone | | | |
| Internet | | | |
| Intrabank Transfer of Funds | | | |
| Strap of Currency | | | |
| Roll of Coin | | | |
| Deposit Processing | | | |
| Coin Verification | | | |
| Minimum Change Order | | | |
| Domestic Collection Item | | | |

Part B - Scheduling Requirements

In the "Bank Response" column, there are three possible responses. "Yes" to concur and "better" or "worse" if the Bank's service schedule is other than what is desired. If "better" or "worse" is indicated, please provide an explanation.

| <u>Service</u> | <u>Schedule</u> | <u>Response</u> |
|---|--|-----------------|
| Account statements | Mail by the 5th of the following month | _____ |
| Account analysis | Mail by the 5th of the following month | _____ |
| Incoming wire notification - over \$10,000 | Notify the Executive Director by phone or e-mail one (1) hour after receipt | _____ |
| Incoming wire confirmation | Emailed confirmation available by next business day | _____ |
| Out-going wire transfer release | Release according to instructions | _____ |
| EDC employee payroll checks | Employees are paid 26 times in a fiscal year | _____ |

Part C - Certificates of Deposit

The bank should present a floating rate bid consisting of basis points, over or under the yield quote published in the Wall Street Journal on the day of deposit, for the U.S. Treasury bill maturing on, or immediately prior to, the maturing date of the Certificate of Deposit.

Floating Rate on \$100,000 or more (Plus or Minus)

| <u>Maturity</u> | <u>Interest Rate</u> | <u>Maturity</u> | <u>Interest Rate</u> |
|-----------------|----------------------|-------------------|----------------------|
| 7 - 29 days | _____ | 180 - 209 days | _____ |
| 30 - 59 days | _____ | 210 - 239 days | _____ |
| 60 - 89 days | _____ | 240 - 269 days | _____ |
| 90 - 119 days | _____ | 270 - 299 days | _____ |
| 120 - 149 days | _____ | 300 - 359 days | _____ |
| 150 - 179 days | _____ | 360 days and over | _____ |

Part D - Other

Provide a copy of the most recent audited financial statements and the two most recent quarterly FDIC Call Reports.

Give any additional information considered essential to the proposal.

Part E - Bid Certification

As an authorized representative of the Bank, the undersigned hereby certifies the Bank is willing to comply with all provisions specified herein, at the prices and rates quoted.

Bank _____

Signature _____ Date _____

Print Name _____

Title _____

Address _____

City/State/Zip _____

Telephone _____ Fax _____

Email Address: _____

APPENDIX B – BANK PERFORMANCE ANALYSIS FORM

| | As of <u>12/31/2022</u> | As of <u>12/31/2022</u> |
|--|----------------------------|----------------------------|
| <u>Liquidity Ratios</u> | | |
| Loans to deposits | _____ | _____ |
| Gross loans to total assets | _____ | _____ |
| Liquid assets to total assets | _____ | _____ |
| Problem loans to primary capital | _____ | _____ |
| <u>Asset Quality Ratios</u> | | |
| Loan loss reserves to total loans | _____ | _____ |
| Non-performing loans to total loans | _____ | _____ |
| <u>Profitability Indicators</u> | | |
| Return on earning assets | _____ | _____ |
| Return on equity | _____ | _____ |
| Net interest margin | _____ | _____ |
| <u>Capital Adequacy Indicators</u> | | |
| Capital to loans | _____ | _____ |
| Capital to total assets | _____ | _____ |
| <u>Management Indicators</u> | | |
| Net charge-off to gross loans | _____ | _____ |
| Jumbo deposit ratio (total deposits of amounts in excess of \$100,000 to total deposits) | _____ | _____ |

APPENDIX C – CONFLICT OF INTEREST QUESTIONNAIRE

| CONFLICT OF INTEREST QUESTIONNAIRE For vendor or other person doing business with local governmental entity | | FORM CIQ |
|---|--|-----------------|
| <p>This questionnaire is being filed in accordance with chapter 176 of the Local Government Code by a person doing business with the governmental entity.</p> <p>By law this questionnaire must be filed with the records administrator of the local government not later than the 7th business day after the date the person becomes aware of facts that require the statement to be filed. See Section 176.006, Local Government Code.</p> <p>A person commits an offense if the person violates Section 176.006, Local Government Code. An offense under this section is a Class C misdemeanor.</p> | <div style="border: 1px solid black; padding: 2px; text-align: center; font-weight: bold;">OFFICE USE ONLY</div> <div style="border: 1px solid black; padding: 2px;">Date Received</div> | |
| 1 Name of person doing business with local governmental entity. | | |
| 2 <div style="margin-top: 10px;"> <input type="checkbox"/> Check this box if you are filing an update to a previously filed questionnaire. </div> <div style="margin-top: 10px; font-size: small;"> (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than September 1 of the year for which an activity described in Section 176.006(a), Local Government Code, is pending and not later than the 7th business day after the date the originally filed questionnaire becomes incomplete or inaccurate.) </div> | | |
| 3 Describe each affiliation or business relationship with an employee or contractor of the local governmental entity who makes recommendations to a local government officer of the local governmental entity with respect to expenditure of money. | | |
| 4 Describe each affiliation or business relationship with a person who is a local government officer and who appoints or employs a local government officer of the local governmental entity that is the subject of this questionnaire. | | |

Adopted 01/13/2008

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor or other person doing business with local governmental entity

FORM CIQ

Page 2

5 Name of local government officer with whom filer has affiliation or business relationship. (Complete this section only if the answer to A, B, or C is YES.)

This section, item 5 including subparts A, B, C & D, must be completed for each officer with whom the filer has affiliation or business relationship. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer named in this section receiving or likely to receive taxable income from the filer of the questionnaire?

☐

Yes

☐

No

B. Is the filer of the questionnaire receiving or likely to receive taxable income from or at the direction of the local government officer named in this section AND the taxable income is not from the local governmental entity?

☐

Yes

☐

No

C. Is the filer of this questionnaire affiliated with a corporation or other business entity that the local government officer serves as an officer or director, or holds an ownership of 10 percent or more?

☐

Yes

☐

No

D. Describe each affiliation or business relationship.

6 Describe any other affiliation or business relationship that might cause a conflict of interest.

7

Signature of person doing business with the governmental entity

Date

Adopted 01/13/2008

APPENDIX D

INVESTMENT POLICY



COPPERAS COVE, Texas

ECONOMIC DEVELOPMENT CORPORATION

INVESTMENT POLICY

Copperas Cove Economic Development Corporation Investment Policy

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I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

The investment policy applies to the investment activities of the Copperas Cove Economic Development Corporation (CCEDC). It is the policy of the CCEDC to invest public funds in a manner which will provide the highest investment return with the maximum security. This policy serves to satisfy the statutory requirements of Local Government Code 116.112 and Texas Government Code Chapter 2256 to define and adopt a formal investment policy. This policy will be reviewed and adopted by resolution at least annually according to Section 2256.005(e), Texas Government Code.

Effective cash management is recognized as essential to good fiscal management. A comprehensive and effective cash management system will be pursued to optimize investment interest as viable and material revenue to all operating and capital funds. The CCEDC's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with local, state, and federal law.

Funds Included. Except as set forth below, all financial assets of all funds of the CCEDC and all other funds that may be created from time to time, unless expressly prohibited by law or unless it is in contravention of any depository contract between the CCEDC and any depository bank shall be included.

Funds Excluded. This policy, according to Texas Government Code, Section 2256.004, shall not govern funds which are managed under separate investment programs. Such funds include the following:

- Funds established by the CCEDC for deferred employee compensation plans
- CCEDC's participation in the Texas Municipal Retirement System
- Defeased bonds held in trust escrow accounts

II. INVESTMENT OBJECTIVES

The primary objectives, in priority order, of the CCEDC's investment activities shall be according to section 2256.006, Texas Government Code:

Safety. Safety of principal is the foremost objective of the CCEDC. Investments of the CCEDC shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity. The CCEDC's investment portfolio will remain sufficiently liquid to enable the CCEDC to meet all operating requirements which might be reasonably anticipated. Portfolio maturities will be structured to meet the obligations of the CCEDC first, and then to achieve the highest return of interest consistent with the objectives of this policy. When the CCEDC has funds that will not be needed to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for each fund. The CCEDC shall invest in instruments with scheduled maturity or duration not to exceed two (2) years at the time of purchase. In the event coupon security maturity exceeds the specified limit with a calculated duration of two (2) years, the instrument will satisfy this policy requirement. For pooled funds, the weighted maximum average dollar maturity shall be limited to a maximum

of ninety (90) days, with the maximum maturity for any individual security in the portfolio not exceeding thirteen (13) months.

Yield. It will be the objective of the CCEDC to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and state and federal law governing investment of public funds.

III. INVESTMENT COMMITTEE

Members. The CCEDC Investment Committee will consist of the CCEDC Executive Director, Chairman of the Board and Treasurer. The Investment Committee shall receive quarterly reports, as outlined in this policy, and monitor the results and performance of the investment portfolio. The Investment Committee shall ratify all investments made by the Executive Director.

Auditor. The Investment Committee shall select qualified independent accountants to perform an annual compliance audit of management controls on investments and adherence to the CCEDC's established investment policies in accordance with Tex. Gov. Code 2256.005(m). The results of such audit shall be presented to the Investment Committee in conjunction with the CCEDC's annual audit.

Scope. The Investment Committee shall include in its deliberations such topics: investment strategy, return on investments, market risk, economic outlook, portfolio diversification, maturity structure, potential risk to the CCEDC's fund, and authorized broker dealers.

IV. RESPONSIBILITY AND CONTROL

Delegation. Authority to manage the CCEDC's investment program is derived from the Corporate Bylaws Article 4, Section 11. All books and records of the CCEDC will be maintained by the CCEDC in a secure location. Pursuant to Section 501.073, Texas Local Government Code, the City will approve all programs and expenditures of the CCEDC and annually review any financial statements of the CCEDC.

Management responsibility for the investment program is hereby delegated to the Executive Director. This person is responsible for all investment decisions and activities and shall be the CCEDC's investment officer. The Executive Director may designate deputies to assist with the management of the investment portfolio. The Executive Director shall be responsible for all transactions and compliance with the internal control, insure the safekeeping, custodial, and collateral duties, consistent with this investment policy.

Management and Internal Controls. Pursuant to Texas Government Code Section 2256.005, the Executive Director shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the independent auditor. The controls shall be designed to reasonably prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the CCEDC. Dual control of all investment activities will consistently be maintained by the Executive Director.

Transaction Authority. Certain signatory responsibilities are required to transact

investments. Positions authorized as depository signatories shall be the CCEDC Executive Director and Board's President and Treasurer. The persons holding these positions are also designated as authorized to transact wire transfers, buy/sell, and trade investments in accord with the goals and objectives of the CCEDC's investment strategy. Bonding of all those individuals authorized to place, purchase, or sell investment instruments shall be required.

Prudence. In accordance with Texas Government Code, Section 2256.006, investments shall be made with the exercise of due care, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their own capital as well as the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal; liquidity; and yield. This investment principle shall be applied in the context of managing the overall investment portfolio.

Personal Responsibility. The Executive Director when acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price dangers, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. In determining whether the Executive Director 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 control of the CCEDC, over which the Executive Director 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 CCEDC.

Training, Quality and Capability of Investment Management. It is the CCEDC's policy to provide training as required by the Public Funds Act, Sec. 2256.008, Tex. Government Code, and periodic training in investments for the Executive Director, and the designated investment officers. Authorized officers will be required to complete ten (10) hours of training within twelve (12) months of assuming duties. Training shall be provided through courses and seminars offered by independent sources to ensure the quality, capability and competency of the Executive Director and Investment Officers in making investment decisions. At a minimum, the Executive Director and Investment Officers must attend a training session once every two (2) years and receive eight (8) hours of training.

Monitoring of Investments. Market value of all securities in the portfolio will be determined on a quarterly basis. The CCEDC's current investment strategy is active. Given this strategy, the basis used by the Executive Director to determine whether market yields are being achieved shall be the six-month U.S. Treasury Bill and the Average Fed Funds Rate. These rates may be obtained from the Wall Street Journal or other similar investment periodicals or journals.

V. ETHICS

Conflicts of Interest. CCEDC officers and employees directly involved in the investment process, and those authorized as depository signatories, shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Disclosure. Such employees shall disclose to the CCEDC Executive Director or the Board's President or Treasurer any material financial interests they have in financial institutions that conduct business with the CCEDC and shall further disclose any large personal financial or investment positions that could be related to the performance of the CCEDC's portfolio. Such employees shall subordinate their personal investment transactions to those of the CCEDC, particularly with regard to the timing of purchases and sales.

If the Executive Director, Board President or Treasurer have a personal business relationship with an entity or is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the CCEDC, the Executive Director, President or Treasurer must file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission in accordance with Texas Government Code 2256.005 (i).

VI. REPORTING INVESTMENT EARNING EVALUATION

Quarterly Reports. In accordance with Texas Government Code 2256.023, not less than quarterly, the investment officer shall prepare and submit to the CCEDC's Board of Directors a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

- (1) describe in detail the investment position of the CCEDC on the date of the report;
- (2) be prepared jointly by all investment officer(s);
- (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. additions and changes to the market value during the period; and
 - C. ending market value for the period;
 - D. fully accrued interest for the period
- (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested; market value shall be determined by reference to published prices in the Wall Street Journal or by reference to other commonly recognized source of market information;
- (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 CCEDC for which each individual investment was acquired;
- (8) state the compliance of the investment portfolio of the CCEDC as it relates to:
 - A. the investment strategy expressed in the CCEDC's investment policy; and
 - B. relevant provisions of the Public Funds Investment Act;
- (9) state the total rate of return on the investment portfolio; and
- (10) note that the quarterly investment reports shall be reviewed by the CCEDC's independent auditors, as part of the CCEDC's annual audit and the result of this review shall be reported to the CCEDC Board.

Annual Report. Within 120 days of the end of the fiscal year, the Executive Director shall present an annual report on the investment program activity. The annual report shall include 12-month performance information and shall suggest improvements that might be made in the investment program.

Notification of Investment Changes. It shall be the duty of the Executive Director to notify the CCEDC Board of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

VII. INVESTMENT TYPES

Active Portfolio Management. The CCEDC intends to pursue an active vs. a passive portfolio management philosophy, including that CCEDC securities may be sold before they mature if market conditions present an opportunity for the CCEDC to benefit from the trade.

Eligible Investments. Financial assets of the government of the CCEDC may be invested in:

- A. Obligations of the United States or its agencies and instrumentalities, which have a stated maturity on the date of purchase of two years or less.
- B. Direct obligations of the State of Texas or its agencies and instrumentalities;
- C. Certificates of deposit if issued by a state or national bank domiciled in the State of Texas or a savings and loan association domiciled in the State of Texas and:
 - (1) is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;
 - (2) secured by obligations that are described by Texas Government Code, Section 2256.009(a) Public Funds Investment Act, but excluding those mortgages backed securities of the nature described by Section 2256.009(b). Texas Government Code; or
 - (3) secured in any other manner and amount provided by law for deposits of the CCEDC.
- D. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, which have a stated maturity on the date of purchase of two years or less.
- E. 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 of not less than A or its equivalent, which have a stated maturity on the date of purchase of two years or less.
- F. A fully collateralized repurchase agreement, as defined in the Public Funds Investment Act, if it:
 - (1) has a defined termination date;
 - (2) is secured by obligations described by Section 2256.009 (a) (1), Texas Government Code; and
 - (3) requires the securities being purchased by the CCEDC to be pledged to the CCEDC, held in the CCEDC's name, and deposited at the time the investment is made with the CCEDC or with a third party selected and approved by the CCEDC; 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. Notwithstanding any law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by the CCEDC 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.

- G. Eligible investment pools (as discussed in the Public Funds Investment Act, Tex. Gov. Code, Sec.2256.016-2256.019) if the CCEDC Board's resolution authorizes investment in the particular pool. An investment pool shall invest the funds it receives from the CCEDC in authorized investments permitted by the Public Funds Investment Act.
- H. Any other securities which may be added by the State of Texas as permissible investments for municipal governments which are following the Public Funds Investment Act. Texas Government Code, Section 2256.019 Investment pools must be continuously rate triple-AAA or AAA-m by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized service with weighted average maturity not greater than ninety (90) days. Market mutual funds must be registered with and regulated by the Securities Exchange Commission and must provide the CCEDC with a prospectus and other information required by federal law. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.
- I. Texas Government Code, Section 2256.0208, "Local Government Investment of Bonds Proceeds and Pledged Revenue," to the Act. Local government investment officers are authorized to invest bonds proceeds or revenue pledge to the payment of the debt obligation only to the extent permitted by the Act, in accordance with provisions governing the debt issuance, as applicable, and the local government's approved investment policy regarding the debt issuance, as applicable.

Length of Investments. The CCEDC shall invest in instruments with scheduled maturity or duration not to exceed two (2) years at the time of purchase. In the event a coupon security maturity exceeds the specified limit with a calculated duration of two (2) years, the instrument will satisfy this policy requirement.

Diversification. It shall be the policy of the CCEDC to diversify the investment portfolio. Diversification strategies shall be determined and revised periodically by the Executive Director. In establishing specific diversification strategies, the following general constraints shall apply:

- A. Portfolio maturities shall be staggered to avoid concentration of assets in a specific maturity sector.
- B. Portfolio investment instruments shall be diversified by type.
- C. Competitive bidding of all investments must accompany diversification among security dealers.

Prohibited Investments. As outlined under Texas Government Code, Section 2256.009, the Executive Director has no authority to use any of the following investment instruments, which are strictly prohibited:

- (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;
- (4) Any investment instrument which has a scheduled maturity or duration in excess of two (2) years at the time of purchase; or
- (5) The CCEDC investment portfolio will not invest in derivatives. For the purposes of this Investment Policy, the definition of derivatives includes instruments which have embedded features that alter their character or income stream or allow holders to hedge or speculate on a market or spreads between markets that are external to the issuer or are not correlated on a one-to-one basis to the associated index or market.

Prohibited derivatives include the following:

- (1) Arrangements in which an investor has swapped the natural cash flows or some portion of the natural cash flows of an instrument for a different set of cash flows. (I.e., Interest Rate Swaps).
- (2) Over the Counter/Exchange traded options or futures. (I.e., Option Contracts, Futures Contracts).
- (3) Instruments explicitly specified as follows: Collateralized Mortgage Obligations, Inverse Floating Rate Notes, Range Index Notes, Non-Money Market Index based Notes, Dual Index Notes, Index Amortizing Notes, Inverse Multi-index Bonds, Stepped Inverse Index Bonds, Inverse Index Bonds.

Allowable instruments which are not considered derivatives by the preceding definition are authorized investments listed as follows:

Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Strips, Repurchase Agreements, Reverse Repurchase Agreements, Agency Notes with a defined maturity and fixed upon rate, Money Market Index variable rate Notes (i.e., floating rate notes tied to money market indices defined as Treasury Bills, London Interbank Offering Rate (LIBOR), Fed Funds, and Cost of Funds Index), Step-up notes, and Certificates of Deposit.

VIII. SELECTION OF BANKS AND DEALERS

Bidding Process. Depositories shall be selected through the CCEDC's banking services procurement process, which shall include a formal request for proposal (RFP) issued every five (5) years in accordance with Local Government Code Chapter 105 section 105.017. In selecting depositories, the credit worthiness of institutions shall be considered, and the Executive Director shall conduct a comprehensive review of prospective depository's credit characteristics and financial history.

Insurability. Banks seeking to establish eligibility for the CCEDC's depository contract shall submit financial statements, evidence of Federal insurance and other information as required by the Executive Director.

Primary Dealers and Approved List. In accordance with Texas Government Code, Sec. 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell to the CCEDC an authorized investment. The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

- (1) Received and thoroughly reviewed the investment policy of the CCEDC; and

- (2) Acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the CCEDC and the organization. The Executive Director may not buy any securities from a person who has not delivered to the CCEDC an instrument in substantially the form provided above according to Tex. Gov. Code, Section 2256.005(1).

All dealers and brokers who desire to become qualified bidders for investment transactions with the CCEDC, must be recommended by the Executive Director and approved by the CCEDC President or Treasurer. Applications will be reviewed on a periodic basis and submitted for approval. The Executive Director will maintain a list of primary dealers and brokers authorized to provide investment services to the CCEDC. The authorized list of primary dealers and brokers will be reviewed on an annual basis, and any broker/dealers who fail to meet the standards of this policy shall be removed from the list. All dealers and brokers who desire to become qualified bidders for investment transactions must supply the following:

- (1) Completed broker dealer questionnaire.
- (2) Proof of registration with the Texas State Securities Board.
- (3) Proof of National Association of Securities Dealers (NASD) certification.
- (4) Audited financial statements.
- (5) Written acknowledgment that the entity has read the CCEDC Investment Policy and has reasonable procedures and controls to preclude imprudent investment activities arising out of investment transactions conducted between the entity and the CCEDC (Securities Broker Dealer Acknowledgment Form - Section XV).

Brokers and dealers who desire to transact business with the CCEDC must be approved, in advance of any business transactions, by the CCEDC Executive Director and President or Treasurer. For brokers and dealers of government securities, the CCEDC Executive Director shall select only those dealers reporting to the Market Reports Division of New York, also known as the "primary government securities dealers," unless a broker/dealer comprehensive questionnaire and certification reveals that other firms are adequately financed to conduct public business. The Executive Director will annually review the financial condition and registration of qualified dealers and brokers. The Executive Director shall not conduct business with any firm which has been removed from the approved list by the CCEDC Executive Director.

Competitive Bidding of Investments. All trades, purchases and sales made for the CCEDC will be done through a documented competitive bidding process. Competitive quotes must be taken from at least three qualifying institutions for any investment transaction. The broker/dealers used for the CCEDC will be those approved by and in compliance with the rules of this investment policy.

Broker/dealers are neither required nor encouraged to contact the CCEDC on current securities that the broker/dealers believe are items that require CCEDC attention.

IX. SAFEKEEPING AND CUSTODY

Insurance or Collateral. All deposits and investments of CCEDC funds with commercial banks shall be secured by pledged collateral with a market value equal to no less than 100% of the deposits or investments. If the maturity date of the pledged collateral exceeds two (2) years, 102% of market value shall be maintained by the Executive Director or a third-party financial institution. Repurchase agreements shall be documented by a specific agreement noting the collateral pledged in each agreement. Collateral shall be reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances.

Pledged Collateral Safekeeping Agreement. All safekeeping arrangements shall be in accordance with a Safekeeping Agreement approved by the Executive Director which clearly defines the procedural steps for gaining access to the collateral should the CCEDC determine that the CCEDC's funds are in jeopardy. The safekeeping institution, or Trustee, shall be the Federal Reserve Bank or an institution not a branch of the firm pledging the collateral. The safekeeping agreement shall include the signatures of the CCEDC, the firm pledging the collateral, and the Trustees.

Collateral Defined. The CCEDC shall accept only the following securities as collateral:

- A. U.S. Treasury securities maturing in less than two (2) years;
- B. Short-term obligations of U.S.-Government Agencies which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- C. Federal Deposit Insurance (FDIC) coverage of principal invested;
- D. Direct or unconditionally guaranteed obligations of the State of Texas except that the CCEDC will not accept Industrial Revenue Bonds or Private Activity Bonds as pledged securities;
- E. Bonds of States, government agencies, counties, cities, or political subdivisions nationally rated "A" or above; and
- F. Eligible collateral for repurchase agreements (Tex. Gov. Code, Section 2256.011) is expanded from a combination of cash and obligations of the United States, its agencies, or instrumentalities to include commercial paper and corporate bonds, if applicable. Any restrictions associated with the investment of public funds in either commercial paper or corporate bonds as authorized in section 22565.013 or section 2256.0204, respectively, by the Act also apply to the use of these obligations as repurchase agreement collateral.

Subject to Audit. All collateral shall be subject to inspection and audit by the Executive Director or the CCEDC's independent auditors.

Delivery vs. Payments. Texas Government Code, Section 2256.005(b) (4) (e) requires Treasury Bills, Notes, Bonds and Government Agencies or other securities shall be purchased using the delivery vs. payment basis method. That is, funds shall not be wired or paid until verification has been made that the collateral was received by the CCEDC Agent or the Trustee. The collateral shall be held in the name of the CCEDC. The Trustee's or Agent's records shall assure the notation of the CCEDC's ownership of our explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the CCEDC.

Standards of Operation. The Executive Director shall develop and maintain written administrative procedures for the operation of the investment-program, consistent with this investment policy.

X. INTERNAL CONTROLS

Internal Controls. The Executive Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse according to section 2256.005(m), Texas Government Code. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Accordingly, the Executive Director shall establish a process for an annual independent review by an external auditor to ensure compliance with policies and procedures. The internal controls shall address the following points:

- (1) Control of collusion. Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
- (2) Separation of transaction authority from accounting and record keeping. By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
- (3) Custodial safekeeping. Securities purchased from any bank or dealer including appropriate collateral (as defined by State Law) shall be placed with an independent third party for custodial safekeeping.
- (4) Avoidance of physical delivery securities. Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
- (5) Clear delegation of authority to subordinate staff members. Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

- (6) Written confirmation or telephone transactions for investments and wire transfers. Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.
- (7) Development of a wire transfer agreement with the lead bank or third-party custodian. This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.
- (8) Documentation of transactions and strategies. By recording this necessary information, certification of investment procedures processing is accomplished.
- (9) Any security requiring a credit rating by the Act and this policy will not be authorized during the time that the security does not hold that rating. The Executive Director will monitor, on at least a monthly basis the credit rating and should the rating fall below accepted levels, the Executive Director will immediately advise the CCEDC of the loss of rating, the possible loss of principal. The CCEDC Executive Director and Board President and/or Treasurer will decide on the prudent liquidation of the security.

XI. INVESTMENT STRATEGIES

Investment Strategies. In accordance with the Public Funds Investment Act, Section 2256.005(d), Texas Government Code, a separate written investment strategy will be developed for each of the funds under the CCEDC's control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities 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;
- (6) Yield; and
- (7) Maturity restrictions.

The investment strategies to be employed by the CCEDC are:

- (1) The Roll-Over Approach. This strategy shall be referred to as Strategy A. This approach means that, despite the excess funds available early in the tax collection season and the requirements of the remaining months, you choose to place the excess funds outside a theoretical short-term period. Instead, the excess funds are held in daily liquidity fund such as a bank money market account, a short-term liquidity interlocal pool, or in an eligible SEC registered mutual money market fund (90-day maximum maturity) \$1.00 stable net asset value. The funds continue to roll-over or remain accessible on a daily basis for the entire cycle and the funds are disbursed as liabilities occur.
- (2) The Matching Approach. This strategy shall be referred to as Strategy B. This approach uses excess funds to fill future shortfalls or to match maturing investments with liabilities,

matching relies on accurate forecasting of liabilities matched with maturity investments. The Matching Approach generally requires holding investments to maturity.

- (3) The Extension Approach. This strategy shall be referred to as Strategy C. This is an aggressive approach because it is a one-sided bet on the market and disregards liability requirements. The expectation is that long-term investments can be liquidated at cost or a profit to cover short-term needs. The Extension Method is risky and makes an aggressive statement about the direction of interest rates. Use of this method can reduce liquidity and create losses. Section XIV includes investment strategies for all funds. In accordance with the Public Funds Investment Act, Texas Government Code, Section 2256.005(e), investment strategies will be reviewed and adopted by resolution at least annually.

XII. INVESTMENT STRATEGY BY POOLED FUND GROUP

Operating Pooled Fund Group: The objective of the Operating Pooled Fund Group is to maximize earnings on short term idle cash (needed to meet obligations in less than one year) while preserving the safety of the principal invested.

Liquidity must be maintained to ensure adequate access to meet operating requirements. Investments of this Pooled Fund Group shall not exceed a maturity of greater than one (1) year and must maintain a weighted average maturity of not more than 90 days. This Group shall invest in the types of investments authorized under this Investment Policy to maximize earnings with emphasis on safety of Principal and liquidity. Any CCEDC fund may participate in the Short-Term Pooled Fund Group.

Non-Operating Pooled Fund Group: The objective of the Non-Operating Pooled Fund Group is to maximize earnings on idle cash not needed for operating activities within one year while maintaining the safety of the principal invested. The maturity of any investment by the Non-Operating Pooled Fund Group may not exceed five (5) years. Investment transactions will be conducted in a manner to create a laddering of maturities to prevent maturity bubbles and reduce the risks of changing markets. This Group shall invest in the types of investments authorized under this Investment Policy to maximize earnings with

emphasis on safety of principal. Only CCEDC with idle cash not required to meet obligations within one year may participate in this fund group

Capital Project Fund Group: The objective of the Capital Project Fund Group is to maximize earnings on idle cash that is not needed in the short term to meet obligations to fund capital project fund activities while maintaining the safety of the principal. The maturity of any investment by the Capital Project Fund Group may not exceed three years, but any investment over one year must be scrutinized to ensure liquidity of funds to meet all obligations for payments of capital projects. This Group shall invest in the types of investments authorized under this Investment Policy to maximize earnings with emphasis on safety of principal and timing of liquidity. Only capital project funds which are primarily funded with debt proceeds may participate in this fund group.

XIII. POLICY

Exemption. Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

Amendment. This policy shall be reviewed on an annual basis. Any changes must be approved by the CCEDC Executive Director and presented to the Board of Directors at a public meeting.

Glossary. The Glossary is provided in section XV of this policy.

XIV. CCEDC INVESTMENT STRATEGY

[illegible]

XV. GLOSSARY

AGENCIES: Federal agency securities.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual report for the CCEDC. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

ASKED: The price at which securities are offered.

BANKER'S ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced- by a certificate. Large-denomination CDs are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COUPON: (a) The annual rate of interest that a bond issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only with the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below the original offering price shortly after the sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government are set up to supply credit to various classes of institutions and individuals. E.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A deferral agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA like GMNA was chartered under the Federal National mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mac, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans. In addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR Ginnie Mae):

Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "pass through" is often used to describe Ginnie Mae.

INVESTMENT OFFICER: One or more employees or officers who, by rule, order, ordinance, or resolution of the CCEDC is designated as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LCIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and **reinvestment**.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary

Dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities by the custody state-the-so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person in discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: when the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities and sale of outstanding issues following the initial distribution. **SEC RULE 15C3-1:** See Uniform Net Capital Rule.

TREASURY BILLS: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitment to purchases securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes Cash and assets easily converted into cash.

YIELD: The rate of annual income returns of an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD TO MATURITY** is current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

XVI.

***COPPERAS COVE ECONOMIC DEVELOPMENT CORPORATION, TEXAS
SECURITIES BROKER/DEALER ACKNOWLEDGEMENT***

In compliance with the Texas Government Code (Public Funds Investment Act) Section 2256.005 (k)-(1), acknowledges that the registered principal and all sales personnel conducting investment transactions with the Copperas Cove Economic Development Corporation ("CCEDC") have received and have thoroughly reviewed the Investment Policy of the CCEDC. Broker acknowledges that Broker has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the CCEDC and Broker. Transactions between this firm and the CCEDC will be directed toward protecting the CCEDC from credit and market risk. This firm pledge due diligence in informing the CCEDC of foreseeable risks with financial transactions connected with this firm.

Primary Representative, Title Date



“The City Built for Family Living”

Finance Department

VENDOR INFORMATION SHEET

COMPANY NAME _____ **TAX ID#** _____

PRIMARY POC _____ **DATE** _____
(PLEASE PRINT)

SIGNATURE _____ **PHONE NUMBER** _____

EMAIL ADDRESS _____

SECONDARY POC _____ **DATE** _____
(PLEASE PRINT)

SIGNATURE _____ **PHONE NUMBER** _____

EMAIL ADDRESS _____

Request for Taxpayer Identification Number and Certification

Give Form to the
requester. Do not
send to the IRS.

► Go to www.irs.gov/FormW9 for instructions and the latest information.

| | | |
|--|--|---|
| Print or type. See Specific Instructions on page 3. | 1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank. | |
| | 2 Business name/disregarded entity name, if different from above | |
| | 3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes. <input type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ► _____ Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner. <input type="checkbox"/> Other (see instructions) ► _____ | |
| | 4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____ <i>(Applies to accounts maintained outside the U.S.)</i> | |
| | 5 Address (number, street, and apt. or suite no.) See instructions. | Requester's name and address (optional) |
| 6 City, state, and ZIP code | | |
| 7 List account number(s) here (optional) | | |

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

| | | | | | | | | | |
|--------------------------------|--|--|--|---|--|--|---|--|--|
| Social security number | | | | | | | | | |
| | | | | - | | | - | | |
| or | | | | | | | | | |
| Employer identification number | | | | | | | | | |
| | | | | - | | | | | |

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign
Here

Signature of
U.S. person ►

Date ►

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.