

*Seguin Economic  
Development Corporation  
Investment Policy*

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## **PREFACE**

The Seguin Economic Development Corporation (SEDC) is a nonprofit corporation acting on behalf of the local government of the City of Seguin; SEDC is therefore subject to the Public Funds Investment Act, which, together with local laws, governs the investment practices, procedures and decisions for SEDC funds. However, laws cannot ensure that public officials manage such funds in a disciplined and prudent manner. The actions of the persons responsible for investing such funds must be guided by knowledge, skills, systems, policies, procedures and confidence that can be described only as professional discipline.

It is the policy of the SEDC that all funds of the SEDC should be invested primarily with an emphasis on safety of principal and liquidity.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued. To that end, investment interest will be used as a viable revenue source for all funds of SEDC. Earnings from investments will be used in a manner that will best serve the interest of SEDC.

SEDC's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local laws including the Public Funds Investment Act, Texas Government Code Ann., Chapter 2256.

## I. POLICY STATEMENT

The investment policy of Seguin Economic Development Corporation (SEDC) shall be to provide the maximum security of principal invested with secondary emphasis on having available funds invested, to the maximum extent possible, at the highest rates obtainable at the time of investment. This is in conformance with the legal and administrative guidelines outlined herein and conforming to the Public Funds Investment Act, Tex. Gov't. Code Ann., Chapter 2256.

## II. SCOPE

This Investment Policy applies to all of the investment activities of the Seguin Economic Development Corporation. This policy establishes guidelines for those who can invest authorized funds, how Corporation funds will be invested, and when and how a periodic review of investments will be made. In addition to this Policy, bond funds (as defined by the Internal Revenue Service) shall be managed by their governing resolution and all applicable State and Federal Law.

- a. Special Project or Special Purpose Funds
- b. Consolidated Cash Fund
- c. *(Any new fund created, unless specifically exempted)*

## III. OBJECTIVES AND INVESTMENT STRATEGY

The Seguin Economic Development Corporation shall manage and invest its cash with the primary objectives of, listed in order of priority:

- **Preservation** of capital, safety of principal and security of investments of SEDC funds
- Maintenance of sufficient **liquidity** to meet operating needs
- **Public trust** from prudent investment activities
- **Maximization** of return of the portfolio

Cash management is the process of managing monies in order to ensure maximum cash availability and maximum yield on short-term investments of idle cash. Subject to the SEDC's primary concern of safety of principal and liquidity, an aggressive cash management program and investment policy will be pursued by the Chief Executive Officer to take advantage of investment interest as a viable source of revenue for all SEDC funds. SEDC's portfolio shall be designed and managed in a manner responsive to the public trust. Earnings from investments will be used in a manner that will best serve the interests of SEDC.

SEDC is required by the Public Funds Investment Act to adopt a formal written Investment Policy. This policy sets forth the investment objectives of SEDC.

## **Preservation and Safety of Principal**

The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio. Each investment transaction shall seek to ensure first that capital losses are avoided. The objective will be to mitigate credit and interest rate risk.

- Credit risk – The Corporation will minimize credit risk, the risk of loss due to failure of the issuer, by:
  - Limiting investments to the safest types of investments
  - Pre-qualifying the financial institutions and brokers/dealers with which the Corporation will do business
  - Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.
  
- Interest Rate Risk – the Corporation will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:
  - Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
  - Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

## **Maintenance of Adequate LIQUIDITY**

The investment portfolio will remain sufficiently liquid to meet the cash flow requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements; investing in securities with active secondary markets; investing in local government investment pools; and maintaining appropriate portfolio diversification.

## **PUBLIC TRUST**

All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local laws. All participants in the Corporation's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in the Corporation's ability to govern effectively.

## **Maximization of Return**

The Corporation shall invest local funds in investments that yield the highest possible rate of return

while providing necessary protection of the principal consistent with the operating requirements as determined by the Corporation.

### **Investment Strategies**

SEDC maintains the following portfolios, which will utilize the specific investment strategy considerations, designed to address the unique characteristics of the pooled fund groups or separately invested assets represented in the portfolios:

(1) Special Project or Special Purpose Funds

Special project or special purpose funds, if any, shall be maintained as separately invested funds and shall not be commingled in the Consolidated Cash Fund (described below). Investment strategies for special projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The dollar weighted average maturity of the 365 days or less will be calculated using the stated final maturity date of each security.

(2) Consolidated Cash Fund

The Consolidated Cash Fund shall operate as a pooled fund group and consist of all SEDC funds not designated as another Fund. The investment strategies for the Consolidated Cash Fund have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure that will experience minimal volatility during economic cycles. This may be accomplished by purchasing securities, which will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each security.

The maximum maturity date using the stated final maturity date for an individual security is three (3) years.

## **IV. RESPONSIBILITY AND CONTROL**

### **Authority to Invest**

This investment policy and the outlining of investment practices and authorities is compiled in accordance with the Public Funds Investment Act, which requires the adoption of rules governing investment of funds and the designation of an investment officer.

The Chief Executive Officer (CEO) of the SEDC will serve as the senior investment officer. The CEO may, when necessary, designate additional investment officers. Responsibility and authority

for daily investment transactions and cash management reside with the CEO. The CEO is also responsible for considering the quality and capability of staff involved in investment management and procedures. The CEO will insure that staff involved in the investment function shall attend investment training to include a total of ten hours of training in each two-year period, that begins on the Corporation's first day of the fiscal year (October 1) and ending two consecutive fiscal years after that date (September 30). A newly appointed Investment Officer must attend a training session of at least 10 hours of instruction within twelve months of the date the officer took office or assumed the officer's duties. Training must include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act. The investment training session shall be provided by an independent source approved by the SEDC Board of Directors. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher education or any other sponsor other than a business organization with whom the City may engage in an investment transaction. These include, but are not limited to, Texas Municipal League, Government Finance Officers' Association, Government Finance Officers' Association of Texas, Government Treasurers' Organization of Texas, Texas City Managers' Association, International City Managers' Association, or University of North Texas.

### **Standard of Care**

The standard of care used by SEDC shall be the following "prudent person standard" and shall be applied in the context of managing the overall portfolio:

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. In determining whether a CEO 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 is consistent with this investment policy.

All participants in the investment process shall seek to act responsibly as custodians of public trust.

### **Indemnification**

It is the SEDC's policy that the CEO performs his duties in accordance with the policies and procedures set forth in this manual. The Investment Officers, acting in accordance with written procedures and this policy, shall not be held personally liable for a specific security's credit risk or market price change, provided that any unexpected deviations are reported in a timely manner and that appropriate action is taken to control adverse developments.

## **Standards of Operation**

The Corporation's Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program consistent with this investment policy.

## **Conflict of Interest**

An investment officer of an entity who has a personal business relationship with an entity seeking to sell an investment to 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.

## **Compliance Audit**

SEDC, in conjunction with its annual financial audit, will require the audit firm to conduct a compliance audit of the management controls on investments and adherence to investment policies. The first audit required will be conducted in conjunction with the Fiscal Year 1995-1996 annual audit.

## **V. ACCEPTABLE INVESTMENT INSTRUMENTS**

### **Authorized Investments**

Investments described below are authorized by the Public Funds Investment Act as eligible securities for the Corporation. Corporation funds governed by the Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities (maximum 75% of SEDC funds, 3 year maximum);
2. Direct obligations of the State of Texas or its agencies and instrumentalities (maximum 75% of SEDC funds, 3 year maximum);
3. Other obligations, the principal of and interest on 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, 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. (maximum 75% of SEDC funds, 3 year maximum).
4. Obligations of states, agencies, contracts, cities, and other political subdivisions of

any state rated as to investment quality by a nationally recognized investment rating firm not less than AAA (maximum 50% of SEDC funds, 3 year maximum);

5. Certificates of deposit:
  - A. the funds are invested by the Corporation through:
    - 1) a broker that has its main office or a branch office in Texas and is selected from a list adopted by the Corporation, or
    - 2) a depository institution that has its main office or a branch office in Texas and is selected by the Corporation.
  - B. the broker or depository institution selected by the Corporation 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 Corporation.
  - C. 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
  - D. the Corporation appoints the depository institution of the Corporation, an entity described by Section 2257.041(d), Government Code, 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 Corporation with respect to the certificates of deposit issued for the account of the Corporation. (maximum 50% of SEDC funds, 3 year maximum);
  - E. If the Certificate of Deposit is purchased from the Corporation's depository, depository must insure there is sufficient FDIC coverage or collateralization for the CD and the rest of the Corporation's funds.
6. SEC-registered, no-load money market mutual funds with a dollar-weighted average portfolio maturity of ninety (90) days or less and whose investment objectives include seeking to maintain a stable net asset value of One Dollar (\$1.00) per share. (maximum 50% of SEDC funds);
7. Investment Pools: The Public Funds Investment Act authorizes municipalities and other political subdivisions of the State of Texas to invest their public funds jointly through investment pools that comply with the requirements of the Public Funds Investment Act. A decision to participate in an investment pool requires a Participation or Interlocal Agreement to be executed with the State or Interlocal Authority for the investment pool. Participation in these Investment Pools is approved subject to the following conditions (up to 100% , but no more than 75% in one pool):
  - a. execution of a Participation or Interlocal Agreement;

- b. the investment pool maintains a stable \$1.00 asset value as defined in the Public Funds Investment Act;
  - c. the investment pool maintains a AAA rating by one of the rating agencies;
  - d. the investment pool's maximum average dollar weighted maturity does not exceed ninety (90) days;
  - e. may invest its funds in money market mutual funds to the extent permitted by and consistent with Section 2256.016, Government Code and the investment policies and objective adopted by the investment pool;
  - f. must furnish the investment officer a statement regarding how yield is calculated;
  - g. when 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 money market funds;
  - h. provide information in a disclosure instrument or report described in Section 2256 (b), (c) (2) and (f), Government Code must be posted on its internet website,
  - i. must make available annual audited financial statements;
  - j. if the 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;
  - k. the investment pool's continued compliance with the remaining provisions of the Public Funds Investment Act;
  - l. idle funds may be kept in a non-interest bearing account not to exceed 30 days (10% maximum of SEDC funds).
8. Direct repurchase agreements with primary government securities dealers, as defined by the Federal Reserve or a financial institution in the State of Texas, having a defined termination date, and secured by U.S. Government or federal agency securities, provided that the ownership of collateral for the repurchase agreement is transferred to SEDC, and deposited with SEDC's safekeeping agent for the duration

of the contract and a signed master repurchase agreement has been executed with the counterpart.

Repurchase Agreements will be done only with primary dealer.

The master repurchase agreement of the Public Securities Association (PSA) shall be executed between SEDC and any primary dealer with which SEDC transacts repurchase agreements. (maximum 50% of SEDC funds, 3 year maximum)

9. Funds kept in an interest bearing checking account at the designated depository shall not exceed 2% maximum of SEDC funds unless kept in the account for cash flow purposes. (maximum 50% of SEDC funds, 3 year maximum)
10. Money Market Mutual funds that are 1) registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) rated AAA by at least one nationally recognized rating service, and 4) seek to maintain a net asset value of \$1.00 per share. (maximum 50% of SEDC funds, 3 year maximum)
11. FDIC insured, brokered certificate of deposit securities from a bank in any US state, delivered versus payment to the City's safekeeping agent, not to exceed one year maturity. (no more than 20%, maximum 1 year)

## **Diversification**

The Investment Officers shall be required to diversify maturities. The Investment Officers, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officers will manage the portfolio to have an average maturity of no more than 18 months. Unless matched to a specific requirement, the Investment Officers may not invest any portion of the portfolio for a period greater than 3 years.

## **VI. UNACCEPTABLE INVESTMENT INSTRUMENTS**

The SEDC 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 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.

## **VII. SELECTION OF BANKS AND DEALERS**

### **Qualified Institutions**

The Seguin Economic Development Corporation shall invest Corporation funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank contract:

- (1) Depository bank (CD's only);
- (2) Other state or national banks that have their main office or a branch office in Texas that are insured by FDIC;
- (3) Public funds investment pools; or
- (4) Primary or secondary government securities brokers and dealers.

### **Depository (Chapter 105, Local Government Code)**

At least every five years, SEDC will designate a local bank or a branch bank of a state or national bank with a bank building and office in Seguin as its primary depository. The depository designation does not limit investment activity to one financial institution. A Depository shall be selected through the Corporation's banking services procurement process, which shall include a formal request for proposal (RFP). The selection of a depository will be determined by competitive bid and evaluation of bids will be based on the following selection criteria:

- The ability to qualify as a depository for public funds in accordance with state law.
- The ability to provide requested information or financial statements for the periods specified.
- The ability to meet all requirements in the banking RFP.
- Complete response to all required items on the bid form.
- Lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
- The credit worthiness and financial stability of the bank.

## **Securities Dealers, Investment Consultants and Banks**

SEDC shall seek to conduct its investment transactions with several competing, reputable investment securities dealers and brokers to protect principal while achieving full advantage of the market.

It is the policy of SEDC to purchase securities only from those institutions on SEDC's approved list of broker/dealers, investment consultants, and banks. All securities dealers must be registered with and certified by the Texas State Securities Commission, National Association of Security Dealers (NASD) and Securities and Exchange Commission (SEC) and must complete and execute the Broker/Dealer Questionnaire and Certification Form attached hereto as Appendix A and Appendix B.

The CEO shall evaluate the soundness of broker/dealers and consultants to the extent he considers necessary or, if requested, to the extent required by the Board of Directors of SEDC. Investigation may include review of rating agency reports, review of call reports, and analysis of management, profitability, capitalization, and asset quality. Broker/dealers, and consultants with whom SEDC wished to conduct business shall provide the financial data requested by SEDC.

The CEO shall review the information and decide on the soundness of a broker/dealer, or consultant before adding the institution to the list of those with whom SEDC does business.

An institution must be approved by the Board of Directors of the SEDC and added to the approved list before any business may be transacted with SEDC. The Board of Directors shall also be able to limit the number of authorized securities dealers/banks/consultants doing business with SEDC as required.

A list of the brokers/dealers authorized to do business with the SEDC shall be presented to the Board of Directors annually.

## **General Investment Practices**

All investment transactions shall be documented by the Investment Officers. The Investment Officers may make investments orally, but shall follow promptly with a written confirmation to the financial institution or broker/dealer, with a copy of such confirmation retained in the Corporation's files.

On investments, which do not fall under provisions of the Corporation's depository agreement, the Investment Officers may take competitive bids or negotiate with approved broker/dealers. At least three (3) quotations shall be taken for each competitive bid investment made. All broker/dealers must complete a broker/dealer questionnaire (Appendix A), be approved by the Investment Officers, and have a Certification (Appendix B) on file before any transactions transpire.

In the event identical rates are received, the bank located in the City of Seguin should have preference.

### **Delivery vs. Payment**

Regardless of reporting status, all securities purchased shall require same day delivery (on settlement date) to the Corporation's safekeeping agent on a delivery versus payment (DVP) basis. By doing so, SEDC's funds are not released until SEDC has received, through the Federal Reserve wire, the securities purchased.

## **VIII. SAFEKEEPING OF SECURITIES AND COLLATERAL**

### **Safekeeping**

The Corporation shall contract with a bank or banks for the safekeeping of securities either owned by the Corporation as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by the Corporation shall be held in the Corporation's name as evidenced by safekeeping receipts of the institution holding the securities.

The laws of the State of Texas and prudent funds management require that all purchased securities shall be held in safekeeping by either the SEDC's safekeeping account in a third party financial institution, or the SEDC's safekeeping account in its designated depository bank, or in a Federal Reserve Bank, or in a security dealer's safekeeping. The safekeeping requirement does not apply to certificates of deposit that are FDIC insured.

Transfers of securities in safekeeping shall be processed with written confirmations. The confirmations will be used for documentation and retention purposes. The CEO must approve release of collateral prior to its removal from the safekeeping account.

### **Collateralization**

Consistent with the requirements of the Public Funds Collateral Act, SEDC requires all bank deposits to be federally insured or collateralized with securities approved for investment under the Public Funds Investment Act. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. Financial institutions serving as SEDC depositories will be required to sign a depository agreement with SEDC and SEDC's safekeeping agent, if different from the depository bank. The safekeeping portion of the agreement shall define SEDC's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations,

including, without limitation, transferring such securities to a person designated by SEDC in accordance with Tex. Bus. & Com. Code Ann. § 9.301 (Tex. UCC) (Vernon Supp. 1991), and shall comply with the following requirements:

- \* the agreement must be in writing;
- \* the agreement has to be executed by the depository and SEDC contemporaneously with the acquisition of the asset;
- \* the agreement must be approved by the board of directors or the loan committee of the depository and a copy of the meeting minutes must be delivered to SEDC, specifically to the CEO; and
- \* the agreement must be part of the depository's "official record" continuously since its execution.

Bank demand deposits and certificates of deposit plus accrued interest up to \$100,000 per bank do not need to be collateralized pursuant to this policy as long as FDIC insurance is provided.

Collateral is valued at par or fair market value (plus interest accrued through the date of the valuation), whichever is less. Bank demand deposits, certificates of deposit (including accrued interest) and repurchase agreements (par value plus accrued interest) collateral must be maintained.

Any collateral other than U.S. Treasury Securities which has a maturity of over three (3) years must be approved by the CEO in writing before the transaction is initiated.

Collateralized investments often require substitution of collateral. Any broker or financial institution requesting substitution of collateral must contact the CEO for approval and settlement. The substituted collateral's value will be calculated and the substitution approved if its value is equal to or greater than the original collateralization level.

The CEO must give prompt notification of the decision to the bank or third party holding the collateral. Substitution is allowed for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The CEO may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

The financial institutions, with whom SEDC invests and/or maintains other deposits shall provide, as requested by SEDC, a listing of SEDC's certificates of deposit and other deposits at the institution and a listing of collateral pledged to SEDC marked to current market prices. The listing shall include the following information:

Name of Security

Par Value  
Market Value at Month End  
Maturity Date  
Moody's and/or Standard & Poor's Rating  
Maximum Amount of SEDC Fund on Deposit During Month

### **Subject to Audit**

All collateral shall be subject to inspection and audit by the Corporation or the Corporation's independent auditors.

## **IX. PERFORMANCE**

### **Performance Standards**

The Corporation's investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the Corporation.

### **Performance Benchmark**

It is the policy of the Corporation to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, the Corporation shall seek to optimize interest earnings utilizing allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value. The Corporation's portfolio shall be designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury Bills at a maturity level comparable to the Corporation's weighted average maturity in days.

## **X. INVESTMENT REPORTING**

Investment performance will be monitored and evaluated by the Investment Officers. Rating changes on investments acquired with public funds will be done on a weekly basis. Investment Pools will be monitored through the pool's website. All other investments will be monitored through an independent source. At least quarterly, the CEO shall prepare and submit to the Board of Directors a written report of all investment transactions. The report will include the following information: 1) a detailed description of the investment position of SEDC at the end of the month; 2) a summary statement of each pooled fund group that states a) beginning market value for the month, b) additions and changes to the market value during the period, and c) ending market value for the period; 3) state the book value and market value of each separately invested asset at the beginning and end of the month by the type of asset and fund type invested; 4) state the maturity date of each separately

invested asset that has a maturity date; 5) state the fund or pooled group fund for which each individual asset was acquired; 6) demonstrate compliance with the investment strategy established in this policy and in the Public Funds Investment Act. The report should also include computations of the yield on each fund or pooled group fund. This report must be prepared jointly and signed by all investment officers of SEDC.

## **XI. ANNUAL REVIEW**

This policy, which includes strategies for each fund, shall be adopted by the Board of Directors and City Council and shall be reviewed annually by the Board of Directors and City Council. The Board of Directors shall adopt a resolution stating that they have reviewed the investment policy and strategies. Any modifications made thereto must be approved formally by the Board of Directors and City Council by resolution.



9. Identify all personnel who will be trading with or quoting securities to SEDC, its employees or agents.
  
10. Which personnel have read SEDC's investment policies?
  
11. Please indicate the current licenses held by your representative and attach a copy of their registration.

Agent	Licensed or Registered By
_____	_____
_____	_____

12. Please identify your public-sector clients in the geographical area of the City of Seguin who are most comparable to its government.
  
13. Have any of your public-sector clients ever sustained a loss on a securities transaction arising from a misunderstanding or misrepresentation of the risk characteristics of the instruments? If so, please explain the surrounding transaction and circumstances in detail.
  
14. Have any of your public-sector clients ever reported to your firm, its officers, employees, or agents, orally or in writing, that they sustained a loss (in a single year) exceeding ten percent (10%) of original purchase price on any individual security purchased through your firm?
  
15. Has your firm ever been subject to a regulatory or state or federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the sales of government securities or money-market instruments? Have any of your employees ever been so investigated? If so, please explain the surrounding transaction and circumstance in detail.

16. Has a public-sector client ever claimed in writing that your firm was responsible for investment losses? If so, please explain the surrounding transaction and circumstance in detail.
17. Please include samples of research reports that your firm regularly provides to public-sector clients.
18. Please explain your normal custody and delivery process. Who audits these fiduciary systems?
19. Please provide certified financial statements and other indicators regarding your firm's capitalization.
20. Describe the credit line and trading limits that support/limit the office that would conduct business with SEDC.
21. What training would you provide to our employees and CEO?
22. Has your firm consistently complied with the capital adequacy guidelines of the Federal Reserve Bank, the Security and Exchange Commission or the National Association of Security Dealers, as applicable?

Which guidelines are applicable to your firm?

As of this date, does SEDC comply with the guidelines?

By what factor does your firm presently exceed the capital adequacy guidelines?

23. Do you participate in the S.I.P.C. insurance program?

- 24. Describe the portfolio information you require from your clients.
  
- 25. What reports, transactions, confirmations and paper trail will we receive?
  
- 26. Enclose a complete schedule of fees and charges for various transactions applicable to SEDC's investment interests.
  
- 27. How many and what percentage of your transactions failed last month? Last year?

I do hereby certify that to the best of my knowledge, all of the foregoing statements and answers are true and correct and I am a qualified representative of my firm as defined in Section 2256.002(10) of the Government Code and Section II H above.

BROKER/DEALER

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX B**  
**Certification by Dealer**

This certification is executed on behalf of the Seguin Economic Development Corporation and \_\_\_\_\_ (the Dealer) pursuant to the Public Funds Investment Act, Chapter 2256, Government Code, Texas Codes Annotated (the Act) in connection with investment transactions conducted between the Seguin Economic Development Corporation and Dealer.

The undersigned Qualified Representative of the Dealer hereby certifies on behalf of the Dealer that:

1. The Dealer Qualified Representative is duly authorized to execute this Certification on behalf of the Dealer, and
2. The Dealer Qualified Representative has received and reviewed the Investment Policy furnished by the Seguin Economic Development Corporation, and
3. The Dealer has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Dealer and the Seguin Economic Development Corporation 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.

**Dealer Qualified Representative**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (Printed)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**APPENDIX C**  
**GLOSSARY OF INVESTMENT TERMINOLOGY**

**BOOK VALUE:** The face or par value of an investment plus accrued interest or minus amortization or accretion.

**CHIEF EXECUTIVE OFFICER (CEO):** Refers to the City of Seguin’s Director of Economic Development so long as the City is providing administrative and financial services to the SEDC. In the event the City of Seguin should cease providing such services to the SEDC, the term “Chief Executive Officer (CEO)” as used herein shall refer to that person so designated and authorized by resolution of the Board of Directors of the SEDC to carry out the duties and responsibilities of CEO in this Investment Policy.

**FUNDS:** Public funds in the custody of SEDC that are not required by law to be deposited in the state treasury and that SEDC has the authority to invest.

**INVESTMENT POOL:** An entity created under Public Funds Investment Act 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.

**MARKET VALUE:** The face or par value of an investment multiplied by the price quoted on the valuation date.

**QUALIFIED REPRESENTATIVE:** 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:

1. 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;
2. 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;
3. 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
4. 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.

**REPURCHASE AGREEMENT:** A simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations of the United States, its agencies or instrumentalities (collectively, the “U.S.”), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed, including a direct security repurchase agreement, but specifically excluding a reverse security repurchase agreement.

**SEDC:** Seguin Economic Development Corporation.