TexAmericas CENTER

RESOLUTION NO. 20160927-10

ANNUAL REVIEW OF THE INVESTMENT POLICY FY2017

WHEREAS, TexAmericas Center is a political subdivision of the State of Texas with the powers and authorities specified in Chapter 3503 of the Special District Local Laws Code of the State of Texas; and

WHEREAS, TexAmericas Center has adopted an Investment Policy as required by applicable law to manage the funds of TexAmericas Center; and

WHEREAS, the Investment Policy Paragraph H requires the Investment Committee and the Board of Directors to review and adopt by Resolution the policy and any changes no less than annually; and

WHEREAS, the Investment Committee has reviewed the policy; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of TexAmericas Center now reviews, accepts and approves the attached Investment Policy, as revised this date.

PASSED AND APPROVED THIS 27th day of September, 2016.

Denis Washington, Chairman of the Board

ATTEST:

Melford Pierce, Secretary

Attached: Investment Policy

TexAmericas CENTER®

Investment Policy

107 Chapel Lane

New Boston, TX 75570

Revised: September 27, 2016 by Resolution 20160927-10

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TEXAMERICAS CENTER
BOWIE COUNTY, TEXAS
INVESTMENT POLICY

INTRODUCTION

The purpose of this document is to set forth specific investment policy and strategy guidelines for the TexAmericas Center (the "Center") in order to achieve the goals of safety, liquidity, public trust, and yield for all investment activity. This Policy serves to satisfy the statutory requirements, specifically the Public Funds Investment Act (the "PFIA") and Public Funds Collateral Act (the "PFCA"), Government Code Chapters 2256 and Chapter 2257, respectively, to define, adopt, and review a formal investment strategy and policy.

INVESTMENT STRATEGY

The Center maintains portfolios, which utilize four specific investment strategy considerations, designed to address the unique characteristics of the fund groups represented in the portfolios:

A. OPERATING FUNDS

Investment strategies for operating funds and combined pools containing operating funds 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 which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short-to-medium term investments, 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 investment.

B. DEBT SERVICE FUNDS

Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Investments shall not have a stated final maturity date which exceeds the next unfunded debt service payment date.

C. DEBT SERVICE RESERVE FUNDS

Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from investments with a low degree of volatility. Investments should be of high quality and, except as may be required by the bond resolution specific to an individual issue, short-to-intermediate term maturities.

D. SPECIAL PROJECT/SPECIAL PURPOSE FUNDS

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. These portfolios should include at least 10% in cash equivalent investments to allow for flexibility and unanticipated project outlays. The stated final maturity dates of investments held should not exceed the estimated project completion date.

INVESTMENT POLICY

A. SCOPE
This Investment Policy applies to all financial assets of the Center. These funds are accounted for in the Center's Audited Financial Reports and include: General Fund, Enterprise Fund, and all other funds.

There are no pension funds under management by the Center.

B. OBJECTIVES
The Center shall manage and invest its cash with four objectives, listed in order of priority: Safety, Liquidity, Public Trust, and Yield. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to public trust and consistent with State and Local law.

The Center shall maintain a cash management program, which includes collection of accounts receivable, vendor payment in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure maximum cash availability and optimize yield on short-term investment of pooled idle cash.

a. *Safety.* The primary objective of the Center's investment activity is the preservation of capital in the overall portfolio.
b. *Liquidity.* The Center's investment portfolio shall be structured such that the Center is able to meet all obligations in a timely manner. This shall be achieved by matching investment maturities with forecasted cash flow requirements and by maintaining a minimum portion of the portfolio in cash equivalent investments.
c. *Public Trust.* All participants in the Center's investment process shall seek to act responsibly as custodians of public trust. Investment Officers shall avoid any transaction which might impair public confidence in the Center's ability to administer effectively.
d. *Yield.* The Center's cash management portfolio shall be designed with the objective of meeting or exceeding the average rate of return on U.S. Treasury Bills at a maturity level comparable to the Center's weighted average maturity in days. The investment program shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment policies. Weighted average yield to maturity

shall be the performance standard calculated for performance comparison.

C. RESPONSIBILITY AND CONTROL

a. *Investment Committee.* An Investment Committee, consisting of the Chairman of the Board of Directors, Treasurer of the Board of Directors, Chief Executive Officer ("CEO"), Outside Accountant, and other appointed members of the Finance Committee of the Board Directors, shall meet at least quarterly to determine operational strategies and to monitor results. The Investment Committee shall include in its deliberation such topics as the following: performance reports, economic outlook, portfolio diversification, maturity structure, potential risk, authorized brokers and dealers (including the financial strength and service performance of the firm), independent sources of investment training, and the target rate of return on the investment portfolio.

b. *Delegation of Authority and Training.* Authority to manage the Center's investment program is derived from Chapter 3503, Texas Special District Local Laws Code and the PFIA. The CEO and Controller are designated as Investment Officers of the Center and responsible for investment decisions and activities. The CEO will establish written procedures for the operation of the investment program, consistent with this Investment Policy, as may be necessary. Each Investment Officer shall attend at least one training session relating to the Officer's responsibility under the PFIA within 12 months after assuming duties accumulating a minimum of ten (10) hours of instruction. Each Investment Officer shall also attend at least one training session not less than once in a two-year period that begins on the first day of the Center's fiscal year and consists of the two consecutive fiscal years after that date accumulating a minimum of ten (10) hours of instruction. Training related to investment responsibilities under the PFIA is required for each Investment Officer. Such training shall be from an independent source approved by the Investment Committee.

c. *Internal Controls.* The CEO or his designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Center are protected from loss, theft or misuse. 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 CEO shall establish a process for annual independent review by an external auditor in conjunction with the annual audit to assure compliance with policies and procedures. The results of this review shall be reported to the Board of Directors by that auditor. The internal controls shall address the following points:

i. Control of collusion.
ii. Separation of transaction authority from accounting and record keeping.
iii. Custodial safekeeping.
iv. Avoidance of physical delivery securities.
v. Clear delegation of authority to subordinate staff members.

vi. Written confirmation for telephone (voice) transactions for investments and wire transfers.

d. *Prudence*. The standard of prudence to be applied by the Investment Officer shall be the "prudent person" rule, which states: "Investments shall be made with judgment and care, under circumstances then prevailing, 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 capital, as well as the probable income to be derived." In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

    i. The investment of all funds, or funds under the Center's control, over which the Officer had responsibility rather than a consideration as to the prudence of a single investment.

    ii. Whether the investment decision was consistent with the written Investment Policy of the Center.

    iii. The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall immediately report deviations to a specific issuer's credit risk or market price changes to the Investment Committee.

e. *Ethics and Conflicts of Interest*. Center staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. Center staff shall disclose to the CEO any material financial interest in financial institutions that conduct business with the Center and they shall further disclose positions that could be related to the performance of the Center's portfolio. Center staff shall subordinate their personal financial transactions to those of the Center, particularly with regard to timing of purchases and sales.

    An Investment Officer who has a personal business relationship with an organization seeking to sell an investment to the Center shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Center shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the Board of Directors.

D. REPORTING

a. *Quarterly Reporting*. The CEO or his designee shall present a quarterly report on the investment program and investment activity. This report may be presented as a component of the quarter-end report to the Board of Directors.

b. *Annual Report*. The CEO or his designee shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the Board of Directors.

c. *Methods.* The quarterly investment report shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the Center to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be prepared in compliance with the PFIA. The report will be provided to the Investment Committee and the Board of Directors. The report will include, at a minimum, the following:
    i. A listing of individual investments held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
    ii. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period;
    iii. Market values and current credit ratings (for investments required by the PFIA to maintain a minimum rating) shall be obtained from financial institutions, rating agencies, portfolio reporting services, or other sources independent from the investment provider or issuer;
    iv. Fully accrued interest for the reporting period;
    v. Average weighted yield to maturity of portfolio on Center investments as compared to applicable benchmarks;
    vi. Listing of investments by maturity date;
    vii. The percentage of the total portfolio which each type of investment represents; and
    viii. Statement of compliance of the Center's investment portfolio with State Law and the investment strategy and policy approved by the Board of Directors.

In conjunction with the annual audit, and as a part of the annual audit report, a formal annual review of these reports will be performed by an independent auditor with the results reported to the Board of Directors.

E. INVESTMENT PORTFOLIO

a. *Active Portfolio Management.* The Investment Committee will, periodically, evaluate the status of the portfolio and make appropriate adjustments.

b. *Performance.* It is the Center's policy to purchase investments with maturity dates coinciding with cash flow requirements. Using this strategy, the Center attempts to purchase the highest yielding allowable investments available at the time of purchase. The basis used to determine whether market yields are being achieved is the average rate of return on U.S. Treasury Bills for a comparable term.

c. *Investments.* Assets of the Center may be invested in the following instruments; provided, however, that at no time shall the Center purchase any instrument or security not authorized for investment under the PFIA, as the PFIA may from time to time be amended. The Center is not required to liquidate investments that were authorized investments at the time of purchase.

i. Authorized

1. U.S. Obligations. Obligations issued, guaranteed, or insured by the United States of America, its agencies and instrumentalities, which have a liquid market with a readily determinable market value, including letters of credit.
2. State of Texas Obligations. Direct obligations of the State of Texas, its agencies, and instrumentalities.
3. Miscellaneous Government Obligations. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this State or the United States or their respective agencies and instrumentalities, including the Federal Deposit Insurance Corporation.
4. Miscellaneous Rated Obligations. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivision of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent.
5. Financial Institution Deposits. Financial Institution Deposits of state and national banks, savings banks, or state or federal credit unions that meet the requirements of the PFIA and this Policy.
6. Repurchase Agreements. Fully collateralized direct repurchase agreements with a defined termination date secured by a combination of cash and obligations of the United States or its agencies and instrumentalities. Securities purchased must be pledged to the Center, held in the Center's account, and deposited at the time of the investment with the Center, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. Such agreements may include direct security repurchase agreements and reverse security repurchase agreements with terms of 90 days or less after the delivery date. Funds received by the Center under a reverse security agreement shall be used to acquire additional authorized investments, but those investments must mature no later than the expiration date stated in the reverse security repurchase agreement.
7. Investment Pools. Investment pools, if the pool is specifically approved by the Board of Directors and the pool invests only in investments authorized by the PFIA. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service, and must comply with the requirements of the PFIA.

8. Money Market Mutual Funds. "Money Market" mutual funds that have a rating of AAA by least one nationally recognized rating firm and are "no-load" funds. A "money market" mutual fund must maintain a $1 share value and include only short-term, highly liquid, and relatively low risk debt instruments. The Fund must be registered with and regulated by the Securities and Exchange Commission.
    a. Any other no-load mutual fund must have an average weighted maturity of less than two years, in addition to qualifying under the other rules of this section. Any such funds are required to provide the Center with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940.
    b. The Center cannot invest in the aggregate more than 15% of its monthly average fund balance, excluding funds held for debt service, in mutual funds described in Authorized Investments, Section 9(b). The Center cannot invest any funds held for debt service in such mutual funds. The Center cannot own more than 10% of any mutual fund's total assets.
9. Guaranteed Investment Contracts. Guaranteed Investment contracts are allowed investments for bond proceeds only, if such contracts have a defined termination date, are secured by obligations of the United States of America, its agencies and instrumentalities approved by the PFIA, in an amount equal to 102% of the investment balances, if security is pledged to the Center and deposited with the Center or a third party, and if the investment term is limited to five years from the date of bond issuance. In addition, specific provisions under the PFIA Section 2256.015(c) 1-5 must be met to allow investment in these contracts.

ii. Not Authorized

The Center's authorized investment options are more restrictive than those allowed by State law. State law specifically prohibits investment in the following investment securities, or investment in specific instruments at levels higher than those listed below:

1. Mortgage Backed Securities Paying No Principal. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
2. Mortgage Backed Securities Paying No Interest. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
3. CMOs with Maturities Greater than 10 Years. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.

4. CMOs Whose Rate is Determined by Inverted Index. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

d. *Holding Period.* The Center intends to match the holding periods of investment funds with liquidity needs of the Center. In no case will the average maturity of investments of the Center's operating funds exceed one year. The maximum final stated maturity of any investment shall not exceed five years.

e. *Risk and Diversification.* The Center recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification which shall be achieved by the following general guidelines:

   i. Risk of issuer default is controlled by limiting investments to those instruments allowed by the PFIA, which are described herein.
   ii. Risk of market price changes shall be controlled by avoiding over-concentration of assets in a specific maturity sector, limitation of average maturity of operating funds investments to one year, and avoidance of over-concentration of assets in specific instruments.
   iii. Risk of illiquidity due to technical complications shall be controlled by the selection of securities dealers as described herein.
   iv. At a minimum, diversification standards by investment type and issuer shall be:

Investment Type	Percentage of Total Investments
U.S. Government Agencies and Instrumentalities	Not To Exceed 80%
Fully Insured or Collateralized Financial Institution Deposits	Not To Exceed 100%
Repurchase Agreements (Ex. Bond Proceeds)	Not To Exceed 50%
Money Market Operating Funds	Not To Exceed 100%
Money Market Bond Funds	Not To Exceed 100%
Local Government Investment Pools – Liquidity Pool – Constant Dollar	Not To Exceed 100%
Local Government Investment Pools – Fixed Rate/Fixed Maturity Pools	Not To Exceed 80%

F. SELECTION OF FINANCIAL INSTITUTIONS AND BROKER/DEALERS

a. Financial Institutions. In compliance with State legislation, a Primary Depository shall be selected through the Center's banking services procurement process, which may include a formal request for proposal (RFP), or direct negotiation incorporating current market conditions. In selecting a primary depository, the credit worthiness of institutions shall be considered, and the CEO shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history.

Banks seeking to establish eligibility for the Center's primary depository shall submit for review annual financial statements, evidence of federal insurance and other information as required by the CEO.

Financial institutions serving as Center depositories will be required to sign a Depository Agreement (Agreement) with the Center and a Custodial Agreement with the Center's custodian in compliance with Federal regulations. The Agreement shall require compliance with the PFIA and this Investment Policy, establish an independent custodian for all pledged collateral, define the eligible collateral and the Center's rights to the collateral in case of default, bankruptcy, or closing, and establish a perfected security interest in compliance with Federal and State regulations, and specifically:

i. the Agreement must be in writing;
ii. the Agreement must be approved by resolution of the Board or the Designated Committee of the Depository and a copy of the meeting minutes or resolution reference must be delivered to the Center;
iii. the pledging of collateral shall be a contemporaneous and continuous part of the Agreement; and
iv. the Agreement must be part of the Depository's "official record" continuously since its execution.

A portion of both the Agreements shall define the Center'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.

b. *Broker/Dealers.* For broker/dealers, the Center shall select only those dealers reporting to the Market Reports Division of the Federal Reserve Board of New York, also known as the "Primary Government Security Dealers", unless an analysis reveals that other firms are adequately financed to conduct public business. All securities dealers shall provide the Center with references from public entities which they are currently serving. The Investment Committee shall adopt and annually review a list of qualified broker/dealers authorized to engage in investment transactions with the Center. All security transactions will be competitively bid, as evidenced by written quotes documented from at least two qualified dealers or institutions.

All broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

i. audited financial statements;
ii. proof of Financial Industry Regulatory Authority (FINRA) registration;
iii. proof of state registration;
iv. completed broker/dealer questionnaire;

v. certification of having received and thoroughly reviewed the Center's Investment Policy, signed by a qualified representative of the organization; and
vi. acknowledgment that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment transactions conducted between the Center and the organization that are not authorized by the Center's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Center's entire portfolio or requires an interpretation of subjective investment standards.

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

i. 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 Financial Industry Regulatory Authority (FINRA);
ii. 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; or
iii. 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 certification on behalf of the investment pool.

G. SAFEKEEPING AND CUSTODY

a. *Insurance or Collateral.* All deposits and investments of Center funds other than direct purchases of securities, pools, or mutual funds shall be secured as required by the PFCA. With the exception of deposits secured with irrevocable letters of credit at 100% of amount, all deposits of funds with financial institutions shall be collateralized with marketable securities at 102% of market value of principal and accrued interest on the deposits or investments, less an amount insured by the FDIC. Evidence of the pledged collateral shall be maintained by the CEO or a third party financial institution. Repurchase agreements shall be documented by a specific agreement noting the collateral pledge in each agreement. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.
b. *Custodial Agreement.* Collateral pledged to secure deposits of the Center shall be held by a safekeeping institution in accordance with a Custodial Agreement which clearly defines the procedural steps for gaining access to the collateral should the Center determine that the Center's funds are in jeopardy. The custodial institution, or custodian, shall be the Federal Reserve Bank, Federal Home Loan Bank, or an institution not affiliated with the firm pledging the collateral that meets the requirements of the PFCA. When applicable, the Custodial Agreement shall include the signatures of authorized representatives of the Center, the firm pledging the collateral, and the custodian.
c. *Collateral Defined.* The Center shall accept only the following:

i. FDIC insurance coverage.
ii. A bond, certificate of indebtedness, note, or other evidence of indebtedness that is guaranteed as to the principal and interest by the United States, or its agencies and instrumentalities.
iii. Obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas.
iv. A bond of the State of Texas or of a county, authority or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency, with a remaining maturity of ten (10) years or less.
v. The use of a letter of credit issued to the Center by the Federal Home Loan Bank may be considered by the Center to meet the required bank depository collateral requirements.

The Center reserves the right to accept or reject any form of collateral or require additional collateral pledge, at its sole discretion.

d. *Subject to Audit.* All collateral shall be subject to inspection and audit by the CEO or the Center's independent auditors.
e. *Delivery vs. Payment.* Securities shall be purchased using the delivery versus payment method. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the Center's Safekeeping Agent. The security shall be held in the name of the Center or held on behalf of the Center. The Safekeeping Agent's records shall assure the notation of the Center's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the Center.

H. INVESTMENT POLICY ADOPTION

The Center's Investment Policy shall be adopted by resolution of the Board of Directors. The Investment Committee shall review the Policy for effectiveness on an annual basis and any modifications will be recommended for approval to the Board of Directors. The Board of Directors shall review and adopt by resolution these investment policies and strategies not less than annually. The resolution shall include a record of changes made to either the Investment Policy or strategy.

APPENDIX A

Public Funds Investment Act (Section 2256 Government Code)

APPENDIX B

Public Funds Collateral Act (Section 2257 Government Code)

APPENDIX C

Resolution Adopting Investment Policy

APPENDIX D

SAMPLE - INVESTMENT POLICY CERTIFICATION FORM

As required by Texas Public Funds Investment Act

TEXAMERICAS CENTER

THE STATE OF TEXAS

COUNTY OF BOWIE

BEFORE ME, the undersigned authority, on this day personally appeared the person whose name is subscribed below, who, being by me first duly sworn, upon oath deposed and said:

My name is ______________________________. I am a Qualified Representative of _________________________ (the "Business Organization"), which is engaged in the business of selling investments and desires to sell investments to the TexAmericas Center (the "Center"), Bowie County, Texas. This Statement is provided to meet the requirements of the Public Funds Investment Act.

I hereby certify that:

1. I have reviewed the Center's Investment Policy;

2. The "Business Organization" has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Center and the Business Organization that are not authorized by the Center's Investment Policy, except to the extent that the Business Organization has not made an analysis of the make-up of the Center's entire portfolio or has not engaged in any interpretation of subjective investment standards; and

3. The statements, representations and declarations made in this document are true and correct.

____

Qualified Representative

SWORN TO AND SUBSCRIBED BEFORE ME, this the _________ day of ____________________, 20______.

____

Notary Public in and for the State of Texas