

## TEXAS COOPERATIVE LIQUID ASSETS SECURITIES SYSTEM TRUST INVESTMENT POLICY

This Investment Policy (the Policy) is adopted by the Board of Trustees of Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS), its pools, portfolios and sub-accounts, a public funds investment pool established and created pursuant to Chapter 2256 of the Texas Government Code, as amended, and an Amended and Restated Trust Agreement dated as of January 31, 2025 (as amended from time to time, the Trust Agreement) among certain Texas Participants, as defined in the Trust Agreement, UMB Bank, as Custodian (the Custodian), and Public Trust Advisors, LLC, as Program Administrator (the Program Administrator).

### **ARTICLE I** **PURPOSE**

#### Section 1.01. Purpose.

This Policy with respect to investments of Texas CLASS has been adopted to establish the principles and criteria by which the funds of Texas CLASS should be invested and secured and to comply with the provisions of the Trust Agreement and with various provisions of Texas law relating to the investment and security of funds of public funds investment pools (the Investment Laws). As of the date of the adoption of this Policy, the following laws are applicable to the investment of Texas CLASS' funds: Chapter 2256, Texas Government Code; Chapter 791, Texas Government Code; Chapter 2257, Texas Government Code; and Chapter 404.101 et seq., Texas Government Code. The Investment Laws generally provide the minimum criteria for the authorized investment and security of funds of Texas CLASS and require Texas CLASS to adopt rules to ensure the investment of funds of Texas CLASS in accordance with such laws. This Policy will specify the scope of authority of Texas CLASS Officials who are responsible for the investment of funds of Texas CLASS.

#### Section 1.02. Policy Application to Sub-Accounts and Additional Pools or Portfolios.

This Policy shall apply to all sub-accounts of Texas CLASS, including Texas CLASS PLUS any other sub-accounts that are invested and managed separately from Texas CLASS, whether such sub-accounts contain one or multiple Participants. This Policy shall also apply to any additional pools or portfolios established pursuant to the Trust Agreement.

## **ARTICLE II** **DEFINITIONS**

### Section 2.01. Definitions.

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

- a) The term “Authorized Collateral” means any means or method of securing the deposit of funds of Texas CLASS authorized by Chapter 2257, Texas Government Code.
- b) The term “Authorized Investment” means any security which Texas CLASS is authorized to invest in under Chapter 2256, Texas Government Code.
- c) The term “Board” means the Board of Trustees of Texas CLASS.
- d) The term “Collateral” means any means or method of securing the deposit of funds of Texas CLASS under Article V hereof.
- e) The term “Collateral Act” means Chapter 2257, Texas Government Code, as amended from time to time.
- f) The term “Trustee” means a person elected or appointed to serve on the Board of Trustees of Texas CLASS.
- g) The term “Employee” means any person employed by Texas CLASS, but does not include independent contractors or professionals hired by Texas CLASS as outside consultants, such as the Program Administrator or the Custodian for Texas CLASS.
- h) The term “Investment Act” means Chapter 2256, Texas Government Code, as amended from time to time.
- i) The term “Investment Officer” means the Trustee of Texas CLASS designated by the Trust Agreement to invest and reinvest the funds of Texas CLASS held in its various accounts.

- j) The term “Texas CLASS” , for purposes of this Policy, means all pools or portfolios established pursuant to the Trust Indenture
  
- k) The term “Texas CLASS Officials” means the Investment Officer, Trustees, officers, employees, and persons and business entities engaged in handling the investment of funds of Texas CLASS, including, without limitation, the Program Administrator and the Custodian.

## **ARTICLE III** **INVESTMENT OFFICER**

### Section 3.01. Investment Officer.

The Trust Agreement designates the Chairman of the Board, ex officio, or in the absence of the Chairman, the Vice Chairman, if any, to serve as Investment Officer to handle the investment of funds of Texas CLASS. The Investment Officer shall be responsible for investing funds of Texas CLASS in accordance with this Policy. The Investment Officer shall invest funds of Texas CLASS, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived, with all investment decisions to be governed by the following objectives in order of priority: (a) preservation and safety of principal; (b) liquidity; and (c) yield.

### Section 3.02. Training.

The Investment Officer shall complete any and all training sessions that may be required by law relating to his or her responsibilities under the Investment Act as the Investment Officer for the Participant represented by the Investment Officer.

### Section 3.03. Reporting by the Program Administrator.

Not less than quarterly and within a reasonable time after the end of the period reported, the Investment Officer and Texas CLASS Officials shall cause the Program Administrator to prepare and submit to the Board a written report of the investment transactions for all funds of Texas CLASS for the preceding reporting period. The report must (1) describe in detail the investment positions of Texas CLASS on the date of the report, (2) be signed by the Program Administrator, (3) state the book value and the 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 and by pool or portfolio, (4) state the maturity date of each separately invested asset that has a maturity

date, and (5) state the compliance of each investment portfolio as they relate to this Policy and the Investment Act.

## Section 3.04. Assistance with Certain Duties of the Investment Officer.

The Board hereby authorizes and directs the Program Administrator and any other Texas CLASS Officials requested by the Investment Officer to assist the Investment Officer with any of his duties, including but not limited to the following:

1. Presenting a copy of the Policy to any person or business organization seeking to sell an investment to Texas CLASS, and obtaining the necessary written certification from such seller referred to in Section 4.03;
2. Handling investment transactions;
3. Preparing and submitting to the Board the written report of all investment transactions for Texas CLASS, as required by this Article;
4. Researching investment options and opportunities;
5. Obtaining written depository pledge agreements as required herein;
6. Obtaining safekeeping receipts from the Texas financial institution which serves as a depository for pledged Collateral; and
7. Reviewing the market value of investments of Texas CLASS, including each pool or portfolio established pursuant to the Trust Agreement and of the Collateral pledged to secure funds of Texas CLASS.

## **ARTICLE IV**

### **PROCEDURES FOR INVESTMENT OF TEXAS CLASS MONIES**

#### Section 4.01. Qualified Broker/Dealers

The list of qualified broker/dealers with whom Texas CLASS may engage in investment transactions is listed in The Qualified Broker/Dealer List attached to this Policy as Exhibit B. The

Qualified Broker/Dealer List to the Policy may be amended and updated by the Board separate from or as a part of this Policy.

#### Section 4.02. Disclosures of Relationships with Entities Offering to Enter into Investment Transactions with Texas CLASS.

The Investment Officer and Texas CLASS Officials shall disclose in writing (a) any “personal business relationship” with a business organization offering to engage in an investment transaction with Texas CLASS, and (b) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, to any individual seeking to sell an investment to Texas CLASS, as required by the Investment Act. The existence of a “personal business relationship” shall be determined in accordance with the Investment Act. Such disclosure statement shall be filed with the Board and the Texas Ethics Commission.

#### Section 4.03. Certifications from Sellers of Investments.

The Investment Officer or Texas CLASS Officials shall present this Policy to any person or business organization offering to engage in an investment transaction with Texas CLASS and obtain the certificate that such potential seller has reviewed the Policy as provided in the Investment Act. This certificate shall be in a form acceptable to Texas CLASS and shall state that the potential seller has received and reviewed the Policy and has acknowledged that the potential seller has implemented reasonable procedures and controls in an effort to preclude investment transactions with Texas CLASS that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entire portfolios of Texas CLASS or requires an interpretation of subjective investment standards. Neither the Investment Officer nor Texas CLASS Officials shall purchase or make any investment from a potential seller that has not delivered to Texas CLASS this required certification. A form of certificate acceptable to Texas CLASS is attached hereto as Exhibit A.

#### Section 4.04. Solicitation of Bids for Certificates of Deposit.

Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.

#### Section 4.05. Settlement Basis.

All purchases of investments, except investment in mutual funds, shall be made on a delivery versus payment basis. The safekeeping entity for all Texas CLASS investments and for all Collateral pledged to secure funds of Texas CLASS shall be one approved by the Investment Officer or the Program Administrator.

## Section 4.06. Monitoring of the Market Value of Investments and Collateral.

The Program Administrator, on behalf of the Investment Officer, with the help of such Texas CLASS Officials as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of funds of Texas CLASS at the times required and in the manner provided in the Trust Agreement and the Investment Act.

## **ARTICLE V** **PROVISIONS APPLICABLE TO ALL FUNDS**

### Section 5.01. Provisions Applicable to All Funds.

- A. All funds of Texas CLASS shall be invested only in accordance with this Policy and shall comply with any additional requirements imposed by the Trust Agreement or by resolutions of the Board and applicable state law or federal tax law, including the Investment Laws.
- B. The Program Administrator may withdraw or transfer funds from and to accounts of Texas CLASS only in compliance with this Policy.

### Section 5.02. Policy of Securing Deposits of Funds of Texas CLASS -- Applicable to All Deposited Funds of Texas CLASS.

- A. Texas CLASS recognizes that FDIC (or its successor) insurance is available for funds of Texas CLASS deposited at any one Texas Financial Institution (including branch banks) only up to a maximum of \$250,000 (including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders. It is the policy of Texas CLASS that all deposited funds in Texas CLASS shall be insured by the FDIC, or its successor, and to the extent not insured, shall be secured by Collateral pledged to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act.
- B. If it is necessary for depositories of Texas CLASS to pledge Collateral to secure Texas CLASS' deposits, (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide the Investment Officer or Texas

CLASS Officials with written proof of the depository's approval of the pledge agreement as required herein in a form acceptable to Texas CLASS. A signed or certified copy of the minutes of the meeting of the depository's board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the Investment Officer will be accepted. It is the preference of the Board that all requirements of this section be met prior to the deposit of any funds of Texas CLASS in such financial institution when a pledge of Collateral is required; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the Investment Officer and Texas CLASS Officials to proceed diligently to have such agreement approved and documented to assure protection of funds of Texas CLASS. If the decision is made to forego the protection of a Collateral pledge agreement with any depository, the Program Administrator shall be responsible for maintaining the balance of deposit(s) in such depository plus any accrued but unpaid interest at or below FDIC insurance levels.

- C. Collateral pledged by a depository shall be held in safekeeping at an independent third party institution, and the Program Administrator shall obtain safe-keeping receipts from the Texas financial institution or the safekeeping institution that reflect that Collateral as allowed by this Policy and in the amount required was pledged to Texas CLASS. Principal and accrued interest on deposits in a financial institution shall not exceed the FDIC's, or its successor's, insurance limits or the market value of the Collateral pledged as security for Texas CLASS' deposits. It shall be acceptable for the Program Administrator to periodically receive interest on deposits to be deposited to the credit of Texas CLASS if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of this Board that there be no sharing, splitting or cotenancy of Collateral with other secured parties or entities; however, in the event that a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the Investment Officer and Texas CLASS Officials to obtain appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated and the funds distributed appropriately to all parties with a security interest in such Collateral. The Program Administrator shall monitor the pledged Collateral to assure that it is pledged only to Texas CLASS, review the fair market value of the Collateral to ensure that Texas CLASS' funds are fully secured, and report periodically to the Investment Officer and the Board regarding the Collateral.
- D. Texas CLASS' funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured in any manner authorized by law for Texas CLASS as such law is currently written or as amended in the future.

## Section 5.03. Diversification.

The pool shall at all times diversify its assets in such a way as to maintain its AAAM rating status with at least one nationally recognized statistical rating organization. The diversification criteria set by the rating organization shall be reviewed with the Board at least annually. The diversification criteria and the diversification of the pool's assets shall at all times be in compliance with the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code.

## **ARTICLE VI** **AUTHORIZED INVESTMENTS**

## Section 6.01. Authorized Investments – Texas CLASS.

Unless specifically prohibited by law or elsewhere by this Policy, monies of Texas CLASS may be invested and reinvested only in investments authorized by Chapter 2256, Texas Government Code, as amended, including the following types of investments:

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, with a maximum maturity of 397 days, except that certain permitted variable rate securities may be purchased with final maturities greater than 397 days, as described in Paragraph 12 (d) below.
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. 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, 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;
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
5. Certificates of deposit or share certificates if the certificate is issued by a depository institution that has its main office or a branch office in this state and is: (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (2) secured by obligations that are described by Section 2256.009(a) of Chapter 2256, Texas Government Code as amended,



including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b), Texas Government Code, as amended; or (3) secured in any other manner and amount provided by law for deposits of the investing entity. In addition, an investment in certificates of deposit is authorized if (1) the funds are invested by an investing entity through (A) a broker that has its main office or a branch office in Texas and is selected from a list adopted by the investing entity, or (B) a depository institution that has its main office or a branch office in Texas and that is selected by the investing entity, (2) the broker or depository institution selected by the investing entity under (1) above arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity, (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (4) the investing entity appoints the depository institution selected by the investing entity under (1) above, an entity described by Section 2257.041(d) or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rules 15c3-3 (17 C.F.W. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity, .

6. Repurchase agreements that comply with the Investment Act. No more than 25% of the portfolio of Texas CLASS shall be invested in term repurchase agreements and no more than 5% of the portfolio of Texas CLASS may be invested in term repurchase agreements with maturities exceeding 90 days. Repurchase agreements shall be 102% collateralized by obligations of the United States Treasury or its agencies and instrumentalities in accordance with the provisions of the Public Securities Association Master Agreement on file with the Program Administrator pertaining to repurchase agreement operating procedures.
  
7. A securities lending program where:
  - 1) the value of securities loaned under the program is not less than 100 percent collateralized, including accrued income;
  - 2) a loan made under the program allows for termination at any time;
  - 3) a loan made under the program is secured by: (A) pledged securities described subsection (I) below; (B) pledged irrevocable letters of credit issued by a bank that is: (i) organized and existing under the laws of the United States or any other state; and (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or (C) cash invested in:

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

(II) Commercial Paper pursuant to Number Nine below.

(III) Mutual Funds pursuant to Number 10 below; or

(IV) Investment Pools

- 4) the terms of a loan made under the program must require that the securities being held as collateral be: (A) pledged to the investing entity; (B) held in the investing entity's name; and (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;
- 5) a loan made under the program must be placed through: (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or (B) a financial institution doing business in Texas; and
- 6) an agreement to lend securities must have a term of one year or less.
8. Bankers' acceptances that comply with the Investment Act;
9. Commercial paper that complies with the Investment Act; provided that no more than 25% of the assets of Texas CLASS shall be invested in commercial paper of any one industry, except that the 25% limitation shall not apply to commercial paper of banking and financial institutions.

10. No-load money market mutual funds that comply with the Investment Act;
11. Guaranteed investment contracts that comply with the Investment Act;
12. The following other requirements shall also be met:
  - a. No investments shall be made in securities denominated in a currency other than dollars of the United States of America.
  - b. The weighted average maturity of the fund will not exceed the lesser of the triple-A guidelines of a nationally recognized rating agency, or 90 days.
  - c. Securities with capped coupons are not permitted.
  - d. Variable rate instruments issued by United States agencies or instrumentalities with final maturities of greater than 397 days are allowed if the rate resets at least annually and is calculated with reference to a single, established money market index and the instrument can reasonably be expected to reset to or maintain its par value at all reset dates.
13. Bonds issued, assumed or guaranteed by the State of Israel that are also backed by the full faith and credit of the United States of America.

## Section 6.02. Authorized Investments – Texas CLASS PLUS

Unless specifically prohibited by law or elsewhere by this Policy, monies of Texas CLASS PLUS may be invested and reinvested only in investments authorized by Chapter 2256, Texas Government Code, as amended, including the following types of investments:

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, with a maximum maturity of 7 years.
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. 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, 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;

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
  
5. Certificates of deposit or share certificates if the certificate is issued by a depository institution that has its main office or a branch office in this state and is: (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (2) secured by obligations that are described by Section 2256.009(a) of Chapter 2256, Texas Government Code as amended, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b), Texas Government Code, as amended; or (3) secured in any other manner and amount provided by law for deposits of the investing entity. In addition, an investment in certificates of deposit is authorized if (1) the funds are invested by an investing entity through (A) a broker that has its main office or a branch office in Texas and is selected from a list adopted by the investing entity, or (B) a depository institution that has its main office or a branch office in Texas and that is selected by the investing entity, (2) the broker or depository institution selected by the investing entity under (1) above arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity, (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (4) the investing entity appoints the depository institution selected by the investing entity under (1) above, an entity described by Section 2257.041(d) or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rules 15c3-3 (17 C.F.W. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity, .
  
6. Repurchase agreements that comply with the Investment Act. No more than 25% of the portfolio of Texas CLASS PLUS shall be invested in term repurchase agreements and no more than 5% of the portfolio of Texas CLASS PLUS may be invested in term repurchase agreements with maturities exceeding 90 days. Repurchase agreements shall be 102% collateralized by obligations of the United States Treasury or its agencies and instrumentalities in accordance with the provisions of the Public Securities Association Master Agreement on file with the Program Administrator pertaining to repurchase agreement operating procedures.

7. A securities lending program where:
  - (1) the value of securities loaned under the program is not less than 100 percent collateralized, including accrued income;
  - (2) a loan made under the program allows for termination at any time;
  
  - (3) a loan made under the program is secured by: (A) pledged securities described subsection (I) below; (B) pledged irrevocable letters of credit issued by a bank that is: (i) organized and existing under the laws of the United States or any other state; and (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or (C) cash invested in:
    - (I) (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) direct obligations of this state or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and (6) bonds issued, assumed, or guaranteed by the State of Israel.
    - (II) Commercial Paper pursuant to Number Nine below.
    - (III) Mutual Funds pursuant to Number 10 below; or
    - (IV) Investment Pools
  
  - (4) the terms of a loan made under the program must require that the securities being held as collateral be: (A) pledged to the investing entity; (B) held in the investing entity's name; and (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

- (5) a loan made under the program must be placed through: (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or (B) a financial institution doing business in Texas; and
  - (6) an agreement to lend securities must have a term of one year or less.
- 8. Bankers' acceptances that comply with the Investment Act;
- 9. Commercial paper that complies with the Investment Act; provided that no more than 25% of the assets of Texas CLASS PLUS shall be invested in commercial paper of any one industry, except that the 25% limitation shall not apply to commercial paper of banking and financial institutions.
- 10. No-load money market mutual funds that comply with the Investment Act;
- 11. Guaranteed investment contracts that comply with the Investment Act;
- 12. The following other requirements shall also be met:
  - a. No investments shall be made in securities denominated in a currency other than dollars of the United States of America.
  - b. Securities with capped coupons are not permitted.
  - c. Variable rate instruments issued by United States agencies or instrumentalities with final maturities of greater up to 7 years are allowed if the rate resets at least annually and is calculated with reference to a single, established money market index and the instrument can reasonably be expected to reset to or maintain its par value at all reset dates.
- 13. Bonds issued, assumed or guaranteed by the State of Israel that are also backed by the full faith and credit of the United States of America.

## Section 6.04. Authorized Investments – Texas CLASS Government Only Pool or Portfolio

Monies of Texas CLASS GOVERNMENT FUND (or such other pool or portfolio as determined by the Board to be restricted to investments authorized pursuant to this section 6.04) may be invested and reinvested only in investments authorized by this policy and Chapter 2256, Texas Government Code, as amended, including the following types of investments:

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, with a maximum maturity of 397 days, except that certain permitted variable rate securities may be purchased with final maturities greater than 397 days, as described in Paragraph 12 (d) below.
2. Repurchase agreements that comply with the Investment Act. No more than 25% of the portfolio of Texas CLASS shall be invested in term repurchase agreements and no more than 5% of the portfolio of Texas CLASS may be invested in term repurchase agreements with maturities exceeding 90 days. Repurchase agreements shall be 102% collateralized by obligations of the United States Treasury or its agencies and instrumentalities in accordance with the provisions of the Public Securities Association Master Agreement on file with the Program Administrator pertaining to repurchase agreement operating procedures.
3. Certificates of Deposit pursuant to Section 2256.010, Texas Government Code, as amended.
4. No-load money market mutual funds that comply with the Investment Act but that do not include commercial paper;
5. The following other requirements shall also be met:
  - a. No investments shall be made in securities denominated in a currency other than dollars of the United States of America.
  - b. The weighted average maturity of the fund will not exceed the lesser of the triple-A guidelines of a nationally recognized rating agency, or 120 days.
  - c. Securities with capped coupons are not permitted.
  - d. Variable rate instruments issued by the United States treasury or agencies or instrumentalities with final maturities of greater than 397 days are allowed if the rate resets at least annually and is calculated with reference to a single, established money market index and the instrument can reasonably be expected to reset to or maintain its par value at all reset dates.

- e. The maximum maturity for variable rate securities issued by the United States treasury or agencies or instrumentalities is 762 days.

## Section 6.03. Prohibited Investments.

Notwithstanding anything to the contrary stated herein, no funds of Texas CLASS may be invested in the following or in any other type of investment prohibited by the Investment Act or other applicable law:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO's);
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO's);
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 are determined by an index that adjusts opposite to the changes in the market index (inverse floaters).
5. Corporate bonds.

## **ARTICLE VII** **INVESTMENT STRATEGIES**

### Section 7.01. Strategy Applicable to Texas CLASS.

The general investment strategy for Texas CLASS shall be to invest all monies so as to accomplish the following objectives, which are listed in the order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the Participants in Texas CLASS;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;



5. Diversification of the investment portfolio; and
6. Yield.

All monies shall be invested to meet the cash flow requirements of Texas CLASS as determined by the needs of the Participants. Monies in Texas CLASS shall not be invested for longer than 397 days or as specified in Section 6.01(12)(d) and 6.01(3)(d). Monies in Texas CLASS PLUS shall not be invested longer than 7 years.

## **ARTICLE VIII MISCELLANEOUS**

### Section 8.01. Annual Review.

Texas CLASS shall review this Policy at least annually and adopt a resolution confirming the continuance of the Policy without amendment or adopt an Amended Policy.

### Section 8.02. Superseding Clause.

This Policy supersedes any prior policies adopted by the Board of Trustees regarding investment or securitization of Funds of Texas CLASS.

### Section 8.03. Open Meeting.

The Board officially finds, determines and declares that this Policy was reviewed, carefully considered, and adopted at a regular meeting of the Board, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at a place readily accessible and convenient to the public at the administrative office of Texas CLASS, at a place convenient to the public in the main office of the Secretary of State and on a bulletin board at a place convenient to the public in the county courthouse in Dallas County, for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon. The Board further ratifies, approves and confirms such written notice and the contents and posting thereof.

This document may be executed in one or more original counterparts, each of which shall constitute one and the same instrument and is effective as of the date specified below.

Exhibit A

CERTIFICATE OF COMPLIANCE FROM SELLERS OF INVESTMENTS  
AS REQUIRED BY THE PUBLIC FUNDS INVESTMENT ACT

To: Texas Cooperative Liquid Assets Securities System Trust, a public funds investment pool (Texas CLASS)

From: \_\_\_\_\_

[Name of the person offering or the “qualified representative of the business organization” offering to engage in an investment transaction with Texas CLASS]

[Office such person holds]

of \_\_\_\_\_ (the Business Organization)  
[name of financial institution, business organization or investment pool]

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

In accordance with the provisions of Chapter 2256 of the Texas Government Code, I hereby certify that:

1. I am an individual offering to enter into an investment transaction with Texas CLASS or any of its subaccounts, pools or portfolios, including Texas CLASS PLUS and Texas CLASS Government (referred to herein collectively as Texas CLASS), or I am a “qualified representative” of the Business Organization offering to enter an investment transaction with Texas CLASS, as applicable, as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code, and that I meet all requirements under such act to sign this Certificate.
2. I or the Business Organization, as applicable, anticipate selling to Texas CLASS investments that comply with Texas CLASS’ Investment Policy and the Investment Act (collectively referred to herein as the Investments), as amended and effective as of the date hereof. (the Investment Policy).
3. I or a registered investment professional that services Texas CLASS’ account, as applicable, have received and reviewed the Investment Policy, which Texas CLASS has represented is the complete Investment Policy of Texas CLASS now in full force and effect. Texas CLASS has further acknowledged that I or the Business Organization, as applicable, may rely

upon the Investment Policy until Texas CLASS provides me or the Business Organization, as applicable, with any amendments to or any newly adopted form of the Investment Policy.

4. I or the Business Organization, as applicable, have/has implemented reasonable procedures and controls in an effort to preclude investment transactions between Texas CLASS and me or the Business Organization, as applicable, that are not authorized by the Investment Policy, except to the extent that this authorization is dependent upon an analysis of Texas CLASS' entire portfolio or requires an interpretation of subjective investment standards.
5. I or the Business Organization, as applicable, have/has reviewed or will review prior to sale, the terms, conditions and characteristics of the investments to be sold to Texas CLASS and determined (i) that each of the Investments is an authorized investment for local governments under the Investment Act and (ii) each of the Investments is an authorized investment under the Investment Policy. The Business Organization makes no representation as to whether any limits on the amount of Texas CLASS' monies to be invested in the Investments exceeds or in any way violates the Investment Policy.
6. The Business Organization makes no representations or guarantees regarding the prudence, reasonableness or adequacy of the Investment Policy.
7. The Business Organization has attached hereto, for return to Texas CLASS, or will provide a prospectus or disclosure document for each of the Investments other than certificates of deposit and direct obligations of the United States.

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

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

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

Investments other than certificates of deposit are not FDIC insured, are not deposits or other obligations of me, the Business Organization or any of its affiliates, and are subject to investment risks, including possible loss of the principal amount invested.

Return Receipt Acknowledged on \_\_\_\_\_, 20\_\_.

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

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

Exhibit B  
**QUALIFIED BROKER/DEALER LIST**

A list of the qualified broker/dealers with whom Texas CLASS may engage in investment transactions is available from the Program Administrator and such list is approved periodically by resolution of the Board of Trustees.

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