

AGREEMENT FOR INVESTMENT ADVISORY AND MANAGEMENT SERVICES

This Agreement is made and entered into by and between the County of Lake, hereinafter referred to as "County", the Lake County Treasurer-Tax Collector, hereinafter referred to as Treasurer-Tax Collector, and Chandler Asset Management, Inc., hereinafter referred to as "Contractor" or "Chandler", collectively referred to as the "parties".

1. **SERVICES.** Subject to the terms and conditions set forth in this Agreement, Contractor shall provide to the Treasurer-Tax Collector the services described in the Scope of Services attached hereto and incorporated herein as Exhibit A at the time and place and in the manner specified therein. In the event of a conflict in or inconsistency between the terms of this Agreement and Exhibit A – Scope of Services, Exhibit B – Fiscal Provisions and, Exhibit C – Compliance Provisions, , the Agreement shall prevail.

2. **TERM.** This Agreement shall commence on July 1, 2021 and continue in full force and effect until terminated as hereinafter provided.

3. **COMPENSATION.** Contractor has been selected by the Treasurer-Tax Collector to provide the services described hereunder in Exhibit "A" (Scope of Services), attached hereto.

The County shall compensate Contractor for services rendered, in accordance with the provisions set forth in Exhibit "B" (Fiscal Provisions), attached hereto, provided that Contractor is not in default under any provisions of this agreement. Compensation to Contractor is contingent upon appropriation of federal, state and county funds.

4. **TERMINATION.** This Agreement may be terminated by mutual consent of the parties or by County upon 90 days written notice to Contractor.

5. **MODIFICATION.** This Agreement may only be modified by a written amendment hereto, executed by both parties; however, matters concerning scope of services which do not affect the compensation may be modified by mutual written consent of Contractor and County executed by the Treasurer-Tax Collector and County Administrative Officer.

6. **NOTICES.** All notices between the parties shall be in writing addressed as follows:

County of Lake
Treasurer-Tax Collector
County Administrative Officer
255 N Forbes St
Lakeport, CA 95453
Attn: Carol Huchingson

Contractor
Chandler Asset Management
6225 Lusk Blvd
San Diego, CA 92121
Attn: Nicole Dragoo

7. **EXHIBITS.** The Agreement Exhibits, as listed below, are incorporated herein by reference:

Exhibit A – Scope of Services
Exhibit B – Fiscal Provisions
Exhibit C – Compliance Provisions
Exhibit D – Investment Policy

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8. TERMS AND CONDITIONS. Contractor warrants that it will comply with all terms and conditions of this Agreement and Exhibits, and all other applicable federal, state and local laws, regulations and policies.

9. INTEGRATION. This Agreement, including attachments, constitutes the entire agreement between the parties regarding its subject matter and supersedes all prior Agreements, related proposals, oral and written, and all negotiations, conversations or discussions heretofore and between the parties.

Executed at _____, California on _____.

COUNTY OF LAKE

CONTRACTOR

CHAIR, Board of Supervisors

Chandler Asset Management, Inc

ATTEST:
CAROL J. HUCHINGSON
Clerk to the Board of Supervisors

APPROVED AS TO FORM:
ANITA L. GRANT
County Counsel

By: _____

By: _____

BARBARA RINGEN
Lake County Treasurer-Tax Collector

EXHIBIT "A" – SCOPE OF SERVICES

1. **CONTRACTOR RESPONSIBILITIES.** Per Contractor's response to Request for Proposals No. 20-23, Contractor agrees to perform the following:

- 1.1 Provide investment advisory services;
- 1.2 Provide investment management services for the non-liquidity portion of the portfolio;
- 1.3 Assist the County in determining its investment risk tolerance and provide monitoring of such risk in the portfolio;
- 1.4 Assist the County in determining its appropriate portfolio benchmark;
- 1.5 Assist the County in analyzing its cash flow requirements;
- 1.6 Meet quarterly with County staff to review the investment portfolio and performance;
- 1.7 Provide the County with on-line access to investment information and regular reports;
- 1.8 Assist the County with development of an asset allocation plan and provide monitoring of such plan;
- 1.9 Assist annually with the development of an investment policy; and
- 1.10 Be responsive to staff questions or concerns on a daily basis.

2. **RECORDS RETENTION.** Contractor shall prepare, maintain and/or make available to County upon request, all records and documentation pertaining to this Agreement, including financial, statistical, property, recipient and service records and supporting documentation for a period of ten (10) years from the date of final payment of this Agreement. If at the end of the retention period, there is ongoing litigation or an outstanding audit involving the records, Contractor shall retain the records until resolution of litigation or audit. After the retention period has expired, Contractor assures that confidential records shall be shredded and disposed of appropriately.

3. **DELEGATION OF INVESTMENT AUTHORITY TO TREASURER-TAX COLLECTOR.** The Board of Supervisors has, by ordinance, delegated to the Lake County Treasurer-Tax Collector the authority to invest or reinvest the funds of the County and funds of other depositors in the County treasury. The treasurer of a general law County who has been delegated such authority by the Board of Supervisors may grant to a contract investment manager the discretionary authority to invest funds on deposit with the treasurer provided the treasurer exercises prudence in the selection and imposes suitable safeguards.

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The Lake County Treasurer-Tax Collector shall provide direction to Contractor on all matters related the investment authority of that Office.

4. **COUNTY ASSISTANCE IN ADMINISTRATIVE MATTERS.** The County is willing to provide and the Treasurer-Tax Collector accepts the assistance of the County Administrative Office in the administration of this contract. Such administrative functions will include but not be limited to, acting as liaison with the Contractor as necessary, organizing the necessary staff interactions, facilitating document production, and providing fiscal review and analysis.

5 **INVESTMENT POLICY.** In investing and reinvesting Client's assets, Chandler shall comply with Client's Investment Policy, which is attached hereto as Exhibit D.

6. **AUTHORITY OF CHANDLER.** Contractor is hereby granted full discretion to invest and reinvest all assets under its management in any type of security it deems appropriate, subject to the instructions given or guidelines set by the Treasurer-Tax Collector.

7 **ELECTRONIC DELIVERY.** From time to time, Chandler may be required to deliver certain documents to Client such as account information, notices and required disclosures. Client hereby consents to Chandler's use of electronic means, such as email, to make such delivery. This delivery may include notification of the availability of such document(s) on a website, and Client agrees that such notification will constitute "delivery". County further agrees to provide Chandler with County's email address(s) and to keep this information current at all times by promptly notifying Chandler of any change in email address(s).

County email address(s): barbara.ringen@lakecountyca.gov
elizabeth.martinez@lakecountyca.gov
patrick.sullivan@lakecountyca.gov

8 **PROXY VOTING.** Chandler will vote proxies on behalf of County unless otherwise instructed. Chandler has adopted and implemented written policies and procedures and will provide County with a description of the proxy voting procedures upon request. Chandler will provide information regarding how County's proxies were voted upon request. To request proxy policies or other information, please contact us by mail at the address provided, by calling 800-317-4747 or by emailing your request to info@chandlerasset.com.

8. **CUSTODY OF SECURITIES AND FUNDS.** Chandler shall not have custody or possession of the funds or securities that County has placed under its management. County shall appoint a custodian to take and have possession of its assets. County recognizes the importance of comparing statements received from the appointed custodian to statements received from Chandler. County recognizes that the fees expressed above do not include fees County will incur for custodial services.

10. **VALUATION.** Chandler will value securities held in portfolios managed by Chandler no less than monthly. Securities or investments in the portfolio will be valued in a manner determined in good faith by Chandler to reflect fair market value.

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11. **INVESTMENT ADVICE.** County recognizes that the opinions, recommendations and actions of Chandler will be based on information deemed by it to be reliable, but not guaranteed to or by it. Provided that Chandler acts in good faith, County agrees that Chandler will not in any way be liable for any error in judgment or for any act or omission, except as may otherwise be provided for under the Federal Securities laws or other applicable laws.

12. **PAYMENT OF COMMISSIONS.** Chandler may place buy and sell orders with or through such brokers or dealers as it may select. It is the policy and practice of Chandler to strive for the best price and execution and for commission and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities and Exchange Act. Nevertheless, it is understood that Chandler may pay a commission on transactions in excess of the amount another broker or dealer may charge, and that Chandler makes no warranty or representation regarding commissions paid on transactions hereunder.

13. **OTHER CLIENTS.** It is further understood that Chandler may be acting in a similar capacity for other institutional and individual clients, and that investments and reinvestments for County's portfolio may differ from those made or recommended with respect to other accounts and clients even though the investment objectives may be the same or similar. Accordingly, it is agreed that Chandler will have no obligation to purchase or sell for County's account any securities which it may purchase or sell for other clients.

14. **CONFIDENTIAL RELATIONSHIP.** The terms and conditions of this Agreement, and all information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except (i) as required by law, rule, or regulation, (ii) as requested by a regulatory authority, (iii) for disclosures by either party of information that has become public by means other than wrongful conduct by such party or its officers, employees, or other personnel, (iv) for disclosures by either party to its legal counsel, accountants, or other professional advisers, (v) as necessary for Chandler to carry out its responsibilities hereunder, or (vi) as otherwise expressly agreed by the parties.

15. **RECEIPT OF BROCHURE AND PRIVACY POLICY.** Client hereby acknowledges receipt of the disclosure statement or "brochure" and "brochure supplement" also known as Part 2A and Part 2B of Form ADV, required to be delivered pursuant to Rule 204-3 of the Investment Advisers Act of 1940 (Brochure). Client further acknowledges receipt of Chandler's Privacy Policy, as required by Regulation S-P.

EXHIBIT “B” – FISCAL PROVISIONS

1. **CONTRACTOR’S FINANCIAL RECORDS.** Contractor shall keep financial records for funds received hereunder, separate from any other funds administered by Contractor, and maintained in accordance with Generally Accepted Accounting Principles and Procedures and the Office of Management and Budget’s Cost Principles.

2. **COMPENSATION.** County shall compensate Chandler monthly an amount calculated on the average market value of County portfolio, including accrued interest, in accordance with the following schedule:

Assets Under Management	Annual Investment Management Fee
First \$150 million	0.06 of 1% (6 basis points)
Next \$100 million	0.04 of 1% (4 basis points)
Assets in excess of \$250 million	0.03 of 1% (3 basis points)

The fees expressed above do not include any custody fees that may be charged by County’s bank or other third party custodian.

Fees shall be prorated to the effective date of termination on the basis of actual days elapsed, and any unearned portion of prepaid fees shall be refunded. County is not required to pay any start-up or closing fees; there are no penalty fees.

Fees shall be deducted monthly in arrears from County’s custody account.

3. **AUDIT REQUIREMENTS AND AUDIT EXCEPTIONS.**

3.1 Contractor warrants that it shall comply with all audit requirements established by County and will provide a copy of Contractor’s Annual Independent Audit Report, if applicable.

3.2 County may conduct periodic audits of Contractor’s financial records, notifying Contractor no less than 48 hours prior to scheduled audit. Said notice shall include a detailed listing of the records required for review. Contractor shall allow County, or other appropriate entities designated by County, access to all financial records pertinent to this Agreement.

3.3 Contractor shall reimburse County for audit exceptions within 30 days of written demand or shall make other repayment arrangements subject to the approval of County.

EXHIBIT "C" – COMPLIANCE PROVISIONS

1. **INFORMATION INTEGRITY AND SECURITY.** Contractor shall immediately notify County of any known or suspected breach of personal, sensitive and confidential information related to Contractor's work under this Agreement.

2. **NON-DISCRIMINATION.** Contractor shall not unlawfully discriminate against any qualified worker or recipient of services because of race, religious creed, color, sex, sexual orientation, national origin, ancestry, physical disability, mental disability, medical condition, marital status or age.

3. **DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS**

3.1 The Contractor certifies to the best of its knowledge and belief, that it and its subcontractors:

A. Are not presently debarred, suspended, proposed for disbarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency;

B. Have not, within a three-year period preceding this Agreement, been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public transaction; violation of federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

C. Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity with commission of any of the offenses enumerated in the preceding paragraph; and

D. Have not, within a three-year period preceding this Agreement, had one or more public transactions terminated for cause or default.

3.2 Contractor shall report immediately to County, in writing, any incidents of alleged fraud and/or abuse by either Contractor or Contractor's subcontractor. Contractor shall maintain any records, documents, or other evidence of fraud and abuse until otherwise notified by County.

4. **AGREEMENTS IN EXCESS OF \$100,000.** Contractor shall comply with all applicable orders or requirements issued under the following laws:

4.1 Clean Air Act, as amended (42 USC 1857).

4.2 Clean Water Act, as amended (33 USC 1368).

4.3 Federal Water Pollution Control Act, as amended (33 USC 1251, et seq.)

4.4 Environmental Protection Agency Regulations (40 CFR, Part 15 and Executive Order 11738).

5. **INDEMNIFICATION AND HOLD HARMLESS.** Contractor shall indemnify and hold harmless County from any and all claims, demands, actions, liability or loss which may arise from or be incurred as a result of the negligent performance of this Agreement by Contractor.

Contractor's obligations under this Section shall survive the termination of the Agreement.

6. **STANDARD OF CARE.** Contractor represents that it is specially trained, licensed, experienced and competent to perform all the services, responsibilities and duties specified herein and that such services, responsibilities and duties shall be performed, whether by Contractor or designated subcontractors, in a manner according to generally accepted practices.

7. **INTEREST OF CONTRACTOR.** Contractor assures that neither it nor its employees has any interest, and that it shall not acquire any interest in the future, direct or indirect, which would conflict in any manner or degree with the performance of services hereunder.

8. **DUE PERFORMANCE – DEFAULT.** Each party agrees to fully perform all aspects of this agreement. If a default to this agreement occurs then the party in default shall be given written notice of said default by the other party. If the party in default does not fully correct (cure) the default within 30 days of the date of that notice (i.e. the time to cure) then such party shall be in default. The time period for corrective action of the party in default may be extended in writing executed by both parties, which must include the reason(s) for the extension and the date the extension expires.

Notice given under this provision shall specify the alleged default and the applicable Agreement provision and shall demand that the party in default perform the provisions of this Agreement within the applicable time period. No such notice shall be deemed a termination of this Agreement, unless the party giving notice so elects in that notice, or so elects in a subsequent written notice after the time to cure has expired.

9. **INSURANCE.**

9.1 Contractor shall procure and maintain Workers' Compensation Insurance for all of its employees.

9.2 Contractor shall procure and maintain Comprehensive Public Liability Insurance, both bodily injury and property damage, in an amount of not less than one million dollars (\$1,000,000) combined single limit coverage per occurrence, including but not limited to endorsements for the following coverage: personal injury, premises-operations, products and completed operations, blanket contractual, and independent contractor's liability.

9.3 Contractor shall procure and maintain Comprehensive Automobile Liability Insurance, both bodily injury and property damage, on owned, hired, leased and non-owned vehicles used in connection with Contractor's business in an amount of not less than one million dollars (\$1,000,000) combined single limit coverage per occurrence.

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9.4 Contractor shall procure and maintain Professional Liability Insurance for the protection against claims arising out of the performance of services under this Agreement caused by errors, omissions or other acts for which Contractor is liable. Said insurance shall be written with limits of not less than one million dollars (\$1,000,000).

9.5 Contractor shall not commence work under this Agreement until it has obtained all the insurance required hereinabove and submitted to County certificates of insurance naming the County of Lake as additional insured. Contractor agrees to provide to County, at least 30 days prior to expiration date, a new certificate of insurance.

9.6 In case of any subcontract, Contractor shall require each subcontractor to provide all of the same coverage as detailed hereinabove. Subcontractors shall provide certificates of insurance naming the County of Lake as additional insured and shall submit new certificates of insurance at least 30 days prior to expiration date. Contractor shall not allow any subcontractor to commence work until the required insurances have been obtained.

9.7 For any claims related to the work performed under this Agreement, the Contractor's insurance coverage shall be primary insurance as to the County, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by County, its officers, officials, employees, agents or volunteers shall be in excess of the Contractor's insurance and shall not contribute with it.

9.8 The Commercial General Liability and Automobile Liability Insurance must each contain, or be endorsed to contain, the following provision:

The County, its officers, officials, employees, agents, and volunteers are to be covered as additional insureds and shall be added in the form of an endorsement to Contractor's insurance on Form CG 20 10 11 85. Contractor shall not commence work under this Agreement until Contractor has had delivered to County the Additional Insured Endorsements required herein.

Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under subdivision (b) of California Civil Code Section 2782.

9.9 Insurance coverage required of Contractor under this Agreement shall be placed with insurers with a current A.M. Best rating of no less than A: VII.

Insurance coverage in the minimum amounts set forth herein shall not be construed to relieve the Contractor for liability in excess of such coverage, nor shall it preclude County from taking other action as is available to it under any other provision of this Agreement or applicable law. Failure of County to enforce in a timely manner any of the provisions of this section shall not act as a waiver to enforcement of any of these provisions at a later date.

9.10 Any failure of Contractor to maintain the insurance required by this section, or to comply with any of the requirements of this section, shall constitute a material breach of the entire Agreement.

10. ATTORNEY'S FEES AND COSTS. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

11. ASSIGNMENT. Contractor shall not assign any interest in this Agreement and shall not transfer any interest in the same without the prior written consent of County except that claims for money due or to become due Contractor from County under this Agreement may be assigned by Contractor to a bank, trust company, or other financial institution without such approval. Written notice of any such transfer shall be furnished promptly to County. Any attempt at assignment of rights under this Agreement except for those specifically consented to by both parties or as stated above shall be void.

12. PAYROLL TAXES AND DEDUCTIONS. Contractor shall promptly forward payroll taxes, insurances, and contributions to designated governmental agencies.

13. INDEPENDENT CONTRACTOR. It is specifically understood and agreed that, in the making and performance of this Agreement, Contractor is an independent contractor and is not an employee, agent or servant of County. Contractor is not entitled to any employee benefits. County agrees that Contractor shall have the right to control the manner and means of accomplishing the result contracted for herein.

Contractor is solely responsible for the payment of all federal, state and local taxes, charges, fees, or contributions required with respect to Contractor and Contractor's officers, employees, and agents who are engaged in the performance of this Agreement (including without limitation, unemployment insurance, social security and payroll tax withholding.)

14. OWNERSHIP OF DOCUMENTS. All non-proprietary reports, drawings, renderings, or other documents or materials prepared by Contractor hereunder are the property of County.

15. SEVERABILITY. If any provision of this Agreement is held to be unenforceable, the remainder of this Agreement shall be severable and not affected thereby.

16. ADHERENCE TO APPLICABLE DISABILITY LAW. Contractor shall be responsible for knowing and adhering to the requirements of Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act, (42 U.S.C. Sections 12101, et seq.). California Government Code Sections 12920 et seq., and all related state and local laws.

17. HIPAA COMPLIANCE. Contractor will adhere to Titles 9 and 22 and all other applicable Federal and State statutes and regulations, including the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and will make his best efforts to preserve data integrity and the confidentiality of protected health information.

18. SAFETY RESPONSIBILITIES. Contractor will adhere to all applicable CalOSHA requirements in performing work pursuant to this Agreement. Contractor agrees that in the performance of work under this Agreement, Contractor will provide for the safety needs of its

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employees and will be responsible for maintaining the standards necessary to minimize health and safety hazards.

19. JURISDICTION AND VENUE. This Agreement shall be construed in accordance with the laws of the State of California and the parties hereto agree that venue of any action or proceeding regarding this Agreement or performance thereof shall be in Lake County, California. Contractor waives any right of removal it might have under California Code of Civil Procedure Section 394.

20. RESIDENCY. All independent contractors providing services to County for compensation must file a State of California Form 590, certifying California residency or, in the case of a corporation, certifying that they have a permanent place of business in California.

21. NO THIRD-PARTY BENEFICIARIES. Nothing contained in this Agreement shall be construed to create, and the parties do not intend to create, any rights in or for the benefit of third parties.

22. PUBLIC RECORDS ACT. Contractor is aware that this Agreement and any documents provided to the County may be subject to the California Public Records Act and may be disclosed to members of the public upon request. It is the responsibility of the Contractor to clearly identify information in those documents that s/he considers to be confidential under the California Public Records Act. To the extent that the County agrees with that designation, such information will be held in confidence whenever possible. All other information will be considered public.

EXHIBIT D – INVESTMENT POLICY

COUNTY OF LAKE

STATEMENT INVESTMENT OF POLICY

As designated by Board of Supervisors under the laws of the State of California, it is the responsibility of the County Treasurer, to secure and protect the public funds of the County, and to establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational and auspicious manner. Said maintenance shall include the prudent and secure investment of those funds that are not immediately required for daily operations, in a manner anticipated to provide additional benefit to the people of the County of Lake. In addition, the County Treasurer acts as the Treasurer, cash manager, and investor for a sizable number of public agencies within the County, rather than each entity having to locate and hire a knowledgeable person to handle the entity's banking, investments and other financial duties separately. This pooling of public funds not only eliminates duplication of expenses, but also smoothes out cash flow differences, permits cost savings through higher volume, and attracts more professional service providers. This document contains the policies, procedures, and legalities guiding the County Treasurer when investing the Pool's temporarily unemployed funds.

This Statement of Investment Policy is reviewed no less than annually and may be adjusted as needed to reflect any changes in the Government Code or investment practices. Upon request, this Policy will be provided to participants in the County Investment Pool; to securities dealers, banks and brokers currently approved for conducting investment transactions with the County Treasurer's office in the ongoing effort to manage the excess cash portfolio; to other involved persons or entities; and to any member of the electorate wishing to review this document. The Treasurer reserves the right to provide these documents on a cost basis.

SCOPE

This Statement of Investment Policy pertains to those temporarily surplus funds under the control of the Treasurer, designated for the daily ongoing operations of the County-Pool participants; and concerns the deposit, maintenance, and safekeeping of all such funds, and the investments made with these funds. This Policy does not apply to pension moneys, delayed compensation funds, trustee, and certain other non-operating funds not participating in the County Investment Pool. Percentage limitations noted within this Policy shall apply to all money considered to be within the County Investment Pool. Any investments existing outside the Pool shall be subject to the local agency's individual percentages.

PURPOSE OF POLICY STATEMENT

The purpose of this Statement of Investment Policy is to provide those entities participating in the County Investment Pool, those involved in servicing the investment requirements of the County, and any other interested party, a clear understanding of the regulations and internal guidelines that will be observed in maintaining and investing those pooled funds deemed to not be required to meet immediate cash flow requirements.

TREASURY OBJECTIVES

The prime and overriding objective of the Treasurer is to protect the safety of the principal of the Investment Pool through the judicious purchase of those legal investments permitted to local agencies, as defined in the State of California Government Codes, consistent with current conditions and the other dominant objectives pursuant to managing a local agency portfolio, namely:

Safety: It is the primary responsibility of the Treasurer to maintain the safe return of all principal placed in investments by avoiding decisions that might result in losses through either fraud, default, or adverse market conditions. Import is also accorded the protection of accrued interest earned on any investment instrument.

Liquidity: It is imperative that a vast majority of all investments be in items that are immediately negotiable, as the portfolio is a cash management fund. It shall always be assumed that all investments could require immediate liquidation in order to meet unexpected cash calls.

Availability: Due to the nature of a public funds portfolio, it is mandatory that moneys be available to meet the monetary requirements inherent to operating a public entity. Thus funds need to be invested in such a manner that money will always be available, without risk of trading loss, to pay normal cash requirements. A vast majority of the moneys invested by the Treasurer should never require the realization of immoderate losses should an unforeseen cash demand require the sale of investments prior to maturity. A sufficient portion of all funds shall be invested in securities providing a high degree of availability, that is, in securities easily sold or converted to cash in a timely manner, with little or no loss of interest earnings.

Yield: While it is considered desirable to obtain a yield commensurate to current conditions, yield shall not be the driving force in determining which investments are to be selected for purchase. Yield is definitely considered to be of much lesser importance than either safety, liquidity or availability.

The Treasurer places investments with the objective of obtaining a respectable rate of return, not attempting to maximize yield at the expense of either safety, liquidity, or availability, yet not totally ignoring those factors within the marketplace that may be indicative of either favorable or hazardous conditions. The portfolio will be managed very conservatively, but actively enough to avert avoidable losses due to adverse market conditions.

PRUDENCE

The Treasurer is subject to the "Prudent Person Rule" whenever making a decision regarding the investment of the Pool's funds. This rule states, in principle:

"In investing property for the benefit of others, a trustee shall exercise the judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence, would exercise in the management of their own affairs - not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable safety of, as well as the probable income from, their capital."

The Treasurer, and those acting for the Treasurer, are considered to have a fiduciary, trustee, relationship with the public for the public funds, and all investment decisions will be made in a manner sustaining this responsibility.

DELEGATION OF AUTHORITY

While the Treasurer has final responsibility for all investment decisions, other Treasury personnel may aid in the day to day operations. Those staff members, in addition to the Treasurer, currently authorized to act on behalf of the Pool, as of the date entered on this Policy, are listed below. This list is subject to change, and those parties newly involved in transactions with the Treasurer's department should always obtain a current Trading Authorization and Agreement form, and be verbally introduced by a known Treasury employee, prior to accepting unconfirmed verbal instructions from any previously unknown Treasury staff member.

<u>Authorized Personnel</u>	<u>Title</u>
<u>BARBARA C. RINGEN</u>	<u>TREASURER-TAX COLLECTOR</u>
<u>ELIZABETH MARTINEZ</u>	<u>ASSISTANT TREASURER-TAX COLLECTOR</u>

Other persons, both inside and outside County employment, may act in the role of assistant or advisor to aid in the timely and proper settlement of investment transactions. While these persons may provide information or aid in the expedient delivery of securities, they may not authorize, approve, or initiate any trading activities. Only the persons listed on a current *Trading Authorization & Agreement*, and the Treasurer, may initiate trading activity.

SECURITIES CUSTODY

The Treasurer has established a third party custody and safekeeping account to which all negotiable instruments shall be delivered upon purchase on a payment versus delivery basis. No negotiable, deliverable, securities or investments will be left in the custody of any brokerage firm or issuing party, including any collateral from Repurchase Agreements.

AUTHORIZED INVESTMENTS AND LIMITATIONS

The Government Codes of the State of California, primarily within sections 53600 et. seq., establish the legality of certain types of investment vehicles for a California local agency's portfolio. Thereby, under no circumstances is the Treasurer permitted to purchase an investment that is not specifically authorized for a local agency under these, or other code sections that may apply, or might later be enacted, pertaining to local agency investments. Securities brokers dealing with the County Pool should possess a complete understanding of these Code sections.

An attached Addendum briefly describes the types of securities legal within the Government Code sections noted above and outlines the various limitations included in these sections. Except for the restrictions noted below in this section, all legality permitted investment options described in the Government Code are authorized at this time. Funds placed in the State's Local Agency Investment Fund (LAIF) shall follow the limitations placed on these deposits by the State and may change in accordance with these restrictions.

Though these Government Code sections define the investment types and terms permissible to the Treasurer under this Policy, various temporary and more restrictive constraints may at times be deemed beneficial due to transient conditions within the marketplace. These flexible constraints are not part of this Policy but may be obtained by requesting a current "Temporary Constraints and Restrictions on Investments" document, which will change on an "as needed" basis. These constraints or restrictions may only be *more* restrictive than those of the Policy, but may *not* be *less* restrictive. Securities Brokers and Dealers should be aware of these temporary conditions in order to save time and best serve the County Pool.

Though the Government Code sections define the investment types and terms permissible to the Treasurer, the Treasurer currently will not:

- ◆ Invest in any security or investment with a stated or potential final maturity longer than five years, unless the conditions of the security include terms that permit the purchaser to *unconditionally* "put", or sell back, to the *original issuer*, the security prior to five years from the purchase date; or the Board of Supervisors has pre-approved, as required by the Government Codes.
- ◆ Invest in any security or investment wherein, by the terms of the investment, interest might not be earned during any period the security or investment exists.
- ◆ Purchase any security wherein under terms inherent to the security, or the investment agreement under which the security is purchased, circumstances could result wherein the investment runs a risk of earning a rate of return substantially below other investments obtainable on a fixed rate basis at the time of purchase, or drastically different than the prevailing rate during any time prior to the maturity of the issue.
- ◆ Enter into a reverse repurchase agreement.
- ◆ Purchase any Collateralized Mortgage Obligation.
- ◆ Invest in futures or options.

AUTHORIZED DEALER LIST

It is prohibited for a transaction to be entered into with any securities broker, dealer or bank investment department or subsidiary prior to that entity being designated an Authorized Dealer, and placed on the Authorized Dealer List. For a firm to become authorized it must first demonstrate that it will add value to the Treasurer's efforts

to best manage the cash portfolio, as well as fulfill certain other minimum requirements. To qualify for Authorized Dealer status, a brokerage firm or bank must:

- 1) Be a dealer operation properly licensed to deal with local agencies in California, **and**;
- 2) Have a minimum of \$25mm in capital, or, be a Primary Dealer of the Federal Reserve Bank of New York and;
- 3) Be headquartered in the State of California, or, the City of New York, or be the direct issuer of a security type normally purchased by the Treasurer;

Or;

Be a department or subsidiary of an insured bank with minimum assets of \$5billion or be one that the County has comprehensive banking relationships with;

Or;

Be an established broker operation in New York or its environs, with a history of profitability, that is properly licensed to deal with local agencies in California, that has capital of not less than \$25mm, and does not position securities for their own portfolio, but brokers securities for their established clients consisting primarily of traders for Primary Dealers and/or other major institutional fixed income brokerage operations, issuers and investors.

If meeting the above requirements, a salesperson may apply to become an Authorized Dealer by sending to the Treasurer their most recent annual and interim audited financial statements and a letter furnishing:

- 1) Their reasons for believing they would add value to the present coverage; **and**,
- 2) A general roster of those markets they participate in, and specifics on those types of securities they as a firm, regularly issue or regularly hold dealer trading positions in; [**or**, a list of those dealers they are able to represent, and the securities they regularly position;] **and**,
- 3) A list of five references, at least three being California local agency treasurers, including telephone numbers that the Treasurer or his representative may contact.

The Treasurer will instigate an investigation of the applying salesperson and the firm through various sources, including the California Department of Corporations and FINRA, to determine market participation, knowledge, reputation, and financial stability. All salespeople and their supervisors will be expected to have a working knowledge of the appropriate sections of the State of California Government Code, sufficient experience in covering public entities, a willingness to well serve their customers, a complete and total understanding of this Investment Policy, and demonstrate an ongoing ability to work with the Treasurer and staff. The Treasurer will review all new requests at the end of each quarter, and if the decision is made that additional dealers would be beneficial to best service the portfolio's needs, those dealers selected will be informed of their addition to the Authorized Dealer List. All dealers are subject to removal from the Authorized Dealer List at any time, solely at the discretion of the Treasurer.

The Treasurer, or Treasury staff, are prohibited from dealing with a salesman, broker, or account executive from any broker, dealer or bank investment department or bank subsidiary until the Acknowledgment form found on the last page of the Trading Authorization and Agreement is signed by all parties and received by the Treasurer. The Trading Authorization and Agreement is sent out to all approved dealers, and is an integral addition to this Policy Statement for Brokers/ Dealers, etc. doing investment business with the County Treasurer or Treasury staff.

Similar restrictions and forms may be required of those firms doing business with the County Pool through retained financial advisors or managers. Certain selected firms may be chosen or appointed by the Treasurer to render specific services the Treasurer determines they are uniquely qualified to provide, wherein some of the requirements of this section may be waived.

Neither the Treasurer, nor any member of the Treasurer's staff, may accept any gift, honoraria, gratuity or service of value in violation of the regulations set forth by the Fair Political Practices Commission, the Government Code, additional limitations set forth by County ordinance, or internal requirements of the Treasurer. The Treasurer and all members of the Treasury staff are prohibited from conducting any business with any broker, dealer, or securities firm that has made a political contribution within any consecutive 48 month period beginning January 1,

1996, in an amount exceeding the limitation contained in Rule G 37 of the Municipal Securities Rulemaking Board, to the County Treasurer or any member of the Board of Supervisors, or any candidate for these offices.

TREASURY OVERSIGHT

Oversight of treasury operations and pooled investments shall be achieved through the following measures:

1. A Report of Investment will be prepared by the Treasurer and distributed to the Board of Supervisors', the Chief Administrative Officer, and the County Auditor-Controller quarterly. The report will be available to pool participants and the public on request.
2. Pooled investments will be audited annually as to their compliance with government standards and investment regulations.
3. The Treasurer will present a report of investments to the public, pool participants and the Board of Supervisors annually.

TERMS FOR FUNDS INVESTED WITH THE COUNTY INVESTMENT POOL

The Government Code requires the County Treasurer to define the limits and conditions under which local agencies having their money in the Investment Pool may deposit and withdraw their funds. The Government Codes confer upon the Treasurer the final authority as to how funds for which the Treasurer is responsible for overseeing, are to be invested. The Treasurer must take into consideration the current financial condition of the sum total of the Pool's agencies, the conditions of the market place, as well as the cash flow projections and the potential for changes in the Pool's cash needs. The Treasurer must protect the earnings of each individual local agency in the Pool, and also see that no decision will reward a particular agency or group of agencies within the Pool at the expense of another or others within the Pool. If the Treasurer determines that a request for a withdrawal of funds for a specific or outside investment is not, in the Treasurer's opinion, in the best interest of a particular agency, or is overly detrimental to the pool as a whole, the Treasurer must legally deny the request, or find a means of neutralizing the harm to all others affected.

Any funds deposited in accounts that are consolidated into the County Investment Pool that are not immediately required to meet cash flows of the Pool will be invested by the Treasurer or the Treasurer's staff. All Pool entities agree that by placing funds in such accounts that they agree to proportionately participate in all investments within the Investment Pool.

FUNDS OF AGENCIES REQUIRED TO INVEST WITHIN THE POOL

Funds will be accepted at all times, in the manner prescribed, from those local agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the County Pool. Funds will earn interest based on the average daily balance, paid on a quarterly basis.

Should a legislative body of a local agency determine that certain funds will not be required by the local agency for a period of at least two years, the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. Such a petition should state the nature of the funds the legislative body wishes to invest specifically, and the reasons why the legislative body believes a specific investment is a preferable and viable alternative to general Pool participation. Should the Treasurer determine that the request for a specific investment is valid and not counter-productive to the Pool as a whole, the Treasurer will consult with the local agency's legislative body, or its appointed representative, to suggest and determine exactly what investment(s) should be purchased to fulfill the needs of the local agency. The Treasurer will then purchase the specific investment(s) upon receipt of a written resolution, issued by the legislative body of the local agency, requesting the specific investment. The resolution must acknowledge that the local agency's legislative body takes full responsibility for the decision to purchase the specific investment(s), and that should conditions change requiring a sale prior to maturity of the specific investment(s), any loss that might be suffered as a result, will be solely that of the local agency, and that this loss shall not be shared by the Pool as a whole, nor by the County.

Under language added to the Government Code in 1995, it is not permissible for local agency legislative bodies, required to have their funds within the Pool, to withdraw funds from the Pool in order to invest outside the County Pool in any manner, at any time, without the specific permission of the Treasurer. Any such investments shall either be terminated and all funds returned to the Pool, or the securities so purchased shall be transferred to the custody of the County Treasurer immediately. Upon receipt of any such securities by the Treasurer, the Treasurer shall at the Treasurer's option, place the investment in the Pool, terminate the investment at the current market value

and credit the local agency with the proceeds, or place the security in the name of the local agency as a specific investment.

MONEY VOLUNTARILY INVESTED WITH THE COUNTY INVESTMENT POOL

By Government Code, the County Treasurer shall set conditions under which money from local agencies, not required to have their funds in the Investment Pool, may deposit and withdraw voluntarily invested funds.

Local agencies from outside the County will not be permitted to deposit funds in the County Pool. Funds from local agencies within the County, voluntarily wishing to participate in the Pool, shall be accepted under the terms existing in this Policy, along with any additional terms the Treasurer deems prudent, given the entity's particular situation. Voluntary money may be withdrawn under conditions set forth in Sections 27133 and 27136 of the Government Codes and as previously specified in any agreements made with the Treasurer. Specific investments are not normally permitted with voluntary funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

OVERDRAFTS AND BORROWING

The Government Codes set certain requirements for overdrafts. Participants may overdraw their accounts on a temporary basis, but only when such overdrafts are due to cash flow differences, and not the result of indeterminate budget shortfalls. **All overdrafts existing longer than one month must be repaid no later than the end of the fiscal year.**

APPORTIONING OF COSTS AND INTEREST

All costs related to investing, maintaining and accounting for the investments purchased for the Investment Pool, as authorized by Section 27013, shall be apportioned equally on the average daily balance method quarterly to all participants with funds in the Investment Pool, including those held in specific investments. Interest earning shall be apportioned on the same basis and also distributed quarterly.

REPORTING

The Treasurer generally makes adjustments to the County Pool Investment Policy near the beginning of the calendar year and makes the revised document available to those requesting it. Other reports on the holdings, status and earnings of the portfolio may also be available during the year.

Addendum

Legal Pool Investments*

<u>Investment Type</u>	<u>Max. % of Portfolio</u>	<u>Max. Maturity</u>	<u>Quality Requirements</u>
a) Bonds issued by a local agency	None	None	None
b) Treasury obligations	None	None	None
c) State of California Obligations	None	None	None
d) Obligation of Calif. local agency	None	None	None
e) Obligations issued by Federal Agencies and U.S. Government Sponsored Enterprises	None	None	None
f) Bankers Acceptances	40%	180 days max.	None
g) Commercial Paper	40%	270 days max.	U.S. entity with credit enhancements resulting in paper rating A1/P1 or better; with \$500MM in assets; A or higher long term rating if any; max. 10% of portfolio per issuer.
h) Negotiable C.D.s	30%	5 years	None
i) Repurchase Agreements	None	1 year	Collateral must be a legal investment
Reverse Repurchase Agreements	20% of base	92 days max., or to maturity	None
j) Medium Term Note	30%	5 years	U.S. Corporations, or Banks licensed within any State of the U.S., "A" or better rating by major rating service.
k) Mutual Funds	20%, 10% per fund	NA	A defined money market fund; or invest only in a-j, m, n, of this list, as restricted; Highest letter and number ranking of 2 of 3 rating services; or a SEC Registered Advisor with 5 Yrs. experience, managing assets of \$500MM or more; No load. Not contrary to 53601 & 35 and other pertinent law.
l) Investments as permitted by provision in agreements of indebtedness	As per bond documentation	NA	As required by 53652
m) Asset secured indebtedness	None	None	Issuer must be rated "A" minimum, security must be "AA" by national rating service.
o) Collateralized Mortgage obligations	20%	5 years	None
p) Contracted Non-Neg. Time Deposits	None	None	Insured as to principle and interest
635.8) Deposited Pooled small C.D.s	30%	None	

These tables are not meant to be a replacement for the Government Code. Involved parties should obtain a valid, updated copy of the pertinent Code sections to fully understand all the details included within these Codes.

***See Temporary Constraints & Restrictions document for conditions on these permitted investments in effect at the annual review of this Policy**

Temporary Constraints and Restrictions on Investments*

- a. **Bonds issued by the County or County Agencies.** The Treasurer may purchase debt issued by the County or its agencies, but any such debt purchased will normally be obtained only directly from the issuing agency and not in the secondary market. The purchase of appropriate issues of local agencies existing within the County, maturing beyond five years, may also be purchased after consultation and the proper approval of the Board of Supervisors. Such issues, along with issues from 'c' and 'd' below, shall not exceed 10% of the total portfolio. LAIF investments shall not be included when calculating this percentage.
- b. **U.S. Treasury obligations.** The Treasurer may purchase U.S. Treasury obligations for the liquidity and availability they provide when investing in issues beyond two years. However, the spread available on issues with less availability or quality may suggest that other issues be substituted. Treasury issues will not be limited in quantity, though the cash flow requirements of the Pool shall be considered when purchasing all longer term maturities.
- c. **State of California Obligations.** The Treasurer does not currently invest in State obligations, though participation in the Local Agency Investment Fund is part of the overall investment strategy. The holding of interest bearing State issued warrants as an investment alternative is permissible under some occasions, though the purchase of such warrants will not be considered under normal circumstances. State issued obligations, along with issues from 'a' and 'd', shall not exceed 10% of the overall portfolio. LAIF investments shall not be included when calculating this percentage.
- d. **Obligations of another California local agency.** The Treasurer does not currently purchase many of these securities when issued by individual agencies due to tax considerations, but may occasionally purchase taxable issues should the issues meet liquidity and safety requirements. The total of all such individual local agency issues, along with issues from 'a' and 'c' above, shall not exceed 10% of the overall portfolio. LAIF investments shall not be included when calculating this percentage, nor shall investments in joint power authorities that resemble money market mutual funds such as CAMP. Maximum investments in LAIF shall be governed by the maximum permitted by the State. Investments in joint powers authority investment funds shall not exceed 25% of the Pool's portfolio under normal conditions. Neither of these limits shall include specific investments or individual local agency's investments of bond proceeds not made through the Pool.
- e. **Obligations of the various Federal agencies and enterprises.** The Treasurer currently does not invest in any long term pooled securities issued by GNMA, FHLMC, SBA, or any Federal Agency or Enterprise-with a maturity based on average life calculations. Due to the frequent concerns for the safety and liquidity levels many agency and enterprise obligations, the Treasurer monitors their debt and may restrict the purchase of any such securities at any time. Agency obligations are expected to yield a reasonable spread over Treasury issues of the same maturity. No single agency shall account for more than 15% of the portfolio at this time, nor will the total of all Federal agencies exceed 25% of the portfolio under normal circumstances..
- f. **Bankers Acceptances.** The Treasurer is currently willing to purchase B.A.s from those banks with a proven record of dependability and market participation when offered at competitive rates relative to other types of securities. Foreign banks shall be headquartered in certain Western European countries, Canada, or Japan. For additional potential restrictions see section 'p' below.
- g. **Commercial Paper.** Given the current state of the credit markets in general, purchases of Commercial Paper will remain very limited and be restricted to the financially strongest and most liquid issuers. Under normal market conditions, the Treasurer currently does not impose any additional restrictions on commercial paper, though as a rule will maintain an inverted ratio that results in the percentage of commercial paper in the portfolio decreasing as the weighted average maturity of the commercial paper within the portfolio increases. The percentage in commercial paper will not approach the maximum unless all maturities are under thirty days, nor will the percentage of commercial paper generally exceed 30% of the total portfolio unless the

average weighted maturity of commercial paper investments is under 60 days. See section 'p' below for additional potential restrictions on particular Commercial Paper issues-

h. Negotiable Certificates of Deposit. The Treasurer currently purchases those types of Negotiable C.D.s permitted by the Government Codes from issuers with a proven record of dependability and market participation. The Treasurer monitors, and therefore may possibly eliminate those banks whose marketability and liquidity may be considered suspect due to their liquidity and pricing within the secondary markets. Negotiable S&L, credit union, and savings bank C.D.s are not currently purchased. Foreign banks shall be headquartered in certain Western European countries, Canada, or Japan and shall be further limited to the largest and most stable banks of any one country. The Treasurer does not purchasing any type of C.D. with a maturity beyond five years. Any C.D.s purchased with a maturity longer than thirteen months normally must pay interest no less frequently than semiannually, or yield accordingly. Please see section 'p' below for additional potential restrictions on C.D. purchases.

i. [a] Repurchase Agreements. Repurchase agreements (Repos) will only be entered into with Primary Dealers, and shall require additional collateral if the market value falls to a level of 100% of the cash value invested, when Treasury Notes and Bonds are the collateral, and at higher levels for other types of collateral. Treasury Notes and Bonds will be collateralized at a minimum of 102% of market at the start of the repo, for short term repos, and possibly at higher levels for longer term repos, (percentage determined by market conditions, etc.). Repo agreements with Treasury Bills or other discounted securities as collateral will be priced to market and collateralized at a minimum of 102% of market, (actual percentage to be determined by collateral type, conditions, etc.) Collateral with maturities beyond five years are not acceptable, (except in certain limited cases where unrestricted 'puts' are included with the issue), and all collateral must meet the same requirements as purchased securities. Repurchase Agreements will not be entered into for periods longer than 90 days. Repurchase Agreement contracts will be on file for any dealer with which the County does repos. See section 'p' below for other potential restrictions on Repo collateral.

[b] Reverse Repurchase Agreements. [The Treasurer currently does not invest in Reverse Repurchase Agreements.] or

[Reverses Repurchase agreements will be done only in one specific instance: When the Treasurer determines that due to an emergency or unanticipated cash need, it is more advantageous to reverse a security, rather than sell it, to raise needed cash. This type of Reverse Repo shall not exceed thirty days, and shall match a known cash inflow sufficient to cover principal and interest payments due on the Reverse. These types of Reverse Repos may not be extended, rolled or reinvested. Reverse Repurchase Agreements are expected to be entered into only in very rare circumstances..

The Treasurer will monitor the value of the collateral on all Reverse Repos as to current market value versus cash received, and request or make adjustments if appropriate. The percentage of the total portfolio engaged in Reverse Repo Agreements shall not exceed 5% of the base portion of the Investment Pool. Repurchase Agreement contracts will be on file for any dealer which the County does Reverse Repos. All Reverse Repos must be done directly with Primary Dealers, and will never be done as a means of financing the security involved, or as a means of financing the purchase of another security with a maturity longer than the term of the Reverse Repurchase Agreement.]

[c] Securities Lending Agreements. The Treasurer currently does not participate in securities lending.

j. Medium Term Notes. The Treasurer normally only purchases Medium Term Notes with a minimum rating of "A" or better for a maturity up to two years. Maturities beyond two years generally require a rating of "AA" or better by at least one of the rating agencies. However, given current market conditions, many other factors other than the rating will be included in any investment decision on an MTN. See section 'p' below for additional potential restrictions on Medium Term Notes.

k. Mutual Funds. The Treasurer currently imposes no additional restrictions on Mutual Fund purchases beyond those in the Codes.

- l. **Investment of Bond indebtedness.** The Treasurer will consider GICs and other similar investments as bond documentation permits.
- m. **Asset backed securities.** The Treasurer normally purchases only asset backed securities where the presence of asset backing is not a deciding factor for investing in the security.
- n. **CMO investments.** Under the terms of the Investment Policy, the Treasurer does not currently purchase any CMO investments.
- o. **1) Contracted Non-negotiable Time Deposits.** The Treasurer will enter into contracts for Time Deposits of amounts greater than \$240,000, only with those banks that meet the requirements for investment in Negotiable C.D.s, or with those banks headquartered or with a branch within the County, that are rated "A-" or better by a recognized rating agency. Time Deposits for amounts of \$240,000 or less shall be with California institutions rated "A" or better by a recognized rating agency, having assets of at least \$25,000,000 and shall require at least quarterly interest payments. Issuers of all Time Deposits shall agree to early withdrawal, under a bona fide emergency circumstance, with penalties not exceeding an interest adjustment to the level of the yield available to the investor on the original settlement date, for the shorter time period actually held. The maximum maturity on any Time Deposit shall usually not exceed 1 year, nor shall the total of all Time Deposits exceed 5% of the total portfolio. Mandated deposits or investments specifically invested by pool participant's request are not included in this percentage restriction. See section 'p' below for additional potential restrictions.
- 2) Pooled CDs in Depository Custody as per 53635.8.** The Treasurer does not invest in these instruments.
- p. **Exposure Limits.** Presently the total exposure to any one issuer, when totaling all types of securities, shall not exceed { 10% of the total portfolio on date of purchase. Possible exceptions to this rule shall include U.S. Treasury issues, Federal Agency issues, local agency issues, and funds in LAIF. Repurchase Agreement collateral shall not be excluded from this calculation unless the Repurchase Agreement is for 5 business days or less. Exposure to the overall credit of individual foreign countries shall be monitored and maintained at prudent levels.
- q. **Futures and Options.** Under the terms of the Investment Policy the Treasurer does not currently invest in futures or options.
- r. **Maturities over one year.** Any investment made with a maturity exceeding one year, not made by the Treasurer, shall require approval of the Treasurer.
- s. **Permitted Percentages.** State law states that all required percentages included within investment related sections of the Government Codes are only binding on the day the investment is made, and that future changes in the size of the portfolio do not require the Treasurer to readjustment the total percentage of each security type within the portfolio to reflect the change in size. Neither is it necessary to sell an investment when changes occur such that the security no longer meets the minimum requirements of the Codes, or the Codes are changed such as to no longer include certain current holdings. The Treasurer shall weigh any Code changes to determine whether or not a security should be sold or retained within the Portfolio after a change in conditions or the Codes result in a particular security no longer meeting existing or new regulations.

*These are the constraints in place at the onset of the year – changes are possible on a regular and constant basis.