

Investment Policy for the City of San Pablo and Successor Agency to the Redevelopment Agency Of the City of San Pablo

The City of San Pablo, California is located in West Contra Costa County just minutes from the San Francisco, Berkeley, and Oakland Bay Area. Historically one of the oldest Spanish settlements in the region, San Pablo has become a thriving residential and business community with a population of about 31,000 in an area of approximately three square miles.

The City Council has adopted this Investment Policy (the Policy) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City of San Pablo (the City) and the Successor Agency to the Redevelopment Agency of the City of San Pablo (the Agency). All City and Agency funds will be invested in accordance with this Policy and with applicable sections of the California Government Code.

This Policy was endorsed and adopted by the City Council on **June 15, 2026**. It replaces any previous investment policy or investment procedures of the City or the Agency.

SCOPE

The provisions of this Policy shall apply to all financial assets of the City and the Agency as accounted for in the City and Agency's Annual Comprehensive Financial Report. These financial assets include the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Trust and Agency Funds
- Any new fund created by the legislative body, unless specifically exempted.

Assets excluded from this Policy include the City's Deferred Compensation Plan, OPEB Trust funds, Pension Trust funds (115 Trust), and proceeds of debt issuances. The City's Deferred Compensation Plan is excluded because it is managed by a third-party administrator and the investments are determined by the individual plan participants. Proceeds of debt issuances shall be invested in accordance with the investment objectives of this Policy, however, such proceeds are generally invested in accordance with permitted investment provisions of their specific bond indentures.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Investment income shall be distributed to the individual funds not less than annually.

OBJECTIVES

The City's and Agency's funds shall be invested in accordance with all applicable City and Agency policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market rate of return.
4. Diversification to avoid incurring unreasonable market risks.

DELEGATION OF AUTHORITY

The management responsibility for this investment program is delegated annually by the City Council to the Treasurer, as provided for in California Government Code Section 53607. The City and Agency's Treasurer has further delegated the daily authority of the investment program to the Administrative Services Director, hereinafter referred to as the Investment Officer. The Administrative Services Director may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio(s) to other specifically authorized staff members. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The Investment Officer shall develop administrative procedures and internal controls, consistent with this Policy, for the operation of the investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City or Agency.

The City and Agency may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the City's and Agency's financial resources.

PRUDENCE

The standard of prudence to be used by investment officials for managing the investment program is California Government Code Section 53600.3, the prudent investor standard, which states that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City and Agency recognize that no investment is totally without risk and that the investment activities of the City and the Agency are a matter of public record. Accordingly, the City and the Agency recognize that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the portfolio(s).

The Investment Officer and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the City Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall subordinate their personal investment transactions to those of the City or the Agency. In addition, City Council members, the City Manager, and the Investment Officer shall file a Statement of Economic Interests each year as required by California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the City or the Agency shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. Any revisions or extensions of these code sections will be assumed to be part of this Policy immediately upon being enacted.

The City and the Agency have further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes or bonds with a final maturity not exceeding five years from the date of trade settlement.
2. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable and step-up securities, and mortgage-backed securities with a final maturity not exceeding five years from the date of trade settlement.
3. Federal Agency mortgage-backed securities and debentures with a weighted-average-life not exceeding five years.

4. Supranational Securities that are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated at least in the category of "AA" or the equivalent by a Nationally Recognized Statistical Ratings Organization (NRSRO) and shall not exceed 30% of the portfolio with no more than 5% invested in any one issuer.
5. Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated at least in the category of "A" or the equivalent by an NRSRO. The aggregate investment in medium-term notes shall not exceed 30% of the City's or the Agency's total portfolio, and no more than 10% of the portfolio may be invested in any single issuer.
6. Mortgage Pass-Through and Asset Backed Obligations Any mortgage pass-through, and asset backed obligation with a maturity not exceeding five years from the trade settlement as measured by weighted-average-life (WAL). Eligible securities shall be issued by an issuer ~~having at least~~ rated at least in the category of "A" or equivalent rating for the issuer's debt by a NRSRO and rated at least in the category of "AA" or the equivalent by an NRSRO. The aggregate investment in asset backed obligations shall not exceed 20% of the City's total portfolio.
7. Negotiable certificates of deposit issued by a nationally or state-chartered bank, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposits are subject to the limitations of Section 53601(i), shall be fully insured by the FDIC with a corresponding FDIC certification number, and shall be delivered through the Depository Trust Company. Such deposits shall have a maturity not exceeding five years from the date of trade settlement.

Non-Negotiable certificates of deposit issued by a nationally or state-chartered bank, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of non-negotiable certificates of deposits are subject to the limitations of Sections 53601(n) and 53638 and shall be fully insured by the FDIC with a corresponding FDIC certification number. Such deposits shall have a maturity not exceeding five years from the date of trade settlement.

Private sector entities may be used to place certificates of deposit subject to the limitations of Sections 53601.8.

The aggregate investment in certificates of deposit shall not exceed 30% of the portfolio and no more than 5% of the portfolio may be invested in any single issuer.

8. Prime Commercial Paper with a maturity not exceeding ~~270~~ 397 days from the date of trade settlement with the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:
 - A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3)

have debt other than commercial paper, if any, that is rated at least in the category of "A" or the equivalent by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated at least A-1 or the equivalent by a NRSRO.

No more than 5% of the City's or Agency's total portfolio shall be invested in the commercial paper of any one issuer, and the aggregate investment in commercial paper shall not exceed 25% of the City's or the Agency's total portfolio.

9. Eligible Banker's Acceptances with a maturity not exceeding 180 days from the date of trade settlement, drawn on and accepted by a commercial bank whose senior long-term debt is rated at least A or the equivalent by a NRSRO at the time of purchase. Banker's Acceptances shall be rated at least A-1, P-1 or the equivalent at the time of purchase by a NRSRO. If the bank has senior debt outstanding, it must be rated at least A or the equivalent by a NRSRO. The aggregate investment in banker's acceptances shall not exceed ~~30%~~ 40% of the City's or Agency's total portfolio, and no more than 5% of the City's or Agency's total portfolio shall be invested in banker's acceptances of any one bank.
10. Repurchase Agreements with a final termination date not exceeding ~~30-days~~ 1 year collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in items 1 and 2 above with the maturity of the collateral not exceeding ten years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City's or Agency's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the City's or Agency's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with broker/dealers and who are recognized as Primary Dealers with the Federal Reserve Bank of New York, or with firms that have a Primary Dealer within their holding company structure. Repurchase agreement counterparties shall execute a City or Agency approved Master Repurchase Agreement with the City. The Finance Director shall maintain a copy of the City's or Agency's approved Master Repurchase Agreement and a list of the broker/dealers who have executed same.

11. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. ~~A maximum of Seventy-Five Million may be invested per LAIF account.~~
12. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in United States Treasury securities, United States Agency Securities and United States Instrumentality securities, and (4) have a rating of at least AAAM or the equivalent by at least two NRSROs. The aggregate investment in money market funds shall not exceed

20% of the City's or the Agency's total portfolio, and no more than 10% of the portfolio may be invested in any one fund.

13. California State Obligations, California Local Agency Obligations, and Other State Obligations (49 other US States), including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or any local agency or by a department, board, agency, or authority of the state or any local agency, with a final maturity not to exceed five years from the date of trade settlement.
14. Local Government Investment Pools (LGIPs) issued by a joint powers authority pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q) of Government Code Section 53601, inclusive. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be preapproved by resolution of the City Council. Securities that have been downgraded to a level that is below the minimum ratings described herein may be sold or held at the City's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

The City and the Agency shall avoid investing in entities that profited from the slave trade.

COLLATERALIZATION

California Government Code 53652 requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's or Agency's cash on deposit or first trust deed mortgage notes with a value of 150% of the cash on deposit as collateral for those deposits. This collateral shall be held in a separate pool by another institution in the City's and Agency's name and places it ahead of general creditors of the institution.

INVESTMENT DIVERSIFICATION

The City and the Agency shall diversify investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the City's and Agency's anticipated cash flow needs.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The City and the Agency shall not invest in securities maturing more than five years from the date each trade settles, unless the City Council has, by resolution, granted authority to make such an investment. Notwithstanding the five year maturity limitation, the City Council grants its express authority per Government Code Section 53601 to invest in certain obligations with maturities extending beyond five years.

Due to the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio(s) should be continuously invested in readily available funds such as local government investment pools or money market funds, to ensure that appropriate liquidity is maintained to meet ongoing obligations.

SELECTION OF BROKER/DEALERS

The Investment Officer shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the City and the Agency to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the California Commissioner of Corporations as required by Section 25210 of the California Corporations Code.

To be eligible, a firm must meet at least one of the following criteria:

1. be recognized as Primary Dealers by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure, or
2. report voluntarily to the Federal Reserve Bank of New York, or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The City may engage the services of investment advisory firms to assist in the management of the Portfolio. Such investment advisors may utilize their own list of approved broker/dealers; however, the list shall comply with the criteria listed above and shall be provided to the City on an annual basis and upon request.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in the portfolio(s), authorized broker/dealers shall submit and annually update a City and Agency approved Broker/Dealer Information Request form that includes the firm's most recent financial statements and proof of Financial Industry Regulatory Authority (FINRA) registration, state registration, and adequate insurance coverage, and attest in writing that they have received a copy of this Policy.

The City or the Agency may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 6 of the Authorized Securities and Transactions section of this Policy.

COMPETITIVE TRANSACTIONS

All investment transactions shall be conducted competitively with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid or offering prices shall be recorded.

If the City or Agency is offered a security for which there is no other readily available competitive offering, then the Investment Officer will document quotations for comparable or alternative securities.

SELECTION OF BANKS

The Investment Officer shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the City and Agency. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

SAFEKEEPING AND CUSTODY

The Investment Officer shall select one or more banks to provide safekeeping and custodial services for the City and the Agency. A Safekeeping Agreement approved by the Investment Officer shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the City's and Agency's account(s) and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the City or the Agency. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities purchased by the City or the Agency will be delivered by book entry and will be held in third-party safekeeping by a custodian bank approved by the Investment Officer, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the City or the Agency shall be held in the Federal Reserve system in a customer account for the custodian bank which will name the City or Agency as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for the City or the Agency as "customer."

PORTFOLIO PERFORMANCE

The investment portfolio(s) shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the City's and Agency's investments shall be compared to an appropriate benchmark as determined by the Investment Advisor. When comparing the performance of the portfolio(s), its rate of return will be computed net of all fees and expenses.

MARKING TO MARKET

The market value of the portfolio(s) shall be calculated at least quarterly and a statement of this market value shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with

the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools."

REPORTING

At least quarterly, the Investment Officer shall submit to the City Council a report of the investment earnings and performance results of the investment program. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the City or the Agency;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. A statement of compliance with the investment policy or an explanation for non-compliance; and
5. A statement of the City's or the Agency's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

The Investment Advisor shall report to the City, on a monthly basis, the weighted-average-life for each structured security to ensure compliance with the individual 5-year weighted-average-life limitation. All Data shall be maintained by the Investment Advisor for record-keeping purposes. If a structured security is reported to have a weighted-average-life greater than 5 years, it shall be flagged for immediate discussion with both the City and Investment Advisor to determine if the security shall be held or liquidated, depending on underlying risk and broader market conditions. Notwithstanding the aforementioned process, any security with a weighted-average-life greater than 4 years shall be monitored on a monthly basis to note any reporting trends.

POLICY REVIEW

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

This Policy and any Amendments to it shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification, and its relevance to current law and economic trends. Any changes to this Policy or its Amendments shall be approved by City Council resolution.

GFOA's GLOSSARY OF CASH MANAGEMENT TERMS

Accrued Interest - The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Coupon Rate - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Quality - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Discount - The amount by which the par value of a security exceeds the price paid for the security.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality **rating**.

Federal Funds (Fed Funds) - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate - Interest rate charged by one institution lending federal funds to the other.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Interest Rate - See "Coupon Rate."

Interest Rate Risk - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

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

6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Investment Company Act of 1940- Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity - An asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) - An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.

4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sells SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

Mutual Fund Statistical Services - Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)
$$\frac{[(\text{Total assets}) - (\text{Liabilities})]}{(\text{Number of shares outstanding})}$$

Offer - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Par - Face value or principal value of a bond, typically \$1,000 per bond.

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Repurchase Agreement (repo or RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and

a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility - A degree of fluctuation in the price and valuation of securities.

"Volatility Risk" Rating - A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("AAA" by S&P; "V-1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("CCC-" by S&P, "V-10" by Fitch).

Weighted-Average-Life (WAL): Measures the average length of time for anticipated principal repayments to measure a bond's risk and liquidity. In order to calculate a bond's WAL, assumptions must be made regarding prepayment event probabilities, prepayment amounts, prepayment speed, underlying asset leverage, and other collateral features as well as macroeconomic drivers such as, but not limited to, interest rate expectations, home prices, and mortgage rates. Institutionally, proprietary models use these various assumed inputs to estimate the amount and timing of principal repayments in order to produce a WAL output that functions as a useful metric to understand interest rate risk, prepayment risk, and extension risk.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security's current price.