

AGENDA ITEM 21**Consider approving investment policy.**

Williamson County Treasurer Vivian Wood discussed the investment policy and answered all questions.

Moved: **Commissioner Boatright**

Seconded: **Judge Doerfler**

Motion: To approve Williamson County Investment Policy.

Vote: Motion carried 5 – 0

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WILLIAMSON COUNTY INVESTMENT POLICY

I. INVESTMENT AUTHORITY

In accordance with Section 116.112(a) of the Local Government Code and/or Title X, Chapter 2256, Section 2256.005 (f) and (g), the Williamson County Treasurer, under the direction of the Williamson County Commissioners' Court, may invest the County funds that are not immediately required to pay obligations of Williamson County (County). The Treasurer shall act as the Investment Officer of the County. The Commissioner's Court may designate one or more county officers or employees as Investment Officers to assist the Treasurer in investment related duties.

II. INVESTMENT OBJECTIVES

II.1 General Statement

Funds of the County will be invested in compliance with federal and state laws, this investment policy and written administrative procedures. The County will invest according to investment strategies for each group of funds as they are adopted by the commissioners court resolution.

II.2 Safety and Maintenance of Liquidity

The County is concerned about the return of its principal; therefore, safety of principal is a primary objective in any investment transaction. The County's investment portfolio must be structured in conformance with an asset/liability management plan that provides for liquidity necessary to pay obligations as they become due.

II.3 Diversification

It will be the policy of the County to diversity its portfolio to eliminate the risk of loss resulting from a concentration of assets in a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. Investments of the County shall always be selected to provide stability of income and reasonable liquidity.

II.4 Yield

The yield objective of the County is to earn the maximum rate of return allowed on its investments within the policies imposed by safety and liquidity objectives, investment strategies for each group of funds and state and federal law governing investment of public funds.

II.5 Maturity

Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest rate of return of interest. When the County has funds not required to meet current-year obligations, maturity restraints will be imposed upon the investment strategy

for each group of funds. The maximum allowable stated maturity of any individual investment owned by the County is twelve (12) months.

II.6 Quality and Capability of Investment Management

It is the County's policy to provide training as required by the Public Funds Investment Act. Periodic training in investments policy and procedures for the County Investment Officer, members of the Commissioners' Court and other County officials will be provided through courses and seminars offered by professional organizations and associations in order to ensure the quality and capability of county investment decisions. The County Investment Officer will be required to attend at least ten (10) hours of investment training each year provided through an approved, independent source.

II.7 Method of Monitoring

It will be the policy of the County to monitor pricing of investment by using a bid method of purchasing investments. No investments will be purchased for the County without first contacting three business organizations that have been approved by Commissioners' Court to do business with the County to obtain such bid.

II.8 Investment Advisors

The County may designate, with approval from the Commissioner's Court, a professional investment advisory firm, registered with the Securities and Exchange Commission under the 1940 Investment Advisors Act, as well as the State Securities Board to assist the County in the management of its funds. This Investment Advisor shall act solely in an advisory and administrative capacity within the guidelines of this policy.

III. INVESTMENT STRATEGY

The overall investment strategy of the County is as follows:

1. Matching the suitability of investments to financial requirements;
2. Preservation and safety of principal;
3. Maintain required liquidity;
4. Marketability of the investment, if need arises to liquidate;
5. Diversification of the portfolio;
6. Yield; and
7. Maturities controlled by the investment policy.

Separate fund strategies, as required by the Public Funds Investment Act, are presented as part of this policy in section VIII.

IV. INVESTMENT RESPONSIBILITY AND CONTROL

IV.1 Investment Advisory Committee

The Investment Advisory Committee reviews investment policies and procedures, investment strategies, and investment performances. Members of the Committee include the County Judge, a County Commissioner, and the County Auditor. The County Investment Officer will serve as an ex-officio member of the committee. Members should have demonstrated knowledge and expertise in the area of finance, investments, or cash management. The Chair of the Committee will be elected by the Committee and the meetings will be quarterly or more frequently if needed.

IV.2 Liability of Investment Officer

~~The County Investment Officer is not responsible for any loss of County funds through the failure or negligence of the depository. This policy does not release the investment officer, or any other person for a loss resulting from any act of official misconduct, or negligence, or for any misappropriation of such funds.~~ The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and internal procedures. In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the investment of all funds over which the Investment Officer has responsibility; rather than the prudence of a single investment shall be considered. Investment Officers acting in good faith and in accordance with these policies and procedures shall be relieved of personal liability.

IV.3 Audit

The County Commissioners' Court will review the Investment Policy and Strategies annually and, at a minimum, will have an annual compliance audit of management controls on investments and adherence to established investment policies. The independent auditor will report the results of the audit to the County Commissioners' Court after completion of the audit.

IV.4 Standard of Care

Investments shall be made with judgement and care, under prevailing circumstances, that person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for the investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal; liquidity; and yield.

~~In determining whether the investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration;~~

- ~~1. the investment of all funds, or funds under the County's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and~~
- ~~2. whether the investment decision was consistent with the written investment policy of the County.~~

IV.5 Investment Institution Defined

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The County Investment Officer shall invest County funds with any or all of the institutions or groups consistent with federal and state regulations and approved by the Commissioners' Court.

IV.6 Qualifications for Approval of Broker/Dealer

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with the County. The qualified representative of the business organization seeking to sell an authorized investment shall execute a written instrument, provided by the County, that the business organizations has:

1. received and thoroughly reviewed the investment policy of the County; and
2. acknowledges that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the County and the organization.

The investment officer may not buy any securities from a person who has not delivered to the County the instrument signed by the qualified representative.

Along with the signed affidavit the business organization shall supply the County with the following:

1. Completed Broker/Dealer questionnaire.
2. Completed Anti-Collusion Agreement.
3. Executed PSA Master Repurchase Agreement (primary dealers only).
4. Financial statements (to provided annually).
5. Delivery instructions.
6. NASD Certification Proof.
7. Texas State Securities Commission Registration Proof.

If the County chooses to utilize the services of an Investment Advisor, the advisor shall be responsible for performing due diligence on the dealers with which it conducts investment transactions. The County's relationship with the advisor shall be governed by formal management contract between the two parties.

IV.7 Standards of Operation

The County Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program set by the Commissioners' Court of the County. The County Investment Officer shall determine the amount of cash available for payments by the County, invest the funds not required in the performance of that duty, and shall exercise good judgement and discretion to effectuate the policies herein set forth. The County Investment Officer shall be authorized to delegate to an employee(s) the authority to place orders for such investments and to perform all acts required to acquire, pay for, hold, sell,

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exchange, tender or collect investments. Such designated employee(s) must have achieved the same certifications and training hours as the County Investment Officer.

IV.8 Delivery vs. Payment

It will be the policy of the County that all investment securities shall be purchased using "Delivery vs. Payment" (DVP) method through the Federal Reserve System. By doing so, the County funds are not released until the County has received through the Federal Reserve wire, the securities purchased.

IV.8 Standard of Ethics

The designated Investment Officers shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Investment Officers shall refrain from personal business activity that might conflict with proper execution of the investment program, or might impair their ability to make impartial investment decisions. Additionally, all Investment Officers shall file with Williamson County and the Texas Ethics Commission, a statement disclosing any personal business relationship with any organization seeking to sell investments to the County or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the County. For purposes of this subsection, an Investment Officer has a personal business relationship with a business organization if:

- (1) the Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- (2) funds received by the Investment Officer from the business organization exceed 10 percent of the Investment Officer's gross income for the previous year; or
- (3) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer.

V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

V.1 QUARTERLY REPORT

Not less than quarterly, the Investment Officer shall prepare and submit to the County Investment Advisory Committee and the County Commissioners' Court a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

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1. Describe in detail the investment position of the County on the date of the report;
2. Be signed by the investment officer of the County;
3. Contain a summary statement of each pooled fund group that states the:
 - A. beginning market value for the reporting period;
 - B. additions and changes to the market value during the period; and
 - C. ending market value for the period;
4. state the book value and market value of each separately invested asset at the beginning and the end of the reporting period by the type of asset and fund type invested.
5. state the maturity date of each separately invested asset that has a maturity date;
6. state the account or fund or pooled group fund in the County for which each individual investment was required: and
7. state the compliance of the investment portfolio of the County as it relates to:
 - A. the investment strategy expressed in the County's investment policy; and
 - B. relevant provisions of the chapter.

If the County has designated an Investment Advisor to assist in the investment of funds, the advisor shall prepare and sign the required reports along with the County Investment Officer.

Reports shall be reviewed no less than annually by an independent auditor with findings presented to the County Commissioner's Court.

V.2 Notification of Investment Changes

It shall be the duty of the County Investment Officer of the County to notify the County Commissioners' Court of any significant changes in current investment methods and procedures prior to their implementation, regardless of whether they are authorized by this policy or not.

VI. INVESTMENT COLLATERAL AND SAFEKEEPING

VI.1 Collateral or Insurance

The County Investment Officer shall ensure that all County funds are fully collateralized or insured consistent with federal and state regulations and the current Bank Depository Contract in one or more of the following manners:

1. FDIC insurance coverage; and
2. United States Treasury obligations.

VI.2 Safekeeping

All purchased securities shall be held in safekeeping the County, or a County account in a third party financial institution, or with the Federal Reserve Bank.

All certificates of deposit, insured by the FDIC, purchased outside the County Depository Bank shall be held in safekeeping by the County.

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All pledged securities by the County Depository Bank shall be held in safekeeping with the Federal Reserve Bank.

V11. INVESTMENT TYPES

V11.1 Authorized

The County Investment Officer shall use any or all of the following authorized investment instruments consistent with Title X, Chapter 2256, Texas Government Code:

1. obligations of the United States or its agencies and instrumentalities;
2. direct obligations of this state or its agencies and instrumentalities;
3. no-load money market mutual funds;
 - A. regulated by the SEC;
 - B. has a dollar-weighted average stated maturity of 90 days or less;
 - C. includes in its investment objectives the maintenance of a stable \$1.00 net asset value per each share;
 - D. limited in quantity to the requirements, set forth in Chapter 2256, Government Code Section 2256.014; and
 - E. has supplied the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940.
4. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies or instrumentalities; and
5. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment firm not less than A or its equivalent.
6. Certificates of deposit, if issued by a state or national bank domiciled in this state and is;
 - A. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;
 - B. secured in any other manner and amount provided by law for deposits of the County.
7. a fully collateralized repurchase agreement, if it;
 - A. has a defined termination date;
 - B. is secured by obligations described by Section 2256.009 (a)(1) of the Public Funds Investment Act; and
 - C. requires the securities being purchased by the County to be pledged to the County, held in the county's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County; and
 - D. is placed through a primary government securities dealer, approved by the County, or a financial institution doing business in this state.
8. commercial paper is an authorized investment, if the commercial paper;
 - A. has a stated maturity of 270 days or fewer from the date of its issuance; and

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- B. is rated not less than A-1 or P-1 or an equivalent rating by at least;
 - 1. two nationally recognized credit rating agencies;
 - 2. one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.
- 9. eligible investment pools in the County Commissioners' Court by resolution authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The County by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds; and
- 10. obligations acquired under Chapter 2256, Government Code, before the effective date of H.B. 2459 will be managed by the County Investment Officer until such securities are liquidated or mature.

VIII. NON - COUNTY FUNDS

The Tax Assessor/Collector, County Clerk, and District Clerk funds fall into this category. These funds are not considered funds that belong to the County but could be considered a liability for the County. All funds will be invested in compliance with the Public Funds Investment Act and the County's Investment Policy except when a court order is issued to follow a different procedure.

VIII.1 Tax Assessor/Collector

County funds are invested to enhance investment return for the County before the County receipts the funds. State of Texas funds in the custody of the Tax Assessor/Collector may be invested before remitting to the state.

VIII.2 County Clerk Registry Funds

County Clerk Registry Funds are received by court order from either Commissioners' Court, County Court-at-Law, or County Courts. These funds must be deposited in the County depository and then invested according to the court orders. A court order is required from the County Courts and the County Courts-at-Law prior to disbursement of the funds.

VIII.3 District Clerk Registry Funds

District Clerk Registry Funds are received by court order from the District Courts. These funds must be deposited in the County depository and then invested according to the court orders. A court order is required from the District Courts prior to the disbursement of the funds.

VIII.4 County Treasurer's Adult Probation Funds

Funds designated as the "County Treasurer's Adult Probation" funds may be invested by the County Investment Officer upon an inter-governmental agreement with the Commissioners' Court and the Williamson County Community Supervision and Corrections Department. All

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funds invested will adhere to the policies and procedures as set forth in the County's investment policy.

VIII.5 Williamson County/Cities Health District Funds

The County Investment Officer upon an inter-governmental agreement approved by the Commissioners' Court may invest Williamson County/Cities Health District Funds. All funds invested will adhere to the policies and procedures as set forth in the County's investment policy.

VIII. INVESTMENT FUND STRATEGIES

PREFACE

It is the policy of Williamson County that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, adopted Investment Policy and adopted Investment Strategy.

In accordance with the Public Funds Investment Act, the Counties investment strategies shall address the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of the County,
- Preservation and safety of principal,
- Liquidity,
- Marketability of the investment prior to maturity,
- Diversification of the investment portfolio, and
- Yield.

Effective investment strategy development coordinates the primary objectives of the County's Investment Policy and cash management procedures to enhance interest earnings and reduce investment risk. Aggressive cash management will increase the available "investment period" and subsequently interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles. The County's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore specific strategies shall be implemented considering the fund's unique requirements. The County's funds shall be analyzed and invested according to the following major fund types:

Operating Funds
Construction and Capital Improvement Funds
Debt Service Funds
Enterprise Funds
Internal Service Funds

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INVESTMENT STRATEGY

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

a. Operating Funds

Suitability - Any investment eligible in the Investment Policy is suitable for the Operating Funds.

Safety of Principal - All Operating Funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the portfolio's weighted average maturity to less than 365 days and restricting the maximum allowable maturity to three years, the price volatility of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity - The Operating Fund requires the greatest short-term liquidity of any of the fund types. Short-term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County. Market cycle risk will be reduced by diversifying the appropriate maturity structure out along the maturity curve.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The 6-month Constant Maturity Treasury (CMT) bill shall be the minimum yield objective.

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b. Construction and Capital Improvement Funds

Suitability - Any investment eligible in the Investment Policy is suitable for Construction and Capital Improvement Funds.

Safety of Principal - All CC&I Funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the Construction and Capital Improvement Fund's portfolio not to exceed the anticipated expenditure schedule, the market risk of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity - County funds used for construction and capital improvement programs have reasonably predictable draw down schedules. Therefore investment maturities shall generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request, this investment structure is commonly referred to as a flexible repurchase agreement.

Diversification - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds and other construction and capital improvement funds. With bond proceeds, if investment rates exceed the applicable arbitrage yield, the County is best served by locking in most investments. If the arbitrage yield can not be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger lumps. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield with any County funds.

Yield - Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. Non-bond proceed construction and capital project funds will seek to exceed the 6-month Constant Maturity Treasury average.

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c. Debt Service Funds

Suitability - Any investment eligible in the Investment Policy is suitable for the Debt Service Fund.

Safety of Principal - All Debt Service Funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the Debt Service Fund's portfolio to not exceed the debt service payment schedule the market risk of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are not necessary, as the event of an unanticipated cash requirement is not probable.

Liquidity - Debt service funds have predictable payment schedules. Therefore investment maturities shall not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment, this investment structure is commonly referred to as a flexible repurchase agreement

Diversification - Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally if investment rates are trending down, the County is best served by locking in most investments. If interest rates are flat or trending up, then concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter alternatives. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The 6-month Constant Maturity Treasury (CMT) bill shall be the minimum yield objective.

d. Enterprise Funds

Suitability - Any investment eligible in the Investment Policy is suitable for the Enterprise Funds.

Safety of Principal - All Enterprise Funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the weighted average days to maturity for the Enterprise Fund portfolio to less than 365 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity - The Enterprise Fund requires the short-term liquidity. Constant Dollar investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The minimum yield objective shall be the 91-day Treasury bill average.

e. Internal Service

Suitability - Any investment eligible in the Investment Policy is suitable for the Internal Service Funds.

Safety of Principal - All funds shall be invested in high quality securities with no perceived default risk. Market price fluctuations will occur, but by managing the weighted average days to maturity for the Internal Service Fund portfolio to less than 365 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Liquidity - The Internal Service Fund requires short-term liquidity. Constant Dollar investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification - Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the County. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The average 91-day Treasury bill yield shall be the minimum yield objective.

*approved 9-5-00
John C. Daefler*

AGENDA ITEM 22

Consider approving participation agreement with TEXPOOL for Tax Office.

Moved: **Commissioner Limmer**

Seconded: **Judge Doerfler**

Motion: To approve Williamson County Tax Assessor-Collector participation agreement with TEXPOOL (Texas Local Government Investment Pool).

Vote: Motion carried 5 – 0

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**Texas Local Government Investment Pool****Participation Agreement****PREAMBLE**

This participation agreement (the "Agreement") is made and entered into by and between the Comptroller of Public Accounts (the "Comptroller"), acting by and on behalf of the Texas Treasury Safekeeping Trust Company (the "Trust Company"), Trustee of the Texas Local Government Investment Pool (TexPool), and Williamson County Tax Assessor/Collector (the "Participant").

WHEREAS, the Interlocal Cooperation Act, TEX GOV'T CODE ANN, ch. 791 and TEX. GOV'T CODE ANN. ch. 2256 (the "Acts") provide for the creation of public funds investment pools to which any local government may delegate, by contract, the authority to hold legal title as custodian and to make investments purchased with local investment funds;

WHEREAS, the Trust Company is a limited purpose trust company authorized pursuant to TEX. GOV'T CODE ANN. § 404.103 to receive, transfer and disburse money and securities belonging to state agencies and local political subdivisions of the state and for which the Comptroller is the sole officer, director and shareholder;

WHEREAS, TexPool is a public funds investment pool, which funds are invested in certain eligible investments as more fully described hereafter;

WHEREAS; the Participant has determined that it is authorized under the Acts and other applicable law to enter into this Agreement; and

WHEREAS, in an effort to ensure the continued availability of an investment pool as a vehicle for investment of local government funds and simultaneously provide for potential enhancement in services and potential decreases in management and administrative fees, Participant and Trust Company desire to provide in this Agreement for the Trust Company to obtain professional private management services and/or a potential assignment of the Trust Company's managerial obligations relative to Texpool.

NOW THEREFORE, for and in consideration of the mutual promises, covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree with each other as follows: