



## **Investment & Finance Committee**

**Thursday, September 17, 2020**

**9:00 a.m.**

**TexAmericas Center Conference Room**

**107 Chapel Lane**

**New Boston, TX 75570**

Persons wishing to attend the TexAmericas Center Investment/Finance Meeting by telephone can call 1-866-778-5424 and enter the Participant Code of 5090805. Meeting agenda and materials can be found at the [www.texamericascenter.org](http://www.texamericascenter.org) website.

### **AGENDA**

1. Call Meeting to Order.
2. Approve Minutes from May 14, 2020 Committee Meeting.
3. Presentation of Collateral Report.
4. Consider and take action to recommend accepting the Fiscal Year 2020 3rd Quarter Financials.
5. Consider and take action to recommend approval of the Fiscal Year 2020 3rd Quarter Investment Report to the Board of Directors.
6. Consider and take action to recommend approval of the Fiscal Year 2020 3rd Quarter Scrap and Timber Sales Report to the Board of Directors.
7. Discuss Professional Services Agreement for:
  - a. Holiday, Lemons & Cox Public Accounting Firm
  - b. Valley View Consulting, L.L.C.
8. Discussion and possible action on Annual Review of Investment Policy.
9. Discussion and possible action on Line of Credit with Guaranty Bank & Trust.
10. Discussion and possible action FY20 Budget Amendments
11. Discussion and possible action FY21 Budget.
12. Discuss other business as needed.
10. Adjournment.



## Investment & Finance Committee Minutes

Thursday, May 14, 2020  
9:00 a.m.

The Investment and Finance Committee of TexAmericas Center met to conduct business via conference call on Thursday, May 14, 2020.

### Committee Members, Staff and Others in Attendance were:

Gabe Tarr	Boyd Sartin	Don Morriss	Denis Washington
Fred Meisenheimer	Scott Norton	Holly Sleek	Marla Byrd
Troy Lemons	Claire Northam	Dick Long	Ben Day
Holliday, Lemons & Cox, P.C.	Holliday, Lemons & Cox, P.C.	Valley View Consulting, LLC	Valley View Consulting, LLC

### Committee Members Absent:

Ben King

1. Gabe Tarr called the meeting to order at 9:00 a.m.
2. Considered and approved the minutes from the March 19, 2020 Committee Meeting. A motion was made by Boyd Sartin and seconded by Gabe Tarr. The motion carried unanimously by voice vote.
3. Dick Long with Valley View Consulting, LLC presented the FY 2020 2<sup>nd</sup> Quarter Investment Report. Considered and took action to recommend approval of the Fiscal Year 2020 2<sup>nd</sup> Quarter Investment Report to the Board of Directors. A motion was made by Gabe Tarr and seconded by Don Morriss. The motion carried unanimously by voice vote.
4. Ben Day with Valley View Consulting, LLC presented the results of solicitation for CD investments. Considered and took action approving CD Solicitation as follows for investment of CDs: A motion was made Fred Meisenheimer and seconded by Denis Washington. The motion carried unanimously by voice vote.  
\$1M in a 12 month CD with Farmers B & T at a rate of 0.75%  
\$1M in a 24 month CD with Farmers B & T at a rate of 1.10%
5. Scott Norton presented the FY2020 2<sup>nd</sup> Quarter Scrap and Timber Sales Report. Considered and took action to recommend approval of the Fiscal Year 2020 2<sup>nd</sup> Quarter Scrap and Timber Sales Report to the Board of Directors. A motion was made by Don Morriss and seconded by Boyd Sartin. The motion carried unanimously by voice vote.

6. Troy Lemons with Holliday, Lemons and Cox, P.C., presented the Collateral Report.
7. Troy Lemons with Holliday, Lemons and Cox, P.C., presented the FY2020 2<sup>nd</sup> Qtr. Financial. Considered and took action to recommend accepting the Fiscal Year 2020 2nd Quarter Financials. A motion was made by Gabe Tarr and seconded by Fred Meisenheimer. The motion carried unanimously by voice vote.
8. Scott Norton led a discussion regarding plans for upcoming RFP for Auditing Services. The timeline for the RFP was in the meeting packet. Should have a recommendation for new audit firm for Board consideration at the July Board meeting.
9. With no other business to discuss, a motion was made by Gabe Tarr and seconded by Boyd Sartin to adjourn the meeting at 9:25 a.m. The motion carried unanimously by voice vote.

**TexAmericas Center  
Pledged Collateral Report  
06/30/2020**

Type	Fund	Description	Account	Amount		
<b>Guaranty Bond Bank</b>						
Checking	General	Checking	10010	552,150.63	#	A-1
Money Market	General	Money Market	10020	5,200,536.46	#	A-2
Cert of Deposit	General	CD1	4660	1,016,909.77	#	A-4
Cert of Deposit	General	CD2	4879	1,016,606.15	#	A-5
Cert of Deposit	General	CD3	5131	1,009,243.18	#	A-3
Cert of Deposit	General	CD4	5292	1,009,145.74	#	A-6
Cert of Deposit	General	CD5	5959	1,002,391.78	#	A-7
			Total	<u>10,806,983.71</u>		
			FDIC Coverage	250,000.00	\$	
			Pledged Securities @ 06/30/20	<u>10,911,601.36</u>	@	
			% Coverage	<u>103%</u>		
 <b>Farmers Bank &amp; Trust</b>						
Cert of Deposit	General	CD6	4155	1,000,934.25	#	A-9
Cert of Deposit	General	CD7	4156	1,000,636.99	#	A-8
			Total	<u>2,001,571.24</u>		
			FDIC Coverage	250,000.00	\$	
			Pledged Securities @ 06/30/20	<u>2,250,000.00</u>	@	
			% Coverage	<u>125%</u>		

- # agrees to bank reconciliation at 06/30/20
- @ agrees to pledged report examined
- \$ Agrees to 2020 FDIC Coverage limits



# HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
TexAmericas Center  
New Boston, TX

Management is responsible for the accompanying financial statements of the general fund of TexAmericas Center, which comprise the balance sheet as of June 30, 2020 and 2019 and the related statement of revenue, expenditures, and changes in fund balance and the related budgetary information for the six months then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit the Statement of Net Position and the Statement of Activities for the governmental activities, as well as substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the financial statements mentioned above and the omitted disclosures were included in the financial statements, they might influence the user's conclusions about TexAmericas Center's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The supplementary information contained in the schedules on pages 3 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited, or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

We are not independent with respect to TexAmericas Center.

September 16, 2020

*Holliday, Lemons & Cox, P.C.*

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA'S PRIVATE COMPANIES PRACTICE SECTION

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**TEXAMERICAS CENTER**  
**BALANCE SHEET**  
**Governmental Fund Type - General Fund**  
**As of June 30, 2020 and 2019**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 5,755,062	\$ 2,959,270
Investments - Certificates of Deposit	7,055,868	10,587,917
Accounts Receivable	267,131	245,401
Due from TAC East Holdings Co.	254,757	383,924
Due from U.S. Army - ESCA Grant	-	2,127,566
Prepaid Expenses	80,158	3,339
<b>Total Assets</b>	<u><u>\$ 13,412,976</u></u>	<u><u>\$ 16,307,417</u></u>
<b>Liabilities</b>		
Accounts Payable	\$ 577,263	\$ 1,063,330
Accrued Liabilities	54,902	47,277
Unearned Revenue	308,469	1,904,941
Tenant Lease Deposits	210,846	128,952
<b>Total Liabilities</b>	<u>1,151,480</u>	<u>3,144,500</u>
<b>Fund Balance</b>		
Committed	809,387	621,912
Assigned	155,715	210,492
Unassigned	11,296,394	12,330,513
<b>Total Fund Balance</b>	<u>12,261,496</u>	<u>13,162,917</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 13,412,976</u></u>	<u><u>\$ 16,307,417</u></u>

**TEXAMERICAS CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Governmental Fund Type - General Fund**  
**Actual and Current Annual Budget**  
**For the Nine Months Ended June 30, 2020 and 2019**

	<u>Oct 19 - June 20</u>	<u>Oct 18 - June 19</u>	<u>Annual Budget</u>
<b>Revenues</b>			
Leases	\$ 1,651,328	\$ 1,451,550	\$ 1,932,257
Franchise Fees	114,798	122,267	157,500
Timber & Hunting	412,202	385,868	301,903
TAC East Management Fees	-	-	15,000
Grants	1,541,059	2,744,980	3,219,078
Project Reimbursement	986,384	-	985,000
Personal Property Sales	1,421	1,284	5,000
Settlement	74,000	-	-
Interest	206,037	228,949	100,000
Leased Employees	252,831	401,208	409,302
Miscellaneous	7,328	2,150	5,000
<b>Total Revenue</b>	<u><b>5,247,388</b></u>	<u><b>5,338,256</b></u>	<u><b>7,130,040</b></u>
<b>Expenditures</b>			
Current:			
Facility Operations & Infrastructure	2,877,279	382,853	3,818,130
Real Estate, Marketing & Sales	640,843	629,955	1,166,345
General Government	756,377	585,923	606,068
Hunting & Timber	131,245	24,599	154,131
ESCA	1,709,076	1,981,662	2,375,902
Capital Outlay:			
Facility Operations & Infrastructure	390,729	910,871	449,495
<b>Total Expenditures</b>	<u><b>6,505,549</b></u>	<u><b>4,515,863</b></u>	<u><b>8,570,071</b></u>
<b>Change in Fund Balance</b>	<b>(1,258,161)</b>	<b>822,393</b>	<b>(1,440,031)</b>
Fund Balance - Beginning	<u>13,519,657</u>	<u>12,340,524</u>	<u>13,519,657</u>
<b>Fund Balance - Ending</b>	<u><b>\$ 12,261,496</b></u>	<u><b>\$ 13,162,917</b></u>	<u><b>\$ 12,079,626</b></u>

**TEXAMERICAS CENTER**  
**SUPPLEMENTARY INFORMATION**  
**Schedule of Detailed Revenues & Expenditures**  
**Governmental Fund Type - General Fund**  
**Actual and Current Annual Budget**  
**For the Nine Months Ended June 30, 2020 and 2019**

	<u>Oct 19 - June 20</u>	<u>Oct 18 - June 19</u>	<u>Annual Budget</u>
<b>Revenues</b>			
Leases	\$ 1,651,328	\$ 1,451,550	\$ 1,932,257
Franchise Fees	114,798	122,267	157,500
Timber & Hunting	412,202	385,868	301,903
TAC East Management Fees	-	-	15,000
Grants	1,541,059	2,744,980	3,219,078
Project Reimbursement	986,384	-	985,000
Personal Property Sales	1,421	1,284	5,000
Settlement	74,000	-	-
Interest	206,037	228,949	100,000
Leased Employees	252,831	401,208	409,302
Miscellaneous	7,328	2,150	5,000
<b>Total Revenue</b>	<u><b>5,247,388</b></u>	<u><b>5,338,256</b></u>	<u><b>7,130,040</b></u>
<b>Expenditures</b>			
Salaries & Wages	648,109	596,441	672,074
Health Insurance	96,828	64,374	179,955
Pension	59,071	37,770	84,180
Payroll Taxes	49,409	35,108	59,732
Cell Phone	3,964	3,665	4,554
Workers Compensation	4,096	4,820	6,143
Training & Education	1,336	2,343	7,213
Uniforms	1,984	3,978	4,411
Other Employment Costs	1,115	-	1,560
Temporary Labor	13,335	21,492	55,000
Dues & Memberships	14,920	11,998	26,495
Conferences & Travel	10,154	30,953	110,785
Board Mtgs Spec Evts Comm	12,627	14,517	17,500
Small Tools & Equipment	654	900	7,000
Materials & Supplies	4,626	2,444	7,000
Equipment Maintenance	7,281	11,445	20,000
Vehicle Repairs & Maintenance	3,462	2,653	5,700
Fuel	6,873	10,861	17,000
Cost of Sales & Leases	7,968	3,800	-
Insurance	211,354	265,428	325,447
Building & Infrastructure Repairs	2,582,340	84,145	3,194,443
Lawn & Property Maintenance	37,859	42,339	85,000
Preventative Maintenance	-	18,175	-
Forestry	59,465	24,599	86,963
Hunting	-	-	1,728
Management Fees	71,625	-	42,750



**TEXAMERICAS CENTER**  
**SUPPLEMENTARY INFORMATION**  
**Schedule of Detailed Revenues & Expenditures**  
**Governmental Fund Type - General Fund**  
**Actual and Current Annual Budget**  
**For the Nine Months Ended June 30, 2020 and 2019**

	<u>Oct 19 - June 20</u>	<u>Oct 18 - June 19</u>	<u>Annual Budget</u>
Auditing	13,060	6,000	13,451
Accounting	19,776	15,005	40,000
Consulting	95,616	48,059	192,690
Grants	-	-	35,000
Marketing	96,329	85,236	160,000
Legal	167,684	100,006	150,000
Custodial	6,300	6,300	8,400
Janitorial	736	290	3,000
Computer, Reproduct & Maintenance	34,444	29,037	53,000
Office Supplies	11,353	7,308	10,000
Postage	1,091	1,040	4,000
Telephone & Internet	12,785	12,259	16,000
Utilities	16,451	11,310	22,500
Waste Management	6,605	6,680	8,000
Advertising	210	-	500
Miscellaneous	6,706	552	5,500
Bad Debt	6,143	-	-
TCEQ Regulatory Support	3,682	4,350	-
Management - ESCA	223,334	199,020	334,046
Technical Programs	1,482,060	1,778,292	2,041,856
Capital Outlay	390,729	910,871	449,495
<b>Total Expenditures</b>	<b><u>6,505,549</u></b>	<b><u>4,515,863</u></b>	<b><u>8,570,071</u></b>
<b>Change in Fund Balance</b>	<b><u>\$ (1,258,161)</u></b>	<b><u>\$ 822,393</u></b>	<b><u>\$ (1,440,031)</u></b>

**TEXAMERICAS CENTER**  
**SUPPLEMENTARY INFORMATION**  
**Schedule of Revenues & Expenditures**  
**General Fund - Facility Operations & Infrastructure**  
**Actual and Current Annual Budget**  
**For the Nine Months Ended June 30, 2020 and 2019**

	<u>Oct 19 - June 20</u>	<u>Oct 18 - June 19</u>	<u>Annual Budget</u>
<b>Revenues</b>			
Franchise Fees	\$ 114,798	\$ 122,267	\$ 157,500
Grants	220,567	627,679	643,000
Project Reimbursement	986,384	-	985,000
Personal Property Sales	1,421	1,284	5,000
<b>Total Revenue</b>	<u>1,323,170</u>	<u>751,230</u>	<u>1,790,500</u>
<b>Expenditures</b>			
Salaries & Wages	139,156	128,297	253,898
Health Insurance	30,903	27,645	94,076
Pension	11,317	10,288	31,778
Payroll Taxes	10,948	12,157	22,728
Cell Phone	1,196	1,280	1,794
Workers Compensation	3,445	3,670	5,005
Training & Education	402	919	1,950
Uniforms	1,984	2,738	2,698
Other Employment Costs	1,115	-	1,560
Temporary Labor	-	-	25,000
Dues & Memberships	40	40	300
Conferences & Travel	119	122	1,000
Small Tools & Equipment	654	900	7,000
Materials & Supplies	4,626	2,444	7,000
Equipment Maintenance	7,281	11,445	20,000
Vehicle Repairs & Maintenance	3,462	2,618	5,000
Fuel	6,650	10,429	14,000
Building & Infrastructure Repairs	2,582,340	84,145	3,194,443
Lawn & Property Maintenance	37,859	42,339	85,000
Preventative Maintenance	-	18,175	-
Consulting	18,095	8,364	20,000
Custodial	6,300	6,300	8,400
Computer, Reproduction, Maintenance	2,825	2,771	3,000
Utilities	1,400	1,817	6,000
Waste Management	3,974	3,903	4,500
Miscellaneous	1,188	47	2,000
Capital Outlay	390,729	910,871	449,495
<b>Total Expenditures</b>	<u>3,268,008</u>	<u>1,293,724</u>	<u>4,267,625</u>
<b>Change in Fund Balance</b>	<u>\$ (1,944,838)</u>	<u>\$ (542,494)</u>	<u>\$ (2,477,125)</u>

**TEXAMERICAS CENTER**  
**SUPPLEMENTARY INFORMATION**  
**Schedule of Revenues & Expenditures**  
**General Fund - Real Estate, Marketing, & Sales**  
**Actual and Current Annual Budget**  
**For the Nine Months Ended June 30, 2020 and 2019**

	<u>Oct 19 - June 20</u>	<u>Oct 18 - June 19</u>	<u>Annual Budget</u>
<b>Revenues</b>			
Leases	\$ 1,651,328	\$ 1,451,550	\$ 1,932,257
<b>Total Revenue</b>	<u>1,651,328</u>	<u>1,451,550</u>	<u>1,932,257</u>
<b>Expenditures</b>			
Salaries & Wages	115,246	102,732	172,242
Health Insurance	10,155	12,858	44,662
Pension	10,788	10,332	21,530
Payroll Taxes	7,892	8,493	15,272
Cell Phone	833	928	1,104
Workers Compensation	425	433	285
Training & Education	934	1,184	4,163
Uniforms	-	933	660
Temporary Labor	13,335	21,492	30,000
Dues & Memberships	14,805	10,749	25,195
Conferences & Travel	9,290	30,831	108,285
Vehicle Repairs & Maintenance	-	35	700
Fuel	223	432	3,000
Cost of Sales & Leases	7,968	3,800	-
Insurance	211,154	265,228	325,247
Consulting	43,771	3,862	100,000
Grants	-	-	35,000
Marketing	96,314	85,236	160,000
Legal	85,390	62,424	100,000
Computer, Reproduct & Maintenance	6,758	6,999	15,000
Utilities	5,245	974	3,000
Advertising	159	-	-
Miscellaneous	158	-	1,000
<b>Total Expenditures</b>	<u>640,843</u>	<u>629,955</u>	<u>1,166,345</u>
<b>Change in Fund Balance</b>	<u>\$ 1,010,485</u>	<u>\$ 821,595</u>	<u>\$ 765,912</u>

**TEXAMERICAS CENTER**  
**SUPPLEMENTARY INFORMATION**  
**Schedule of Revenues & Expenditures**  
**General Fund - General Government**  
**Actual and Current Annual Budget**  
**For the Nine Months Ended June 30, 2020 and 2019**

	<u>Oct 19 - June 20</u>	<u>Oct 18 - June 19</u>	<u>Annual Budget</u>
<b>Revenues</b>			
Grants	\$ -	\$ -	\$ 3,000
TAC East Management Fees	-	-	15,000
Interest	206,037	228,949	100,000
Leased Employees	252,831	401,208	409,302
Miscellaneous	7,328	2,150	5,000
Settlement	74,000	-	-
<b>Total Revenue</b>	<b><u>540,196</u></b>	<b><u>632,307</u></b>	<b><u>532,302</u></b>
<b>Expenditures</b>			
Salaries & Wages	393,707	365,412	245,934
Health Insurance	55,770	23,871	41,217
Pension	36,966	17,150	30,872
Payroll Taxes	30,569	14,458	21,732
Cell Phone	1,935	1,457	1,656
Workers Compensation	226	717	853
Training & Education	-	240	1,100
Uniforms	-	307	1,053
Dues & Memberships	75	1,209	1,000
Conferences & Travel	745	-	1,500
Board Mtgs Spec Evts Comm	12,627	14,517	17,500
Insurance	200	200	200
Auditing	13,060	6,000	13,451
Accounting	19,776	15,005	40,000
Consulting	33,750	35,833	50,000
Marketing	15	-	-
Legal	82,139	37,582	50,000
Janitorial	736	290	3,000
Computer, Reproduct & Maintenance	24,861	19,267	35,000
Office Supplies	11,353	7,308	10,000
Postage	1,091	1,040	4,000
Telephone & Internet	12,785	12,259	16,000
Utilities	9,806	8,519	13,500
Waste Management	2,631	2,777	3,500
Advertising	51	-	500
Miscellaneous	5,360	505	2,500
Bad Debt	6,143	-	-
<b>Total Expenditures</b>	<b><u>756,377</u></b>	<b><u>585,923</u></b>	<b><u>606,068</u></b>
<b>Change in Fund Balance</b>	<b><u>\$ (216,181)</u></b>	<b><u>\$ 46,384</u></b>	<b><u>\$ (73,766)</u></b>

**TEXAMERICAS CENTER**  
**SUPPLEMENTARY INFORMATION**  
**Schedule of Revenues & Expenditures**  
**General Fund - Hunting & Timber**  
**Actual and Current Annual Budget**  
**For the Nine Months Ended June 30, 2020 and 2019**

	<u>Oct 19 - June 20</u>	<u>Oct 18 - June 19</u>	<u>Annual Budget</u>
<b>Revenues</b>			
Timber	\$ 364,390	\$ 385,868	\$ 250,000
Hunting	47,812	-	51,903
<b>Total Revenue</b>	<u>412,202</u>	<u>385,868</u>	<u>301,903</u>
 <b>Expenditures</b>			
Forestry	59,465	24,599	86,963
Hunting	-	-	1,728
Consulting	-	-	22,690
Management Fees	71,625	-	42,750
Legal	155	-	-
<b>Total Expenditures</b>	<u>131,245</u>	<u>24,599</u>	<u>154,131</u>
 <b>Change in Fund Balance</b>	<u>\$ 280,957</u>	<u>\$ 361,269</u>	<u>\$ 147,772</u>

**TEXAMERICAS CENTER**  
**SUPPLEMENTARY INFORMATION**  
**Schedule of Revenues & Expenditures**  
**General Fund - ESCA**  
**Actual and Current Annual Budget**  
**For the Nine Months Ended June 30, 2020 and 2019**

	<u>Oct 19 - June 20</u>	<u>Oct 18 - June 19</u>	<u>Annual Budget</u>
<b>Revenues</b>			
ESCA	\$ 1,320,492	\$ 2,117,301	\$ 2,573,078
<b>Total Revenue</b>	<u>1,320,492</u>	<u>2,117,301</u>	<u>2,573,078</u>
<b>Expenditures</b>			
TCEQ Regulatory Support	3,682	4,350	-
Management - ESCA	223,334	199,020	334,046
Technical Programs	1,482,060	1,778,292	2,041,856
<b>Total Expenditures</b>	<u>1,709,076</u>	<u>1,981,662</u>	<u>2,375,902</u>
<b>Change in Fund Balance</b>	<u>\$ (388,584)</u>	<u>\$ 135,639</u>	<u>\$ 197,176</u>



## INVESTMENT PORTFOLIO SUMMARY

For the Quarter Ended

June 30, 2020

Prepared by

Valley View Consulting, L.L.C.

The investment portfolio of the TexAmericas Center is in compliance with the Public Funds Investment Act and the Investment Policy.

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Executive Director/CEO

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Controller

**Disclaimer:** This report was compiled using information provided by the TexAmericas Center. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields, and do not account for investment adviser fees.

## Summary

### Quarter End Results by Investment Category:

Asset Type	March 31, 2020		June 30, 2020		
	Book Value	Market Value	Book Value	Market Value	Ave. Yield
DDA/MMA/NOW	\$ 5,371,643	\$ 5,371,643	\$ 5,782,880	\$ 5,782,880	0.46%
CD/Security	8,582,756	8,582,756	7,055,868	7,055,868	1.58%
<b>Totals</b>	<b>\$ 13,954,399</b>	<b>\$ 13,954,399</b>	<b>\$ 12,838,748</b>	<b>\$ 12,838,748</b>	<b>1.07%</b>

#### Current Quarter Portfolio Performance (1)

Average Quarterly Yield	1.07%
Rolling Three Month Treasury	0.14%
Rolling Six Month Treasury	0.67%
TexPool	0.22%

#### Fiscal Year-to-Date Portfolio Performance (2)

Average Quarter End Yield	1.61%
Rolling Three Month Treasury	0.97%
Rolling Six Month Treasury	1.28%
TexPool	0.95%

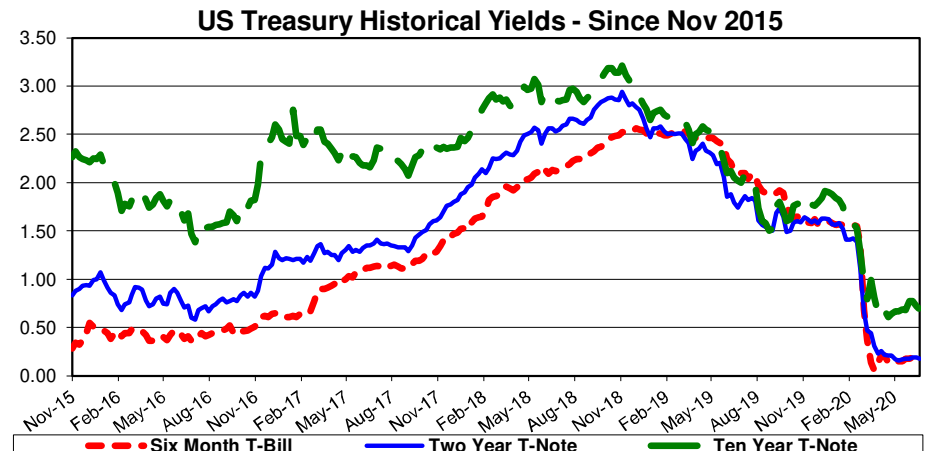
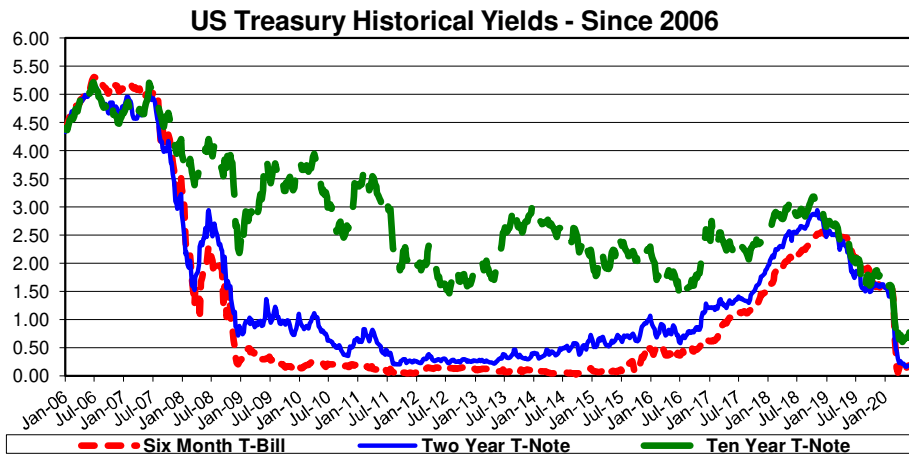
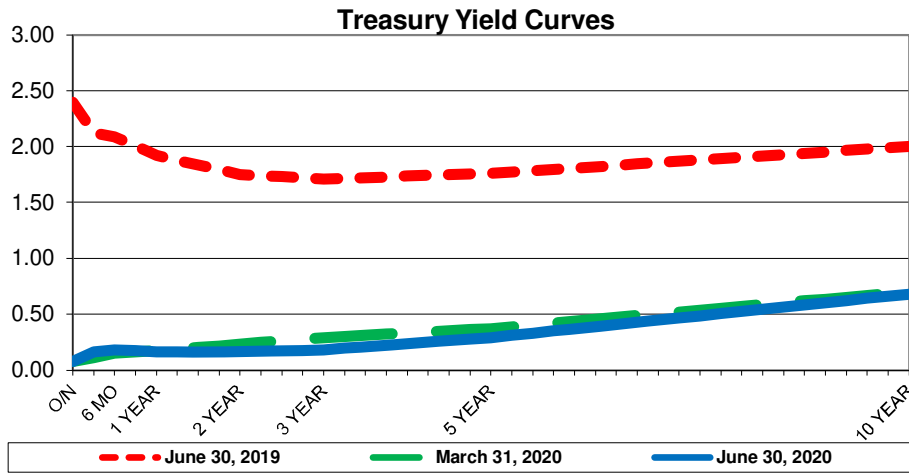
Quarterly Interest Earnings (Reported Separately)

(1) **Current Quarter Weighted Average Yield** - calculated using quarter end report yields and adjusted book values; does not reflect a total return analysis. Realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for bank, pool, and money market balances.

(2) **Fiscal Year-to-Date Weighted Average Yields** - calculated using quarter end report yields and adjusted book values; does not reflect a total return analysis or account for advisory fees.



The Federal Open Market Committee (FOMC) maintained the Fed Funds target range at 0.00% to 0.25% (Effective Fed Funds are trading +/-0.08%). Worldwide and domestic economic activity popped-up as isolation protocols eased. However, continued positive COVID test growth may impact additional activity. The Yield Curve remains stabilized at current levels. The FOMC has signaled reduced rates for an extended period. Crude oil increased to \$40+ per barrel. Unemployment claims continued to rise, but June Non Farm Payroll surged to 4.8 million. The Stock Market wobbled but stabilized. Full recovery timeline still very uncertain.



## Investment Holdings

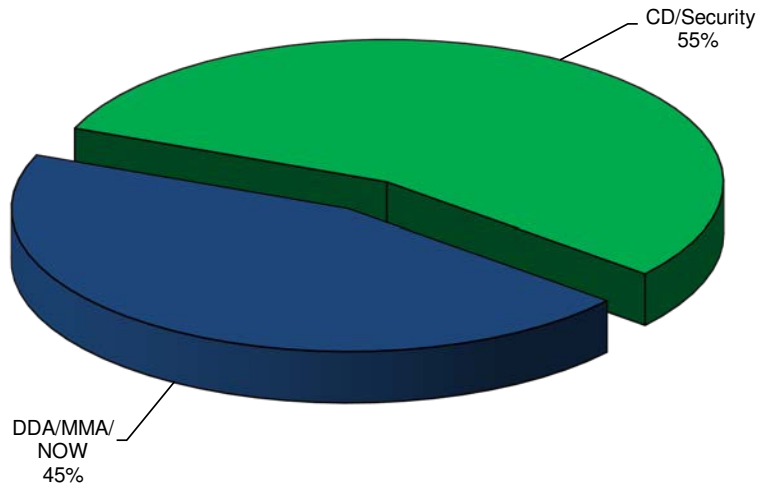
June 30, 2020

Description	Coupon/ Discount	Maturity Date	Settlement Date	Original Face\ Par Value	Book Value	Market Price	Market Value	Life (Days)	Yield
Guaranty B&T Checking	0.00%	07/01/20	06/30/20	\$ 582,343	\$ 582,343	1.00	\$ 582,343	1	0.00%
Guaranty B&T MMA	0.51%	07/01/20	06/30/20	5,200,536	5,200,536	1.00	5,200,536	1	0.51%
Guaranty B&T CD	1.87%	07/23/20	10/22/19	1,009,243	1,009,243	100.00	1,009,243	23	1.88%
Guaranty B&T CD	2.24%	08/20/20	08/20/19	1,016,910	1,016,910	100.00	1,016,910	51	2.26%
Guaranty B&T CD	2.20%	09/17/20	09/17/19	1,016,606	1,016,606	100.00	1,016,606	79	2.22%
Guaranty B&T CD	1.83%	11/15/20	11/15/19	1,009,146	1,009,146	100.00	1,009,146	138	1.84%
Guaranty B&T CD	0.97%	12/11/20	03/11/20	1,002,392	1,002,392	100.00	1,002,392	164	0.97%
Farmers B&T CD	0.75%	05/19/21	05/19/20	1,000,637	1,000,637	100.00	1,000,637	323	0.75%
Farmers B&T CD	1.10%	05/19/22	05/19/20	1,000,934	1,000,934	100.00	1,000,934	688	1.11%
				<b>\$ 12,838,748</b>	<b>\$ 12,838,748</b>		<b>\$ 12,838,748</b>	<b>115</b>	<b>1.07%</b>
								(1)	(2)

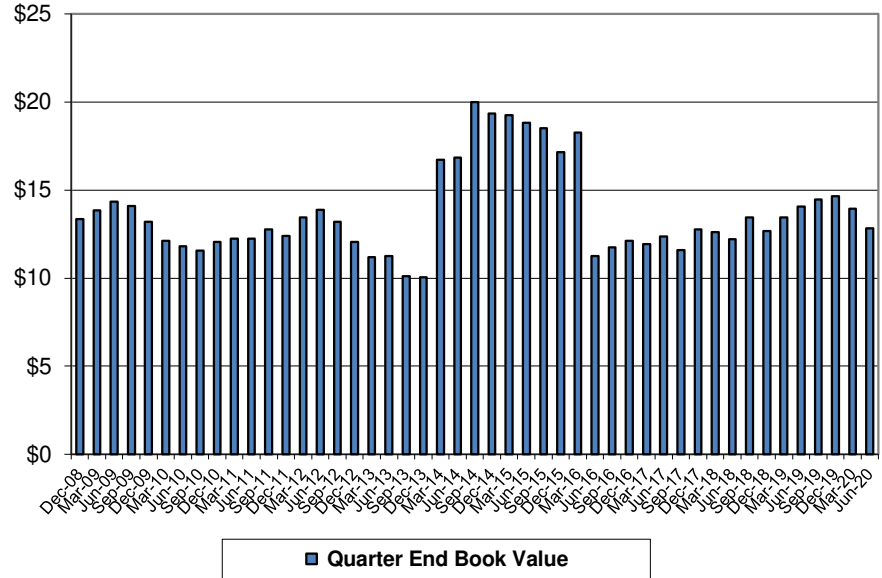
(1) **Weighted average life** - Pools, Money Market Funds, and Bank Deposits are assumed to have a one day maturity.

(2) **Weighted average yield to maturity** - The weighted average yield to maturity is based on Book Value, adviser fees and realized and unrealized gains/losses are not considered. The Bank Deposit, Pool, and Money Market Fund yields are the average for the last month of the quarter.

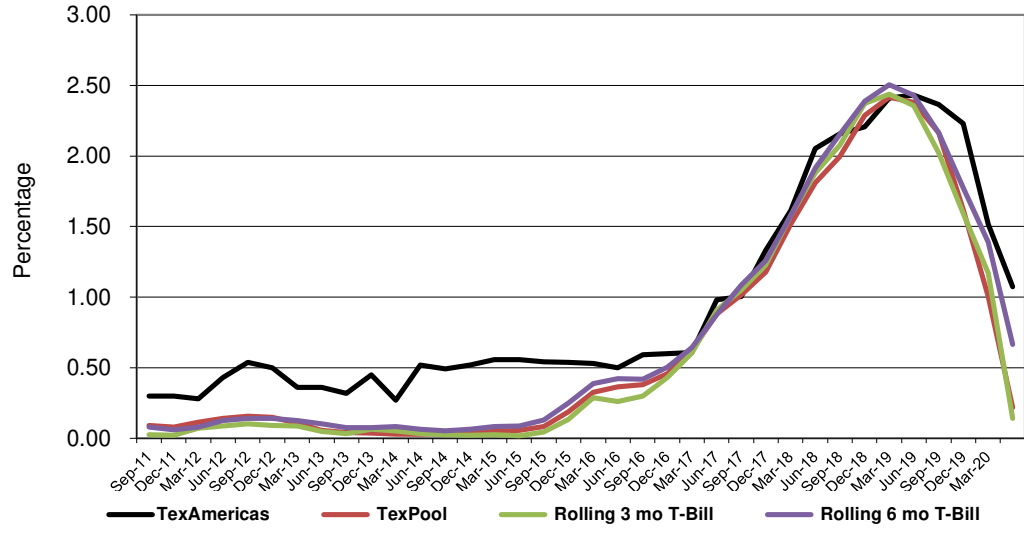
**Portfolio Composition**



**Total Portfolio (Millions)**



**Total Portfolio Performance**



## Book & Market Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2020		Purchases/ Adjustments	Sales/Adjust/ Maturities	June 30, 2020	
			Par Value	Book & Market Value			Par Value	Book & Market Value
Guaranty B&T Checking	0.00%	07/01/20	\$ 328,009	\$ 328,009	\$ 254,334	\$ –	\$ 582,343	\$ 582,343
Guaranty B&T MMA	0.51%	07/01/20	5,043,633	5,043,633	156,903		5,200,536	5,200,536
Guaranty B&T CD	2.29%	04/18/20	1,011,325	1,011,325		(1,011,325)	–	–
Guaranty B&T CD	2.26%	05/07/20	1,011,176	1,011,176		(1,011,176)	–	–
Guaranty B&T CD	2.58%	06/06/20	1,019,455	1,019,455		(1,019,455)	–	–
Guaranty B&T CD	2.45%	06/24/20	509,252	509,252		(509,252)	–	–
Guaranty B&T CD	1.87%	07/23/20	1,004,611	1,004,611	4,632		1,009,243	1,009,243
Guaranty B&T CD	2.24%	08/20/20	1,011,324	1,011,324	5,586		1,016,910	1,016,910
Guaranty B&T CD	2.20%	09/17/20	1,011,000	1,011,000	5,606		1,016,606	1,016,606
Guaranty B&T CD	1.83%	11/15/20	1,004,613	1,004,613	4,533		1,009,146	1,009,146
Guaranty B&T CD	0.97%	12/11/20	1,000,000	1,000,000	2,392		1,002,392	1,002,392
Farmers B&T CD	0.75%	05/19/21	–	–	1,000,637		1,000,637	1,000,637
Farmers B&T CD	1.10%	05/19/22	–	–	1,000,934		1,000,934	1,000,934
<b>TOTAL</b>			<b>\$ 13,954,399</b>	<b>\$ 13,954,399</b>	<b>\$ 2,435,558</b>	<b>\$ (3,551,209)</b>	<b>\$ 12,838,748</b>	<b>\$ 12,838,748</b>

**TexAmericas Center**  
**Scrap Timber Sales**  
April 1, 2020 - June 30, 2020

**44010 · Personal Property Sales**

No Scrap Sales

**44025 · Timber Sales**

No Timber Sales

# HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 4, 2020

Mr. Scott Norton  
Chief Executive Officer  
TexAmericas Center  
107 Chapel Lane  
New Boston, TX 75570

Dear Scott,

We are pleased to confirm our acceptance and understanding of the services we are to provide for TexAmericas Center for the year ended September 30, 2021.

You have requested that we prepare the financial statements of TexAmericas Center (the Center), which comprise the annual and quarterly balance sheets and the related statements of revenue, expenditures, and changes in fund balance for the year ended September 30, 2021, and perform a compilation engagement with respect to those financial statements. These financial statements will not include statements of cash flows and related notes to the financial statements. In addition, supplementary budgetary schedules will be prepared and presented with the financial statements. Such information is the responsibility of management and will be subject to our compilation engagement. We will not express an opinion, a conclusion, nor provide any assurance on such information.

We will assist your bookkeeper in adjusting the books of accounts with the objective that she will be able to prepare a working trial balance from which financial statements can be prepared. Your bookkeeper will provide us with a detailed trial balance and any supporting schedules we require.

We will be available for financial consultations, as well as committee and board meeting financial presentations.

We will be available for QuickBooks consultation as requested by you, including for new funds, accounts, and activities.

We will provide assistance with the Center's annual budget as requested by you.

We will provide assistance with year end audit workpapers and adjustments, including assistance in preparing the year end financial report and disclosures that may be requested by your audit firm.

2001 MOORES LANE • TEXARKANA, TEXAS 75503 • (903) 823-2727 • FAX (903) 823-2734

[WWW.HLCCPAS.COM](http://WWW.HLCCPAS.COM)

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA'S PRIVATE COMPANIES PRACTICE SECTION

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## **Our Responsibilities**

The objective of our engagement is to—

- 1) prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you and
- 2) apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our compilation engagement in accordance with the Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA and comply with applicable professional standards, including the AICPA's *Code of Professional Conduct*, and its ethical principles of integrity, objectivity, professional competence, and due care, when performing the bookkeeping services, preparing the financial statements, and performing the compilation engagement.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Center or noncompliance with laws and regulations.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **Your Responsibilities**

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

- 1) The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements.
- 2) The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America
- 3) The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

- 4) The prevention and detection of fraud.
- 5) To ensure that the Center complies with the laws and regulations applicable to its activities.
- 6) The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- 7) To provide us with—
  - access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - additional information that we may request from you for the purpose of the compilation engagement.
  - unrestricted access to persons within the Center of whom we determine it necessary to make inquiries.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our bookkeeping services and the preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

### **Our Report**

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them. There may be circumstances in which the report differs from the expected form and content. If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

Our report will disclose that the Center's management has elected to omit the statement of cash flows and substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the statement of cash flows and omitted disclosures were to be included in the financial statements, they might influence the user's conclusions about the Center's financial position, results of operations, and cash flows. Accordingly, the financial statements will not be designed for those who are not informed about such matters.

You agree to include our accountant's compilation report in any document containing financial statements that indicates that we have performed a compilation engagement on such financial statements and, prior to the inclusion of the report, to obtain our permission to do so.

We are not independent with respect to TexAmericas Center and will disclose that we are not independent in our compilation report.



**Other Relevant Information**

Troy Lemons, Certified Public Accountant, is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

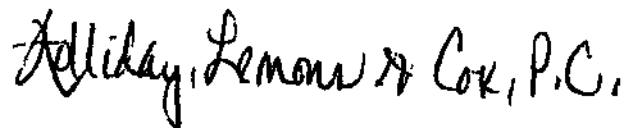
Our services will be billed at hourly rates of \$225 for partner services, \$110 for senior accountant services and \$85 for staff accountant services. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Amounts not paid within 30 days of the invoice date will be subject to a late payment charge of 1.5% per month (18% per year).

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate it with you regarding the scope of the additional services and the estimated fee. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, or services will continue to be governed by the terms of this engagement letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you acknowledge and agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,



Acknowledged:

TexAmericas Center

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

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

**AGREEMENT  
BY AND BETWEEN  
THE TEXAMERICAS CENTER, TEXAS  
AND  
VALLEY VIEW CONSULTING, L.L.C.**

It is understood and agreed that the TexAmericas Center (the *Investor*) will have from time to time money available for investment (*Investable Funds*) and Valley View Consulting, L.L.C. (*Advisor*) has been requested to provide professional services to the Investor with respect to the Investable Funds. This agreement (the *Agreement*) constitutes the understanding of the parties with regard to the subject matter hereof.

1. This Agreement shall apply to any and all Investable Funds of the Investor from time to time during the period in which this Agreement shall be effective.
2. The Advisor agrees to provide its professional services to direct and coordinate all programs of investing as may be considered and authorized by the Investor.
3. The Advisor agrees to perform the following duties, as requested:
  - a. Assist the Investor in developing cash flow projections,
  - b. Suggest appropriate investment strategies to achieve the Investor's objectives,
  - c. Advise the Investor on market conditions, general information and economic data,
  - d. Analyze risk/return relationships between various investment alternatives,
  - e. Attend occasional meetings as requested by the Investor,
  - f. Assist in the selection, purchase, and sale of investments. The Advisor shall not have discretionary investment authority over the Investable Funds and the Investor shall make all decisions regarding purchase and sale of investments. All funds shall be invested consistent with the Texas Public Funds Investment Act, Chapter 2256 Government Code and the Investor's Investment Policy. The eligible investments are listed in the Investor's Investment Policy,
  - g. Advise on the investment of bond funds as to provide the best possible rate of return to the Investor in a manner which is consistent with the proceedings of the Investor authorizing the investment of the bond funds or applicable federal rules and regulations,
  - h. Assist the Investor in creating investment reports in compliance with State legislation and the Investor's Investment Policy,
  - i. Assist the Investor in creating monthly portfolio accounting reports, and
  - j. Assist the Investor in selecting a primary depository services financial institution.

4. The Investor agrees to:

- a. Compensate the Advisor for any and all services rendered and expenses incurred as set forth in Appendix A attached hereto,
- b. Provide the Advisor with the schedule of estimated cash flow requirements related to the Investable Funds, and will promptly notify the Advisor as to any changes in such estimated cash flow projections,
- c. Allow the Advisor to rely upon all information regarding schedules, investment policies and strategies, restrictions, or other information regarding the Investable Funds as provided to it by the Investor and that the Advisor shall have no responsibility to verify, through audit or investigation, the accuracy or completeness of such information,
- d. Recognize that there is no assurance that recommended investments will be available or that such will be able to be purchased or sold at the price recommended by the Advisor, and
- e. Not require the Advisor to place any order on behalf of the Investor that is inconsistent with any recommendation given by the Advisor or the policies and regulations pertaining to the Investor.

5. In providing the investment services in this Agreement, it is agreed that the Advisor shall have no liability or responsibility for any loss or penalty resulting from any investment made or not made in accordance with the provisions of this Agreement, except that the Advisor shall be liable for its own gross negligence or willful misconduct; nor shall the Advisor be responsible for any loss incurred by reason of any act or omission of any broker, selected with reasonable care by the Advisor and approved by the Investor, or of the Investor's custodian. Furthermore, the Advisor shall not be liable for any investment made which causes the interest on the Investor's obligations to become included in the gross income of the owners thereof.

6. The fee due to the Advisor in providing services pursuant to this Agreement shall be calculated in accordance with Appendix A attached hereto, and shall become due and payable as specified. Any and all expenses for which the Advisor is entitled to reimbursement in accordance with Appendix A attached hereto shall become due and payable at the end of each calendar quarter in which such expenses are incurred.

7. This Agreement shall remain in effect until September 30, 2022, with the option of the Investor to extend this Agreement in additional two-year increments. Provided, however, the Investor or Advisor may terminate this Agreement upon thirty (30) days written notice to the other party. In the event of such termination, it is understood and agreed that only the amounts due to the Advisor for services provided and expenses incurred to and including the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement. In the event this Agreement is terminated, all investments and/or funds held by the Advisor shall be returned to the Investor as soon as practicable. In addition, the

parties hereto agree that upon termination of this Agreement the Advisor shall have no continuing obligation to the Investor regarding the investment of funds or performing any other services contemplated herein.

8. The Advisor reserves the right to offer and perform these and other services for various other clients. The Investor agrees that the Advisor may give advice and take action with respect to any of its other clients, which may differ from advice given to the Investor. The Investor agrees to coordinate with and avoid undue demands upon the Advisor to prevent conflicts with the performance of the Advisor towards its other clients.

9. The Advisor shall not assign this Agreement without the express written consent of the Investor.

10. The Investor acknowledges that most information related to this Agreement is subject to open record requirements and that Advisor shall take reasonable efforts to protect any non-public information that comes into its possession.

11. By initialing the appropriate line, Investor acknowledges that:

- 1) \_\_\_\_\_ Investor was provided a written copy of Form ADV Part 2 not less than 48 hours prior to entering into this written contract, or
- 2) \_\_\_\_\_ Investor received a written copy of Form ADV Part 2 at the time of entering into this contract and has the right to terminate this contract without penalty within five business days after entering into this contract.
- 3)   X   Investor is renewing an expiring contract and has received in the past, and provided annually, a written copy of Form ADV Part 2.

When accepted by the Investor, this Agreement, together with Appendix A attached hereto, will constitute the entire Agreement between the Investor and Advisor for the purposes and the consideration herein specified.

Respectfully submitted,

Richard G. Long, Jr.  
Manager, Valley View Consulting, L.L.C.

This agreement is hereby agreed to and executed on behalf of the TexAmericas Center, Texas.

By \_\_\_\_\_  
TexAmericas Center

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

## APPENDIX A

### FEE SCHEDULE AND EXPENSE ITEMS

In consideration for the services rendered by Advisor in connection with the investment of the Investable Funds for the Investor, it is understood and agreed that its fee will be an annual fee equal to \$5,000.00. Said fee shall be due and payable at the end of each investment quarter.

Should the Investor issue new money debt greater than \$10,000,000 (excluding any refunding or restructuring of existing debt), in any calendar year, and request assistance, additional fees shall apply. Said annual fee shall not exceed 0.08% (8 basis points) of the total debt fund's average quarter end book value.

Should the selected tax-exempt bond proceeds investment strategy incorporate a flexible repurchase agreement or other structured investment, fees will be determined by any applicable I.R.S. guidelines and industry standards and shall be in addition to the annual fee.

Should the Investor request assistance with monthly investment portfolio accounting, additional fees shall apply. Said fee shall not exceed \$3,000.00 per year.

Should the Investor request assistance selecting a primary depository services financial institution, additional fees shall apply. Said fee shall not exceed \$5,000.00 per selection project.

Said fee includes all costs of services related to this Agreement, and all travel and business expenses related to attending regularly scheduled quarterly meetings. With pre-trip Investor approval, the Advisor may also request reimbursement for special meeting or event travel and business expenses. The obligation of the Advisor to pay expenses shall not include any costs incident to litigation, mandamus action, test case or other similar legal actions.

Although none are anticipated, any other fees retained by Advisor in the performance of its duties shall be disclosed to the Investor.

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**TEXAMERICAS CENTER  
BOWIE COUNTY, TEXAS  
INVESTMENT POLICY**

**INTRODUCTION**

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

**INVESTMENT STRATEGY**

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

**A. OPERATING FUNDS**

Investment strategies for operating funds and combined pools containing operating funds have, as their primary objective, to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing high quality, short-to-medium term investments, which will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each investment.

**B. DEBT SERVICE FUNDS**

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

**C. DEBT SERVICE RESERVE FUNDS**

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

#### D. SPECIAL PROJECT/SPECIAL PURPOSE FUNDS

Investment strategies for special projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. If appropriate, these portfolios should include at least 10% in cash equivalent investments to allow for flexibility and unanticipated project outlays. The stated final maturity dates of investments held should not exceed the estimated project completion or purpose date.

### INVESTMENT POLICY

#### A. SCOPE

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

There are no pension funds under management by the Center.

#### B. OBJECTIVES

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

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

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



## C. RESPONSIBILITY AND CONTROL

- a. *Investment Committee.* An Investment Committee, consisting of the Chairman of the Board of Directors, Treasurer of the Board of Directors, Chief Executive Officer (“CEO”), Outside Accountant, and other appointed members of the Finance Committee of the Board Directors, shall meet routinely to determine operational strategies and to monitor results. The Investment Committee shall include in its deliberation such topics as the following: performance reports, economic outlook, portfolio diversification, maturity structure, potential risk, authorized brokers and dealers (including the financial strength and service performance of the firm), independent sources of investment training, and the target rate of return on the investment portfolio.
- b. *Delegation of Authority and Training.* Authority to manage the Center’s investment program is derived from Chapter 3503, Texas Special District Local Laws Code and the PFIA. The CEO and Controller are designated as Investment Officers of the Center and responsible for investment decisions and activities. The CEO will establish written procedures for the operation of the investment program, consistent with this Investment Policy, as may be necessary. Each Investment Officer shall attend at least one training session relating to the Officer’s responsibility under the PFIA within 12 months after assuming duties accumulating a minimum of ten (10) hours of instruction. Each Investment Officer shall also attend at least one training session not less than once in a two-year period that begins on the first day of the Center’s fiscal year and consists of the two consecutive fiscal years after that date accumulating a minimum of ten (10) hours of instruction. Training related to investment responsibilities under the PFIA is required for each Investment Officer. Such training shall be from an independent source approved by the Investment Committee.
- c. *Internal Controls.* The CEO or his designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Center are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the CEO shall establish a process for annual independent review by an external auditor in conjunction with the annual audit to assure compliance with policies and procedures. The results of this review shall be reported to the Board of Directors by that auditor. The internal controls shall address the following points:

- i. Control of collusion.
- ii. Separation of transaction authority from accounting and record keeping.
- iii. Custodial safekeeping.
- iv. Avoidance of physical delivery securities.
- v. Clear delegation of authority to subordinate staff members.
- vi. Written confirmation for telephone (voice) transactions for investments and wire transfers.

- d. *Prudence.* The standard of prudence to be applied by ~~the~~an Investment Officer shall be the “prudent person” rule, which states: “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.” In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:
- i. The investment of all funds, or funds under the Center’s control, over which the Officer had responsibility rather than a consideration as to the prudence of a single investment.
  - ii. Whether the investment decision was consistent with the written Investment Policy of the Center.
  - iii. The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall immediately report deviations to a specific issuer’s credit risk or market price changes to the Investment Committee.
- e. *Ethics and Conflicts of Interest.* Center staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. Center staff shall disclose to the CEO any material financial interest in financial institutions that conduct business with the Center and they shall further disclose positions that could be related to the performance of the Center’s portfolio. Center staff shall subordinate their personal financial transactions to those of the Center, particularly with regard to timing of purchases and sales.

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

#### D. REPORTING

- a. *Quarterly Reporting.* The CEO or his designee shall present a quarterly report on the investment program and investment activity. This report may be presented as a component of the quarter-end report to the Board of Directors.
- b. *Annual Report.* The CEO or his designee shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the Board of Directors.
- c. *Methods.* The quarterly investment report shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in

a manner which will allow the Center to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be prepared in compliance with the PFIA. The report will be provided to the Investment Committee and the Board of Directors. The report will include, at a minimum, the following:

- i. A listing of individual investments held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
- ii. Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period;
- iii. Market values and current credit ratings (for investments required by the PFIA to maintain a minimum rating) shall be obtained from financial institutions, rating agencies, portfolio reporting services, or other sources independent from the investment provider or issuer;
- iv. Fully accrued interest for the reporting period;
- v. Average weighted yield to maturity of portfolio on Center investments as compared to applicable benchmarks;
- vi. Listing of investments by maturity date;
- vii. The percentage of the total portfolio which each type of investment represents; and
- viii. Statement of compliance of the Center's investment portfolio with State Law and the investment strategy and policy approved by the Board of Directors signed by the Investment Officers.

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

#### E. INVESTMENT PORTFOLIO

- a. *Active Portfolio Management.* The Investment Committee will, periodically, evaluate the status of the portfolio and make appropriate adjustments.
- b. *Performance.* It is the Center's policy to purchase investments with maturity dates coinciding with cash flow requirements. Using this strategy, the Center attempts to purchase the highest yielding allowable investments available at the time of purchase. The basis used to determine whether market yields are being achieved is the average rate of return on U.S. Treasury Bills for a comparable term.
- c. *Investments.* Assets of the Center may be invested in the following instruments; provided, however, that at no time shall the Center purchase any instrument or security not authorized for investment under the PFIA, as the PFIA may from time to time be amended. The Center is not required to liquidate investments that were authorized investments at the time of purchase.
  - i. Authorized

1. U.S. Obligations. Obligations issued, guaranteed, or insured by the United States of America, its agencies and instrumentalities, including the Federal Home Loan Banks, which have a liquid market with a readily determinable market value.
2. State of Texas Obligations. Direct obligations of the State of Texas, its agencies, and instrumentalities.
3. Miscellaneous Government Obligations. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this State or the United States or their respective agencies and instrumentalities, including the Federal Deposit Insurance Corporation.
4. Miscellaneous Rated Obligations. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivision of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent.
5. Financial Institution Deposits. Financial Institution Deposits of state and national banks, savings banks, or state or federal credit unions that meet the requirements of the PFIA and this Policy.
6. Repurchase Agreements. Fully collateralized direct repurchase agreements with a defined termination date secured by a combination of cash and obligations of the United States or its agencies and instrumentalities. Securities purchased must be pledged to the Center, held in the Center's account, and deposited at the time of the investment with the Center, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. Such agreements may include direct security repurchase agreements and reverse security repurchase agreements with terms of 90 days or less after the delivery date. Funds received by the Center under a reverse security agreement shall be used to acquire additional authorized investments, but those investments must mature no later than the expiration date stated in the reverse security repurchase agreement.
7. Investment Pools. Investment pools, if the pool is specifically approved by the Board of Directors and the pool invests only in investments authorized by the PFIA. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service, and must comply with the requirements of the PFIA.
8. Money Market Mutual Funds. "Money Market" mutual funds that have a rating of AAA by least one nationally recognized rating firm and are "no-load" funds. A "money market" mutual fund must maintain a \$1.0000

share value and include only short-term, highly liquid, and relatively low risk debt instruments. The Fund must be registered with and regulated by the Securities and Exchange Commission.

- a. Any funds are required to provide the Center with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940.
- b. The Center cannot own more than 10% of any mutual fund's total assets.

9. Guaranteed Investment Contracts. Guaranteed Investment contracts are allowed investments for bond proceeds only, if such contracts have a defined termination date, are secured by obligations of the United States of America, its agencies and instrumentalities approved by the PFIA, in an amount equal to 102% of the investment balances, if security is pledged to the Center and deposited with the Center or a third party, and if the investment term is limited to five years from the date of bond issuance. In addition, specific provisions under the PFIA Section 2256.015(c) 1-5 must be met to allow investment in these contracts.

ii. Not Authorized

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

1. Mortgage Backed Securities Paying No Principal. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
2. Mortgage Backed Securities Paying No Interest. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
3. CMOs with Maturities Greater than 10 Years. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
4. CMOs whose rate is determined by Inverted Index. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

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

F. SELECTION OF FINANCIAL INSTITUTIONS AND BROKER/DEALERS

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

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

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

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

A portion of both the Agreements shall define the Center's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations.

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

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

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

- c. *Business Organization Certification.* For local government investment pools and discretionary investment management firms (a "business organization" as defined by the PFIA), the Center shall provide a written copy of this Policy and the business organization shall provide a certification as required by the PFIA and acceptable to the Center.

#### G. SAFEKEEPING AND CUSTODY

- a. *Insurance or Collateral.* All deposits and investments of Center funds other than direct purchases of securities, pools, or mutual funds shall be secured as required by the PFCA. With the exception of deposits secured with irrevocable letters of credit at 100% of amount, all deposits of funds with financial institutions shall be collateralized with marketable securities at 102% of market value of principal and accrued interest on the deposits or investments, less an amount insured by the FDIC. Evidence of the pledged collateral shall be maintained by the CEO or a third party financial institution. Repurchase agreements shall be documented by a specific agreement noting the collateral pledge in

each agreement. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

- b. *Custodial Agreement.* Collateral pledged to secure deposits of the Center shall be held by a custodial institution in accordance with a Custodial Agreement which clearly defines the procedural steps for gaining access to the collateral should the Center determine that the Center's funds are in jeopardy. The custodial institution, or custodian, shall be the Federal Reserve Bank, Federal Home Loan Bank, or an institution not affiliated with the firm pledging the collateral that meets the requirements of the PFCFA. When applicable, the Custodial Agreement shall include the signatures of authorized representatives of the Center, the firm pledging the collateral, and the custodian.
- c. *Collateral Defined.* The Center shall accept only the following:
  - i. FDIC insurance coverage.
  - ii. A bond, certificate of indebtedness, note, or other evidence of indebtedness that is guaranteed as to the principal and interest by the United States, or its agencies and instrumentalities.
  - iii. Obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas.
  - iv. A bond of the State of Texas or of a county, authority or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency, with a remaining maturity of ten (10) years or less.
  - v. The use of a letter of credit issued to the Center by the Federal Home Loan Bank may be considered by the Center to meet the required bank depository collateral requirements.

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

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

#### H. INVESTMENT POLICY ADOPTION

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



annually. The resolution shall include a record of changes made to either the Investment Policy or strategy.

APPENDIX A

Public Funds Investment Act (Section 2256 Government Code)

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

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

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

(1) a local government;

(2) a state agency;

(3) a nonprofit corporation acting on behalf of a local government or a state agency; or

(4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

(1) a public retirement system as defined by Section 802.001;

(2) state funds invested as authorized by Section 404.024;

(3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;

(4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;

(5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or

(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

(1) be written;

(2) primarily emphasize safety of principal and liquidity;

(3) address investment diversification, yield, and maturity and the quality and capability of investment management; and

(4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

(1) orally;

(2) in writing;

(3) electronically; or

(4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

(1) understanding of the suitability of the investment to the financial requirements of the entity;

(2) preservation and safety of principal;

(3) liquidity;

(4) marketability of the investment if the need arises to liquidate the investment before maturity;

(5) diversification of the investment portfolio; and

(6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has

reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685,  
Sec. 1



(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. 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.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (l), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual

arrangements over which the business organization has accepted discretionary investment authority.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. 1701), Sec. 1, eff. September 1, 2017.

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for 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:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an 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 entity'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 entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local

government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) Except as provided by Subsection (g), the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a school district or a municipality, in addition to the requirements of Subsection (a)(1), shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may

satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter 392, Local Government Code, may satisfy the training requirement provided by Subsection (a)(2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

(1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or

(2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

(f) Subsection (a) (2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

(1) does not invest municipal or housing authority funds, as applicable; or

(2) only deposits those funds in:

(A) interest-bearing deposit accounts; or

(B) certificates of deposit as authorized by Section 2256.010.

(g) Subsection (a-1) does not apply to the treasurer, chief financial officer, or investment officer of a school district if:

(1) the district:

(A) does not invest district funds; or

(B) only deposits those funds in:

(i) interest-bearing deposit accounts; or

(ii) certificates of deposit as authorized by Section 2256.010; and

(2) the treasurer, chief financial officer, or investment officer annually submits to the agency a sworn affidavit identifying the applicable criteria under Subdivision (1) that apply to the district.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. 1148), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. 870), Sec. 1, eff. September 1, 2015.



Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. 1488), Sec. 8.015, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 2, eff. September 1, 2017.

Acts 2019, 86th Leg., R.S., Ch. 477 (H.B. 293), Sec. 1, eff. June 7, 2019.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section 2257.041(d); or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. 2647), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing

broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. 256), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 5, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 2, eff. September 1, 2017.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

- (1) has a defined termination date;
- (2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204;
- (3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and
- (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section 1371.059(c) applies to the execution of a repurchase agreement by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 6, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 3, eff. June 14, 2017.

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 1, eff. September 1, 2019.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:

(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state; and

(ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or

(C) cash invested in accordance with Section:

(i) 2256.009;

(ii) 2256.013;

(iii) 2256.014; or

(iv) 2256.016;

(4) the terms of a loan made under the program must require that the securities being held as collateral be:

(A) pledged to the investing entity;

(B) held in the investing entity's name; and

(C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;

(5) a loan made under the program must be placed through:

(A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or

(B) a financial institution doing business in this state; and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
- (2) will be, in accordance with its terms, liquidated in full at maturity;
- (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
- (4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

- (1) has a stated maturity of 365 days or fewer from the date of its issuance; and
- (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
  - (A) two nationally recognized credit rating agencies; or
  - (B) 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.



Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 2, eff. September 1, 2019.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with and regulated by the Securities and Exchange Commission;

(2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and

(3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years; and

(3) either:

(A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 4, eff. June 14, 2017.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

(1) has a defined termination date;

(2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and

(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment

contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;

(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;

(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;

(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and

(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section 1371.059(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 5, eff. June 14, 2017.

Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS.

(a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in

authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

(1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has;

(4) the objectives of the pool;

(5) the size of the pool;

(6) the names of the members of the advisory board of the pool and the dates their terms expire;

(7) the custodian bank that will safekeep the pool's assets;

(8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;

(9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

(10) the name and address of the independent auditor of the pool;

(11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;

(12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and

(13) the pool's policy regarding holding deposits in cash.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

(1) investment transaction confirmations; and

(2) a monthly report that contains, at a minimum, the following information:

(A) the types and percentage breakdown of securities in which the pool is invested;

(B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;

(C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;

(D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;

(E) the size of the pool;

(F) the number of participants in the pool;

(G) the custodian bank that is safekeeping the assets of the pool;

(H) a listing of daily transaction activity of the entity participating in the pool;

(I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;

(J) the portfolio managers of the pool; and

(K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, for purposes of an investment pool for which a \$1.00 net asset value is maintained, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter:

(1) a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily; and

(2) if the investment pool uses amortized cost:

(A) the investment pool must, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places;

(B) the governing body of the investment pool must, if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005; and

(C) the investment pool must, in addition to the requirements of its investment policy and any other forms of reporting, report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c) (2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 7, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 6, eff. June 14, 2017.

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 3, eff. September 1, 2019.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter 2270, an entity is not required to liquidate

investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial



paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. 495), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. 894), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. 2346), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Repealed by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. 1543), Sec. 1, eff. June 17, 2011.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. 1464), Sec. 1, eff. September 1, 2005.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS. (a) In this section:

(1) "Eligible entity" means a political subdivision that has:

(A) a principal amount of at least \$250 million in:

(i) outstanding long-term indebtedness;  
(ii) long-term indebtedness proposed to be issued; or

(iii) a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued; and

(B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

(2) "Eligible project" has the meaning assigned by Section 1371.001.

(3) "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:

(1) another law; or

(2) an eligible entity's municipal charter, if applicable.

(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.

(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.

(f) Section 1371.059(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.

(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:

- (1) an operation and maintenance expense of the eligible entity;
- (2) an acquisition expense of the eligible entity;
- (3) a project cost of an eligible project; or
- (4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7, eff. June 14, 2017.

Sec. 2256.0207. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1, eff. September 1, 2017.

Redesignated from Government Code, Section 2256.0206 by Acts 2019, 86th Leg., R.S., Ch. 467 (H.B. 4170), Sec. 21.001(34), eff. September 1, 2019.

Sec. 2256.0208. LOCAL GOVERNMENT INVESTMENT OF BOND PROCEEDS AND PLEDGED REVENUE. (a) In this section, "pledged revenue" means money pledged to the payment of or as security for:

- (1) bonds or other indebtedness issued by a local government;

(2) obligations under a lease, installment sale, or other agreement of a local government; or

(3) certificates of participation in a debt or obligation described by Subdivision (1) or (2).

(b) The investment officer of a local government may invest bond proceeds or pledged revenue only to the extent permitted by this chapter, in accordance with:

(1) statutory provisions governing the debt issuance or the agreement, as applicable; and

(2) the local government's investment policy regarding the debt issuance or the agreement, as applicable.

Added by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 4, eff. September 1, 2019.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.



Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

(1) describe in detail the investment position of the entity on the date of the report;

(2) be prepared jointly by all investment officers of the entity;

(3) be signed by each investment officer of the entity;

(4) contain a summary statement of each pooled fund group that states the:

(A) beginning market value for the reporting period;

(B) ending market value for the period; and

(C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

(A) the investment strategy expressed in the agency's or local government's investment policy; and

(B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section 2256.017, this subchapter does not:

(1) prohibit an investment specifically authorized by other law; or

(2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in

Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;

(2) an entity created under Chapter 392, Local Government Code; or

(3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

#### SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices

in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE.

At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

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APPENDIX B

Public Funds Collateral Act (Section 2257 Government Code)

GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2257. COLLATERAL FOR PUBLIC FUNDS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2257.001. SHORT TITLE. This chapter may be cited as the Public Funds Collateral Act.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.002. DEFINITIONS. In this chapter:

(1) "Bank holding company" has the meaning assigned by Section 31.002(a), Finance Code.

(2) "Control" has the meaning assigned by Section 31.002(a), Finance Code.

(3) "Deposit of public funds" means public funds of a public entity that:

(A) the comptroller does not manage under Chapter 404; and

(B) are held as a demand or time deposit by a depository institution expressly authorized by law to accept a public entity's demand or time deposit.

(4) "Eligible security" means:

(A) a surety bond;

(B) an investment security;

(C) an ownership or beneficial interest in an investment security, other than an option contract to purchase or sell an investment security;

(D) a fixed-rate collateralized mortgage obligation that has an expected weighted average life of 10 years or less and does not constitute a high-risk mortgage security;

(E) a floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security; or

(F) a letter of credit issued by a federal home loan bank.

(5) "Investment security" means:

(A) an obligation that in the opinion of the attorney general of the United States is a general obligation of the United States and backed by its full faith and credit;

(B) a general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues; or

(C) a security in which a public entity may invest under Subchapter A, Chapter 2256.

(6) "Permitted institution" means:

(A) a Federal Reserve Bank;

(B) a clearing corporation, as defined by Section 8.102, Business & Commerce Code;

(C) a bank eligible to be a custodian under Section 2257.041; or

(D) a state or nationally chartered bank that is controlled by a bank holding company that controls a bank eligible to be a custodian under Section 2257.041.

(7) "Public agency" means a state or a political or governmental entity, agency, instrumentality, or subdivision of a state, including a municipality, an institution of higher education, as defined by Section 61.003, Education Code, a junior college, a district created under Article XVI, Section 59, of the Texas Constitution, and a public hospital.

(8) "Public entity" means a public agency in this state, but does not include an institution of higher education, as defined by Section 61.003, Education Code.

(9) "State agency" means a public entity that:  
(A) has authority that is not limited to a geographic portion of the state; and  
(B) was created by the constitution or a statute.

(10) "Trust receipt" means evidence of receipt, identification, and recording, including:  
(A) a physical controlled trust receipt; or  
(B) a written or electronically transmitted advice of transaction.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1995, 74th Leg., ch. 76, Sec. 5.48(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 914, Sec. 5, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 254, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 891, Sec. 3.22(4), eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1423, Sec. 8.70, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 7.63, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 783 (H.B. 2103), Sec. 1, eff. June 17, 2011.

Sec. 2257.0025. HIGH-RISK MORTGAGE SECURITY. (a) For purposes of this chapter, a fixed-rate collateralized mortgage obligation is a high-risk mortgage security if the security:

(1) has an average life sensitivity with a weighted average life that:

(A) extends by more than four years, assuming an immediate and sustained parallel shift in the yield curve of plus 300 basis points; or

(B) shortens by more than six years, assuming an immediate and sustained parallel shift in the yield curve of minus 300 basis points; and

(2) is price sensitive; that is, the estimated change in the price of the mortgage derivative product is more



than 17 percent, because of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

(b) For purposes of this chapter, a floating-rate collateralized mortgage obligation is a high-risk mortgage security if the security:

(1) bears an interest rate that is equal to the contractual cap on the instrument; or

(2) is price sensitive; that is, the estimated change in the price of the mortgage derivative product is more than 17 percent, because of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

Added by Acts 1997, 75th Leg., ch. 254, Sec. 2, eff. Sept. 1, 1997.

Sec. 2257.003. CHAPTER NOT APPLICABLE TO DEFERRED COMPENSATION PLANS. This chapter does not apply to funds that a public entity maintains or administers under a deferred compensation plan, the federal income tax treatment of which is governed by Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Sections 401(k) and 457).

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.004. CONFLICT WITH OTHER LAW. This chapter prevails over any other law relating to security for a deposit of public funds to the extent of any conflict.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.005. CONTRACT GOVERNS LEGAL ACTION. A legal action brought by or against a public entity that arises out of or in connection with the duties of a depository, custodian, or

permitted institution under this chapter must be brought and maintained as provided by the contract with the public entity.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

SUBCHAPTER B. DEPOSITORY; SECURITY FOR DEPOSIT OF PUBLIC FUNDS

Sec. 2257.021. COLLATERAL REQUIRED. A deposit of public funds shall be secured by eligible security to the extent and in the manner required by this chapter.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.022. AMOUNT OF COLLATERAL. (a) Except as provided by Subsection (b), the total value of eligible security to secure a deposit of public funds must be in an amount not less than the amount of the deposit of public funds:

(1) increased by the amount of any accrued interest;  
and

(2) reduced to the extent that the United States or an instrumentality of the United States insures the deposit.

(b) The total value of eligible security described by Section 45.201(4) (D), Education Code, to secure a deposit of public funds of a school district must be in an amount not less than 110 percent of the amount of the deposit as determined under Subsection (a). The total market value of the eligible security must be reported at least once each month to the school district.

(c) The value of a surety bond is its face value.

(d) The value of an investment security is its market value.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 2003, 78th Leg., ch. 201, Sec. 46, eff. Sept. 1, 2003.

Sec. 2257.023. COLLATERAL POLICY. (a) In accordance with a written policy approved by the governing body of the public entity, a public entity shall determine if an investment security is eligible to secure deposits of public funds.

(b) The written policy may include:

(1) the security of the institution that obtains or holds an investment security;

(2) the substitution or release of an investment security; and

(3) the method by which an investment security used to secure a deposit of public funds is valued.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.024. CONTRACT FOR SECURING DEPOSIT OF PUBLIC FUNDS. (a) A public entity may contract with a bank that has its main office or a branch office in this state to secure a deposit of public funds.

(b) The contract may contain a term or condition relating to an investment security used as security for a deposit of public funds, including a term or condition relating to the:

(1) possession of the collateral;

(2) substitution or release of an investment security;

(3) ownership of the investment securities of the bank used to secure a deposit of public funds; and

(4) method by which an investment security used to secure a deposit of public funds is valued.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1999, 76th Leg., ch. 344, Sec. 5.006, eff. Sept. 1, 1999.

Sec. 2257.025. RECORDS OF DEPOSITORY. (a) A public entity's depository shall maintain a separate, accurate, and complete record relating to a pledged investment security, a deposit of public funds, and a transaction related to a pledged investment security.

(b) The comptroller or the public entity may examine and verify at any reasonable time a pledged investment security or a record a depository maintains under this section.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.16, eff. Sept. 1, 1997.

Sec. 2257.026. CHANGE IN AMOUNT OR ACTIVITY OF DEPOSITS OF PUBLIC FUNDS. A public entity shall inform the depository for the public entity's deposit of public funds of a significant change in the amount or activity of those deposits within a reasonable time before the change occurs.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

#### SUBCHAPTER C. CUSTODIAN; PERMITTED INSTITUTION

Sec. 2257.041. DEPOSIT OF SECURITIES WITH CUSTODIAN. (a) In addition to other authority granted by law, a depository for a public entity other than a state agency may deposit with a custodian a security pledged to secure a deposit of public funds.

(b) At the request of the public entity, a depository for a public entity other than a state agency shall deposit with a

custodian a security pledged to secure a deposit of public funds.

(c) A depository for a state agency shall deposit with a custodian a security pledged to secure a deposit of public funds. The custodian and the state agency shall agree in writing on the terms and conditions for securing a deposit of public funds.

(d) A custodian must be approved by the public entity and be:

(1) a state or national bank that:

(A) is designated by the comptroller as a state depository;

(B) has its main office or a branch office in this state; and

(C) has a capital stock and permanent surplus of \$5 million or more;

(2) the Texas Treasury Safekeeping Trust Company;

(3) a Federal Reserve Bank or a branch of a Federal Reserve Bank;

(4) a federal home loan bank; or

(5) a financial institution authorized to exercise fiduciary powers that is designated by the comptroller as a custodian pursuant to Section 404.031(e).

(e) A custodian holds in trust the securities to secure the deposit of public funds of the public entity in the depository pledging the securities.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1995, 74th Leg., ch. 1010, Sec. 1, eff. June 17, 1995; Acts 1997, 75th Leg., ch. 891, Sec. 3.17, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 344, Sec. 5.007, eff. Sept. 1, 1999.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 3, eff. September 1, 2009.

Sec. 2257.042. DEPOSIT OF SECURITIES WITH PERMITTED INSTITUTION. (a) A custodian may deposit with a permitted institution an investment security the custodian holds under Section 2257.041.

(b) If a deposit is made under Subsection (a):

(1) the permitted institution shall hold the investment security to secure funds the public entity deposits in the depository that pledges the investment security;

(2) the trust receipt the custodian issues under Section 2257.045 shall show that the custodian has deposited the security in a permitted institution; and

(3) the permitted institution, on receipt of the investment security, shall immediately issue to the custodian an advice of transaction or other document that is evidence that the custodian deposited the security in the permitted institution.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.043. DEPOSITORY AS CUSTODIAN OR PERMITTED INSTITUTION. (a) A public entity other than a state agency may prohibit a depository or an entity of which the depository is a branch from being the custodian of or permitted institution for a security the depository pledges to secure a deposit of public funds.

(b) A depository or an entity of which the depository is a branch may not be the custodian of or permitted institution for a security the depository pledges to secure a deposit of public funds by a state agency.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.044. CUSTODIAN AS BAILEE. (a) A custodian under this chapter or a custodian of a security pledged to an

institution of higher education, as defined by Section 61.003, Education Code, whether acting alone or through a permitted institution, is for all purposes the bailee or agent of the public entity or institution depositing the public funds with the depository.

(b) To the extent of any conflict, Subsection (a) prevails over Chapter 8 or 9, Business & Commerce Code.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.045. RECEIPT OF SECURITY BY CUSTODIAN. (a) On receipt of an investment security, a custodian shall immediately identify on its books and records, by book entry or another method, the pledge of the security to the public entity.

(b) For a deposit of public funds under Subchapter F, the custodian shall issue and deliver to the comptroller a trust receipt for the pledged security.

(c) For any other deposit of public funds under this chapter, at the written direction of the appropriate public entity officer, the custodian shall:

(1) issue and deliver to the appropriate public entity officer a trust receipt for the pledged security; or

(2) issue and deliver a trust receipt for the pledged security to the public entity's depository and instruct the depository to deliver the trust receipt to the public entity officer immediately.

(d) The custodian shall issue and deliver the trust receipt as soon as practicable on the same business day on which the investment security is received.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 434 (S.B. 581), Sec. 1, eff. June 14, 2013.

Sec. 2257.046. BOOKS AND RECORDS OF CUSTODIAN; INSPECTION. (a) A public entity's custodian shall maintain a separate, accurate, and complete record relating to each pledged investment security and each transaction relating to a pledged investment security.

(b) The comptroller or the public entity may examine and verify at any reasonable time a pledged investment security or a record a custodian maintains under this section. The public entity or its agent may inspect at any time an investment security evidenced by a trust receipt.

(c) The public entity's custodian shall file a collateral report with the comptroller in the manner and on the dates prescribed by the comptroller.

(d) At the request of the appropriate public entity officer, the public entity's custodian shall provide a current list of all pledged investment securities. The list must include, for each pledged investment security:

- (1) the name of the public entity;
  - (2) the date the security was pledged to secure the public entity's deposit;
  - (3) the Committee on Uniform Security Identification Procedures (CUSIP) number of the security;
  - (4) the face value and maturity date of the security;
- and

(5) the confirmation number on the trust receipt issued by the custodian.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.18, eff. Sept. 1, 1997.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 434 (S.B. 581), Sec. 2, eff. June 14, 2013.



Sec. 2257.047. BOOKS AND RECORDS OF PERMITTED INSTITUTION.

(a) A permitted institution may apply book entry procedures when an investment security held by a custodian is deposited under Section 2257.042.

(b) A permitted institution's records must at all times state the name of the custodian that deposits an investment security in the permitted institution.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.048. ATTACHMENT AND PERFECTION OF SECURITY INTEREST. (a) A security interest that arises out of a depository's pledge of a security to secure a deposit of public funds by a public entity or an institution of higher education, as defined by Section 61.003, Education Code, is created, attaches, and is perfected for all purposes under state law from the time that the custodian identifies the pledge of the security on the custodian's books and records and issues the trust receipt.

(b) A security interest in a pledged security remains perfected in the hands of a subsequent custodian or permitted institution.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

SUBCHAPTER D. AUDITS AND EXAMINATIONS; PENALTIES

Sec. 2257.061. AUDITS AND EXAMINATIONS. As part of an audit or regulatory examination of a public entity's depository or custodian, the auditor or examiner shall:

- (1) examine and verify pledged investment securities and records maintained under Section 2257.025 or 2257.046; and
- (2) report any significant or material noncompliance with this chapter to the comptroller.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

Sec. 2257.062. PENALTIES. (a) The comptroller may revoke a depository's designation as a state depository for one year if, after notice and a hearing, the comptroller makes a written finding that the depository, while acting as either a depository or a custodian:

(1) did not maintain reasonable compliance with this chapter; and

(2) failed to remedy a violation of this chapter within a reasonable time after receiving written notice of the violation.

(b) The comptroller may permanently revoke a depository's designation as a state depository if the comptroller makes a written finding that the depository:

(1) has not maintained reasonable compliance with this chapter; and

(2) has acted in bad faith by not remedying a violation of this chapter.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

Sec. 2257.063. MITIGATING CIRCUMSTANCES. (a) The comptroller shall consider the total circumstances relating to the performance of a depository or custodian when the comptroller makes a finding required by Section 2257.062, including the extent to which the noncompliance is minor, isolated, temporary, or nonrecurrent.

(b) The comptroller may not find that a depository or custodian did not maintain reasonable compliance with this

chapter if the noncompliance results from the public entity's failure to comply with Section 2257.026.

(c) This section does not relieve a depository or custodian of the obligation to secure a deposit of public funds with eligible security in the amount and manner required by this chapter within a reasonable time after the public entity deposits the deposit of public funds with the depository.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

Sec. 2257.064. REINSTATEMENT. The comptroller may reinstate a depository's designation as a state depository if:

(1) the comptroller determines that the depository has remedied all violations of this chapter; and

(2) the depository assures the comptroller to the comptroller's satisfaction that the depository will maintain reasonable compliance with this chapter.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

#### SUBCHAPTER E. EXEMPT INSTITUTIONS

Sec. 2257.081. DEFINITION. In this subchapter, "exempt institution" means:

(1) a public retirement system, as defined by Section 802.001; or

(2) the permanent school fund, as described by Section 43.001, Education Code.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 165, Sec. 6.31, eff. Sept. 1, 1997.

Sec. 2257.082. FUNDS OF EXEMPT INSTITUTION. An exempt institution is not required to have its funds fully insured or collateralized at all times if:

(1) the funds are held by:

(A) a custodian of the institution's assets under a trust agreement; or

(B) a person in connection with a transaction related to an investment; and

(2) the governing body of the institution, in exercising its fiduciary responsibility, determines that the institution is adequately protected by using a trust agreement, special deposit, surety bond, substantial deposit insurance, or other method an exempt institution commonly uses to protect itself from liability.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.083. INVESTMENT; SELECTION OF DEPOSITORY. This chapter does not:

(1) prohibit an exempt institution from prudently investing in a certificate of deposit; or

(2) restrict the selection of a depository by the governing body of an exempt institution in accordance with its fiduciary duty.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

#### SUBCHAPTER F. POOLED COLLATERAL TO SECURE

##### DEPOSITS OF CERTAIN PUBLIC FUNDS

Sec. 2257.101. DEFINITION. In this subchapter, "participating institution" means a financial institution that

holds one or more deposits of public funds and that participates in the pooled collateral program under this subchapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.102. POOLED COLLATERAL PROGRAM. (a) As an alternative to collateralization under Subchapter B, the comptroller by rule shall establish a program for centralized pooled collateralization of deposits of public funds and for monitoring collateral maintained by participating institutions. The rules must provide that deposits of public funds of a county are not eligible for collateralization under the program. The comptroller shall provide for a separate collateral pool for any single participating institution's deposits of public funds.

(b) Under the pooled collateral program, the collateral of a participating institution pledged for a public deposit may not be combined with, cross-collateralized with, aggregated with, or pledged to another participating institution's collateral pools for pledging purposes.

(c) A participating institution may pledge its pooled securities to more than one participating depositor under contract with that participating institution.

(d) The pooled collateral program must provide for:

(1) participation in the program by a participating institution and each affected public entity to be voluntary;

(2) uniform procedures for processing all collateral transactions that are subject to an approved security agreement described by Section 2257.103; and

(3) the pledging of a participating institution's collateral securities using a single custodial account instead of an account for each depositor of public funds.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.103. PARTICIPATION IN POOLED COLLATERAL PROGRAM.

A financial institution may participate in the pooled collateral program only if:

(1) the institution has entered into a binding collateral security agreement with a public agency for a deposit of public funds and the agreement permits the institution's participation in the program;

(2) the comptroller has approved the institution's participation in the program; and

(3) the comptroller has approved or provided the collateral security agreement form used.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.104. COLLATERAL REQUIRED; CUSTODIAN TRUSTEE.

(a) Each participating institution shall secure its deposits of public funds with eligible securities the total value of which equals at least 102 percent of the amount of the deposits of public funds covered by a security agreement described by Section 2257.103 and deposited with the participating institution, reduced to the extent that the United States or an instrumentality of the United States insures the deposits. For purposes of determining whether collateral is sufficient to secure a deposit of public funds, Section 2257.022(b) does not apply to a deposit of public funds held by the participating institution and collateralized under this subchapter.

(b) A participating institution shall provide for the collateral securities to be held by a custodian trustee, on behalf of the participating institution, in trust for the benefit of the pooled collateral program. A custodian trustee must qualify as a custodian under Section 2257.041.

(c) The comptroller by rule shall regulate a custodian trustee under the pooled collateral program in the manner provided by Subchapter C to the extent practicable. The rules must ensure that a custodian trustee depository does not own, is

not owned by, and is independent of the financial institution or institutions for which it holds the securities in trust, except that the rules must allow the following to be a custodian trustee:

- (1) a federal reserve bank;
- (2) a banker's bank, as defined by Section 34.105, Finance Code; and
- (3) a federal home loan bank.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.105. MONITORING COLLATERAL. (a) Each participating institution shall file the following reports with the comptroller electronically and as prescribed by rules of the comptroller:

- (1) a daily report of the aggregate ledger balance of deposits of public agencies participating in the pooled collateral program that are held by the institution, with each public entity's funds held itemized;
- (2) a weekly summary report of the total market value of securities held by a custodian trustee on behalf of the participating institution;
- (3) a monthly report listing the collateral securities held by a custodian trustee on behalf of the participating institution, together with the value of the securities; and
- (4) as applicable, a participating institution's annual report that includes the participating institution's financial statements.

(b) The comptroller shall provide the participating institution an acknowledgment of each report received.

(c) The comptroller shall provide a daily report of the market value of the securities held in each pool.

(d) The comptroller shall post each report on the comptroller's Internet website.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.106. ANNUAL ASSESSMENT. (a) Once each state fiscal year, the comptroller shall impose against each participating institution an assessment in an amount sufficient to pay the costs of administering this subchapter. The amount of an assessment must be based on factors that include the number of public entity accounts a participating institution maintains, the number of transactions a participating institution conducts, and the aggregate average weekly deposit amounts during that state fiscal year of each participating institution's deposits of public funds collateralized under this subchapter. The comptroller by rule shall establish the formula for determining the amount of the assessments imposed under this subsection.

(b) The comptroller shall provide to each participating institution a notice of the amount of the assessment against the institution.

(c) A participating institution shall remit to the comptroller the amount assessed against it under this section not later than the 45th day after the date the institution receives the notice under Subsection (b).

(d) Money remitted to the comptroller under this section may be appropriated only for the purposes of administering this subchapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.107. PENALTY FOR REPORTING VIOLATION. The comptroller may impose an administrative penalty against a participating institution that does not timely file a report required by Section 2257.105.



Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.108. NOTICE OF COLLATERAL VIOLATION; ADMINISTRATIVE PENALTY. (a) The comptroller may issue a notice to a participating institution that the institution appears to be in violation of collateral requirements under Section 2257.104 and rules of the comptroller.

(b) The comptroller may impose an administrative penalty against a participating institution that does not maintain collateral in an amount and in the manner required by Section 2257.104 and rules of the comptroller if the participating institution has not remedied the violation before the third business day after the date a notice is issued under Subsection (a).

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.109. PENALTY FOR FAILURE TO PAY ASSESSMENT. The comptroller may impose an administrative penalty against a participating institution that does not pay an assessment against it in the time provided by Section 2257.106(c).

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.110. PENALTY AMOUNT; PENALTIES NOT EXCLUSIVE. (a) The comptroller by rule shall adopt a formula for determining the amount of a penalty under this subchapter. For each violation and for each day of a continuing violation, a penalty must be at least \$100 per day and not more than \$1,000 per day. The penalty must be based on factors that include:

(1) the aggregate average weekly deposit amounts during the state fiscal year of the institution's deposits of public funds;

(2) the number of violations by the institution during the state fiscal year;

(3) the number of days of a continuing violation; and

(4) the average asset base of the institution as reported on the institution's year-end report of condition.

(b) The penalties provided by Sections 2257.107-2257.109 are in addition to those provided by Subchapter D or other law.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.111. PENALTY PROCEEDING CONTESTED CASE. A proceeding to impose a penalty under Section 2257.107, 2257.108, or 2257.109 is a contested case under Chapter 2001.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.112. SUIT TO COLLECT PENALTY. The attorney general may sue to collect a penalty imposed under Section 2257.107, 2257.108, or 2257.109.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.113. ENFORCEMENT STAYED PENDING REVIEW. Enforcement of a penalty imposed under Section 2257.107, 2257.108, or 2257.109 may be stayed during the time the order is under judicial review if the participating institution pays the penalty to the clerk of the court or files a supersedeas bond with the court in the amount of the penalty. A participating institution that cannot afford to pay the penalty or file the bond may stay the enforcement by filing an affidavit in the

manner required by the Texas Rules of Civil Procedure for a party who cannot afford to file security for costs, subject to the right of the comptroller to contest the affidavit as provided by those rules.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.114. USE OF COLLECTED PENALTIES. Money collected as penalties under this subchapter may be appropriated only for the purposes of administering this subchapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

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APPENDIX C

Resolution Adopting Investment Policy

APPENDIX D

SAMPLE - INVESTMENT POLICY CERTIFICATION FORM

As required by Texas Public Funds Investment Act

TEXAMERICAS CENTER

THE STATE OF TEXAS

COUNTY OF BOWIE

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

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

I hereby certify that:

1. I have reviewed the Center's Investment Policy;
2. The "Business Organization" has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Center and the Business Organization that are not authorized by the Center's Investment Policy, except to the extent that the Business Organization has not made an analysis of the make-up of the Center's entire portfolio or has not engaged in any interpretation of subjective investment standards or relates to investment transactions of the Center that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority; and
3. The statements, representations and declarations made in this document are true and correct.

\_\_\_\_\_

Qualified Representative

SWORN TO AND SUBSCRIBED BEFORE ME, this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_

Notary Public in and for the State of Texas<sup>8</sup>



July 22, 2020

To: Investment Committee

Fr: Dick Long

Re: Training Sources and Broker/Dealers

For consideration by the TexAmericas Center:

**Independent training sources:**

- Government Finance Officers' Association
- Government Finance Officers' Association of Texas
- Government Treasurers' Organization of Texas
- Council of Governments
- University of North Texas Center for Public Management
- American Institute of Certified Public Accountants
- Association of Governmental Accountants

**Authorized Broker/Dealer List:**

- FHTN Financial
- Raymond James
- Regions Bank
- Samco Capital Markets
- Wells Fargo Securities

**CLOSING DOCUMENTS INDEX  
\$1,500,000 LINE OF CREDIT LOAN**

**GUARANTY BANK & TRUST N.A.  
("Lender")  
and  
TEXAMERICAS CENTER  
("Center")**

**Dated as of October 1, 2020**

<b><i><u>Document No.</u></i></b>	<b><i><u>Document Description</u></i></b>
1	Loan Agreement between Lender and Center Exhibit A – Form of Note
2	Promissory Note executed by Center and payable to Lender
3	General Certificate of Center
4	Resolution of Center

**LOAN AGREEMENT**

**between**

**GUARANTY BANK & TRUST, N.A.**

**and**

**TEXAMERICAS CENTER**

**\$1,500,000 LOAN**

**Dated as of October 1, 2020**



## LOAN AGREEMENT

This **LOAN AGREEMENT** (as amended, restated, supplemented and/or otherwise modified, this “Agreement”), dated as of October 1, 2020, is between **GUARANTY BANK & TRUST, N.A.** (the “Lender”), and **TEXAMERICAS CENTER** (the “Center”), an authority duly established and created pursuant to Chapter 3503, Texas Special District Local Laws, (the “Act”).

### WITNESSETH:

**WHEREAS**, the Center has asked the Lender to make a loan in the form of a revolving line of credit to the Center for the purpose of financing working capital for the Center for its authorized purposes under the Act, such loan to be payable from the legally available revenues of the Center;

**WHEREAS**, the Lender is willing to make such loan to the Center, on the terms and conditions hereinafter set forth;

**NOW, THEREFORE**, in consideration of the premises and other good and valuable consideration and the mutual benefits, covenants and agreements herein expressed, the Lender and the Center agree as follows:

### ARTICLE I

#### DEFINITIONS AND RULES OF CONSTRUCTION

**Section 1.1 Definitions.** The capitalized terms used in this Agreement shall have the following respective meanings unless the context otherwise requires:

Act - has the meaning ascribed to such term in the first paragraph hereof.

Agreement - has the meaning ascribed to such term in the first paragraph hereof.

Bond Counsel – Naman Howell Smith & Lee, PLLC.

Business Day - Any day, other than a Saturday, Sunday, or legal holiday, on which the offices of the Lender are not required or authorized by law or executive order to be closed.

Closing Date - The date that the Note is delivered to the Lender.

Center - has the meaning ascribed to such term in the first paragraph hereof.

Costs of Issuance - The costs and expenses incurred by the Center with respect to the authorization, execution and delivery of the Loan Documents and all documentation related thereto.

Event of Default - Unless waived in writing by the Lender, the occurrence of any of the following:

- (a) the failure of the Center to make any of the Note Payments when due;
- (b) the failure of the Center to comply with any other covenant, condition, or agreement under this Agreement, and the continuation of such failure for a period of thirty (30) days after the date that the Center acquired actual knowledge or written notice of such failure, which knowledge may take the form of notice specifying such failure given to the Center by the Lender;
- (c) bankruptcy, insolvency, appointment of a receiver for, or the failure to discharge a judgment against, the Center;
- (d) the violation of any representation or warranty made by the Center under Section 5.2 hereof; or
- (e) the failure of the Center to perform any of its obligations under or comply with any provisions of this Agreement not described in (a) or (b) above or any other agreement with the Lender to which it may be a party or by which it is bound.

Interest Payment Date - The date interest payments are due on the Loan, as set forth in the Note.

Lender – Guaranty Bank & Trust, N.A., together with its successors and assigns.

Loan - The loan from the Lender to the Center made pursuant to this Agreement.

Loan Documents - Collectively, this Agreement, the Note, and the Resolution.

Maximum Interest Rate - The maximum rate of interest allowed under Chapter 1204, Government Code, as amended, but not to exceed the “*applicable interest rate ceiling*” as determined under Chapter 303 of the Texas Finance Code from time to time in effect.

Note - The promissory note of even date herewith (such promissory note, as the same may be renewed, extended, amended or otherwise modified from time to time) delivered pursuant to this Agreement in substantially the form attached hereto as Exhibit A, and any promissory note executed and delivered by the Center in replacement thereof or in substitution therefor.

Note Payments - The payments required by Section 2.3 to be made by the Center in payment of the principal of and interest on the Note.

Principal Amount - \$1,500,000.

Resolution - The resolution of the Board of Directors of the Center authorizing the execution and delivery of this Agreement and the Note and any amendments or supplements thereto.

State - The State of Texas.

**Section 1.2 Interpretative Matters.** Whenever the context requires:

- (i) references in this Agreement of the singular number shall include the plural and vice versa; and
- (ii) words denoting gender shall be construed to include the masculine, feminine, and neuter.

(b) The table of contents and the titles given to any article or section of this Agreement are for convenience of reference only and are not intended to modify the meaning of the article or section.

## **ARTICLE II**

### **THE LOAN; REPAYMENT OF THE LOAN**

**Section 2.1 Financing the Loan** Subject to the terms and conditions set forth in this Agreement, including without limitation the conditions set forth in Section 2.2, and for and in consideration of the payment by the Center of its obligations under this Agreement and the Note and the covenants and agreements herein contained, the Lender will, on the Closing Date, advance to and for the sole use and benefit of the Center an amount up to the Principal Amount for the exclusive purpose of providing funds to the Center to finance working capital and paying the costs related thereto including, without limitation, the Costs of Issuance.

**Section 2.2 Conditions to Closing** The obligation of the Lender to make the advance pursuant to Section 2.1 hereof shall be subject to the following conditions:

(a) The representations of the Center herein shall be true, complete and correct in all material respects on the date hereof and on and as of the Closing Date as if made on the Closing Date;

(b) On the Closing Date, the Loan Documents shall be in full force and effect, assuming due authorization and execution by the other parties thereto, and shall not have been amended or supplemented except as may have been agreed to in writing by the Lender;

(c) At or prior to the Closing Date, the Lender shall have received each of the following documents:

- (i) This Agreement executed by an authorized officer of the Center;
- (ii) The Note executed by an authorized officer of the Center;

(iii) A certificate, dated the Closing Date, executed by an authorized officer of the Center, to the effect that (A) the representations and warranties of the Center contained in this Agreement are true and correct on the date hereof and on and as of the Closing Date as if made on the Closing Date; (B) the Resolution and this Agreement are in full force and effect and have not been amended or supplemented except as may have been approved in writing by the Lender; (C) the Center is not in default with respect to any of its outstanding obligations; and (D) no litigation is pending or, to the best of their

knowledge, threatened in any court to restrain or enjoin the execution and delivery of this Agreement or the Note, or contesting or affecting the adoption and validity of the Resolution or the authorization, execution and delivery of the Loan Documents, or contesting the powers of the Board of Directors of the Center;

(iv) Certified copies of resolutions of the Center authorizing execution, delivery and performance of all of the Loan Documents and authorizing the borrowing hereunder, along with such certificates of existence, certificates of good standing and other certificates or documents as the Lender may reasonably require to evidence the Center's authority;

(v) True copies of all organizational documents of the Center, including all amendments, restatements or supplements thereto;

**Section 2.3 Repayment Terms** The Center agrees to execute and deliver the Note to the Lender upon the advance of the Principal Amount by the Lender to the Center pursuant to Section 2.1.

(b) The Note shall be dated the Closing Date, shall be in an aggregate principal amount equal to the Principal Amount and shall be payable as specified in the Note.

(c) Interest shall accrue and be paid on the outstanding Principal Amount as specified in the Note.

**Section 2.4 Note Payments**. All Note Payments shall be made on the applicable payment date in immediately available funds and shall be paid to the Lender at the address provided to the Center pursuant to Section 8.2.

**Section 2.5 Note Payments Due on Business Days**. If the regularly scheduled due date for a Note Payment is not a Business Day, the due date for such payment shall be the next succeeding Business Day, and payment made on such succeeding Business Day shall have the same force and effect as if made on the regularly scheduled due date.

**Section 2.6 Prepayment of Note**. (a) Voluntary Prepayment. The Center may at its option prepay the principal amount of the Note outstanding hereunder on any date without premium or penalty. The prepayment price shall be an amount equal to the principal amount to be prepaid plus the accrued interest thereon to the prepayment date.

**Section 2.7 Limited Obligation** The obligations of the Center hereunder are special limited obligations thereof and neither the Note nor any instrument related to this Agreement may give a holder a right to demand payment from any source other than the available revenues of the Center.

## ARTICLE III

### SPECIAL AGREEMENTS

**Section 3.1 Obligations of Center Current Revenue.** The obligation of the Center to make the payments required by Section 2.3 shall be an obligation of the current revenues of the Center only. The Obligations of the Center shall not be considered a debt for any purposes under the law of the State.

- (a) Until such time as the Note is fully paid the Center:
- (i) will not suspend or discontinue, or permit the suspension or discontinuance of, the operations of the Center;
  - (ii) will perform and observe all of its other agreements contained in this Agreement; and
  - (iii) except by full payment and retirement of the Note will not terminate this Agreement for any cause.

**Section 3.2 Financial Statements and Reports.** For so long as any amounts remain outstanding under the Note, the Center will promptly furnish to the Lender: (i) within thirty (30) days of the end of each calendar quarter unaudited interim financial statements; (ii) promptly after available and in any event within one hundred eighty (180) days of each fiscal year end, current audited financial statements, on a consolidated basis, of the Center including (i) a balance sheet, (ii) statement of revenues, expenses and changes in fund balances, (iii) statements of cash flow, (iv) operating fund budget analysis, and (iv) appropriate notes and attachments to the financial statements; and (iii) from time to time upon request such other information regarding the business and affairs and financial condition of the Center as the Lender may reasonably request.

**Section 3.3 Inspection Rights**At any reasonable time and from time to time, the Center will permit representatives of the Lender to examine, copy, and make extracts from its books and records, to visit and inspect its properties, and to discuss its business, operations, and financial condition with its officers, employees, and independent certified public accountants.

**Section 3.4 Keeping Books and Records**The Center will maintain proper books of record and account in which full, true, and correct entries in conformity with generally accepted accounting principles shall be made of all dealings and transactions in relation to its business and activities.

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES

**Section 4.1 Representations and Warranties of Lender**The Lender represents and warrants to the Center the following:

(a) The Lender has all necessary power and authority to enter into and perform this Agreement.

(b) The Lender has taken all actions required to authorize and execute this Agreement and to perform its obligations hereunder and the execution, delivery and performance by the Lender of and compliance with the provisions of this Agreement will not conflict with any existing law, regulation, rule, decree or order or any agreement or other instrument by which the Lender is bound.

**Section 4.2 Representations by the Center**The Center represents, warrants and covenants to the Lender as follows:

(a) The Center is an authority, governmental agency, and political subdivision of the state, within the meaning of Chapter 3503 of the Act, has all of the rights, powers, privileges, authority and functions given by the Act and is authorized by the Act to execute and to enter into this Agreement and to undertake the transactions contemplated herein and to carry out its obligations hereunder.

(b) The Center is duly organized, validly existing, and in good standing under the laws of the State. The Center has all requisite power, authority and legal right to execute and deliver the Loan Documents and all other instruments and documents to be executed and delivered by the Center pursuant thereto, to perform and observe the provisions thereof and to carry out the transactions contemplated by the Loan Documents. All corporate action on the part of the Center which is required for the execution, delivery, performance and observance by the Center of the Loan Documents has been duly authorized and effectively taken, and such execution, delivery, performance and observation by the Center do not contravene applicable law or any contractual restriction binding on or affecting the Center.

(c) The Center has duly approved the borrowing of funds from the Lender therefor; no other authorization or approval or other action by, and no notice to or filing with any governmental authority or regulatory body is required as a condition to the performance by the Center of its obligations under any of the Loan Documents.

(d) This Agreement and the Note are legally valid and binding obligations of the Center enforceable against the Center in accordance with their respective terms.

(e) There is no default of the Center in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been incurred which does or could affect the validity and enforceability of the Loan Documents or the ability of the Center to perform its obligations thereunder, and no event has occurred and is continuing under the provisions of any such instrument or agreement which constitutes or, with the lapse of time or the giving of notice, or both, would constitute such a default.

(f) There is no pending or, to the knowledge of the undersigned officers of the Center, threatened action or proceeding before any court, governmental agency or department or arbitrator (i) to restrain or enjoin the execution or delivery of this Agreement and the Note or the collection of any revenues, (ii) in any way contesting or affecting the authority for the execution

and delivery or the validity of the Loan Documents, or (iii) in any way contesting the levy of the Economic Development Sales and Use Tax or the existence of the Center or the title or powers of the officers of the Center.

(g) In connection with the authorization, execution and delivery of this Agreement and the Note, the Center has complied with all provisions of the laws of the State, including the Act.

(h) The execution and delivery of the documents contemplated hereunder do not violate any provision of any instrument or agreement to which the Center is a party or by which it is bound.

(i) The Center has, by proper corporate action, duly authorized the execution and delivery of this Agreement.

(j) The Center is not in default under or in violation of the Constitution or any of the laws of the State relevant to the issuance of the Note or the consummation of the transactions contemplated hereby or in connection with such issuance, and has duly authorized the issuance of the Note and the execution and delivery of this Agreement. The Center agrees that it will do or cause to be done in a timely manner all things necessary to preserve and keep in full force and effect its existence, and to carry out the terms of this Agreement and the Indenture.

(k) The Center's books and records properly reflect the financial condition of the Center and, to the best of the Center's knowledge, there has been no material adverse change in the business, condition (financial or otherwise), operations, prospects or properties of the Center since the effective date of the Center's most recent financial statements.

## ARTICLE V

### REMEDIES SECTION

**Section 5.1 Remedies Available** So long as any Event of Default has occurred and is continuing, the Lender may take any action at law or in equity to collect all amounts then due under this Agreement and the enforcing of compliance with any other obligation of the Center under this Agreement.

(b) In addition to the remedies provided in subsection (a) of this Section, the Lender shall, to the extent permitted by law, be entitled to recover the costs and expenses, including attorney's fees and court costs, incurred by the Lender in the proceedings authorized under subsection (a) of this Section.

(c) Notwithstanding any other provision of this Agreement, the acceleration of the Note Payments is not available as a remedy under this Agreement.

**Section 5.2 Application of Money Collected** Any money collected as a result of the taking of remedial action pursuant to this Article VI, including money collected as a result of foreclosing the liens of this Agreement, shall be applied to cure the Event of Default with respect to which such remedial action was taken.

**Section 5.3 Restoration of Rights** If any action taken as a result of an Event of Default is discontinued or abandoned for any reason, or is determined adversely to the interests of the Lender, or if an Event of Default is cured, all parties shall be deemed to be restored to their respective positions and rights under the Loan Documents as if such Event of Default had not occurred.

**Section 5.4 Non-Exclusive Remedies** No remedy conferred upon or reserved to the Lender by this Agreement is intended to be exclusive of any other available remedy, and each such remedy shall be in addition to any other remedy given under this Agreement or the other Loan Documents or now or hereafter existing at law or in equity.

**Section 5.5 Delays** No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or be construed to be a waiver thereof, and all such rights and powers may be exercised as often as may be deemed expedient.

**Section 5.6 Limitation on Waivers** If an Event of Default is waived, such waiver shall be limited to the particular Event of Default so waived and shall not be deemed a waiver of any other Event of Default; provided, that no waiver of an Event of Default shall be effective unless such waiver is made in writing.

## ARTICLE VI

### DISCHARGE BY PAYMENT

When the Note has been paid in full or when the Center has made payment to the Lender of the whole amount due or to become due under the Note (including all interest that has accrued thereon or that may accrue to the date of maturity or prepayment, as applicable), and all other amounts payable by the Center under this Agreement have been paid, the liens of this Agreement shall be discharged and released, and the Lender, upon receipt of a written request by the Center and the payment by the Center of the reasonable expenses with respect thereto, shall discharge and release the lien of this Agreement and execute and deliver to the Center such releases or other instruments as shall be requisite to release the lien hereof.

## ARTICLE VII

### MISCELLANEOUS

**Section 7.1 Term of Agreement**. This Agreement shall become effective upon the Closing Date and shall continue in full force and effect until all obligations of the Center under this Agreement and the Note have been fully paid.

**Section 7.2 Notices**. (a) All notices, certificates, or other communications required by or made pursuant to this Note Agreement shall be in writing and given by certified or registered United States Mail, return receipt requested, addressed as follows:



(i) if to the Lender:

Guaranty Bank & Trust, N.A.

Texarkana  
2202 Saint Michael Dr.  
Texarkana, Texas 75503-2358

(ii) if to the Center:

Texamericas Center  
107 Chapel Ln.  
New Boston, Texas 75570-9554

(b) The Center and the Lender may designate any further or different addresses to which subsequent notices shall be sent; provided, that, any of such parties shall designate only one address for such party to receive such notices.

(c) Except as otherwise provided by this Agreement, any communication delivered by mail in compliance with this section is deemed to have been given as of the date of deposit in the mail.

(d) A provision of this Agreement that provides for a specific method of giving notice or otherwise conflicts with this section supersedes this section to the extent of the conflict.

**Section 7.3 Binding Effect, Assignment**(a) This Agreement shall (i) be binding upon the Center, its successors and assigns, and (ii) inure to the benefit of and be enforceable by the Lender and its successors, transferees and assigns; provided that the Center may not assign all or any part of this Agreement without the prior written consent of the Lender. The Lender may assign, transfer or grant participations in all or any portion of this Agreement, the Note, or any of its rights or security hereunder, including without limitation, the instruments securing the Center's obligations under this Agreement; provided that any such assignment, transfer or grant shall be made only to a financial institution whose primary business is the lending of money.

**Section 7.4 Expenses, Fees, Etc**The Center hereby agrees to pay on demand all reasonable costs and expenses of the Lender in connection with the preparation, negotiation, execution, and delivery of the Loan Documents and any and all amendments, modifications, renewals, extensions, and supplements thereof and thereto, including, without limitation, the fees and expenses of legal counsel for the Lender and other professionals.

**Section 7.5 Severability**If any part of this Agreement is ruled invalid or unenforceable by a court of competent jurisdiction, the invalidity or unenforceability thereof shall not affect the remainder of this Agreement.

**Section 7.6 Counterparts**This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same document.

**Section 7.7 Applicable Law** This Agreement shall be governed in all respects, whether as to validity, construction, performance, or otherwise, by the laws of the State and, if applicable, federal law.

**Section 7.8 Jurisdiction** All actions or proceedings with respect to, and the performance of, the Note and this Agreement shall be, or shall be instituted in the courts of the State of Texas, in Titus County, Texas, and by execution and delivery of this Agreement, the Center and the Lender irrevocably and unconditionally submit to the jurisdiction of such courts and unconditionally waive (i) any objection each may now or hereafter have to the laying of venue in any such courts, and (ii) any claim that any action or proceeding brought in any such courts has been brought in an inconvenient forum.

**Section 7.9 Anti-Boycott Verification.** To the extent this Agreement is a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, the Lender hereby verifies that the Lender is a company (as defined in Section 808.001, Texas Government Code) which does not boycott Israel and will not boycott Israel through the term of this Agreement. For purposes of this verification, “boycott Israel” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

**Section 7.10 Iran, Sudan and Foreign Terrorist Organizations.** To the extent this Agreement is a governmental contract, within the meaning of Section 2252.151 of the Texas Government Code, as amended, the Lender represents that it is not a company (as defined in Section 2270.001(2), Texas Government Code) engaged in business with Iran, Sudan, or a foreign terrorist organization (as defined in Section 2252.151(2), Texas Government Code) and that it is not on a list prepared and maintained by the Comptroller of Public Accounts of the State of Texas under Section 806.051, 807.051, or 2252.153, Texas Government Code.

**Section 7.11 Notice of Final Agreement.** **THIS WRITTEN AGREEMENT AND ANY OTHER DOCUMENTS EXECUTED IN CONNECTION HERewith REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES.**

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed and attested by their respective duly authorized officers as of the date first above written.

**GUARANTY BANK & TRUST, N.A.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**TEXAMERICAS CENTER**

By: \_\_\_\_\_  
William S. Norton, Executive Director and CEO

## EXHIBIT A

\$1,500,000

October 1, 2020

### TEXAMERICAS CENTER PROMISSORY NOTE

**TEXAMERICAS CENTER** (the “*Center*”) for value received, hereby promises to pay to the order of **GUARANTY BANK & TRUST N.A.**, its successor or assigns, at its offices located at 2202 Saint Michael Dr., Texarkana, Texas the principal sum of ONE MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$1,500,000) or so much as may be outstanding.

All capitalized terms which are used but not defined in this Note shall have the same meanings as in the Loan Agreement dated as of even date herewith, between the Center and the Lender (such Loan Agreement, together with all amendments, restatements, supplements and/or other modifications thereto, being the “*Loan Agreement*”).

Subject to Section 2.3(d) of the Loan Agreement, the Center agrees to pay accrued interest only each month beginning on October 31, 2020 and on the last day of each month thereafter and to pay principal and accrued interest on all amounts hereof so advanced and remaining from time to time unpaid hereon in full on September 15, 2021 (the “Maturity Date”).

Interest shall accrue at a variable rate based upon an independent index which is the Wall Street Journal US Prime Rate (the “Index”). If the Index becomes unavailable during the term of this Note, Lender may designate a substitute index after notifying the Center. Lender will tell the Center the current Index rate upon the Center’s request. The interest rate change will not occur more often than each day. Interest prior to maturity on the unpaid principal balance of this Note will be calculated using a rate of 0.50 percentage points below the Index. The initial rate of interest on the Note will be 3.50% per annum. Notwithstanding any other provision of this Note, Lender will not charge interest on any undisbursed Note proceeds. In no event shall the interest rate be less than 3.50% per annum or exceed the lesser of (1) the Maximum Interest Rate, as that term is defined in the Loan Agreement, or (2) 17.75% per annum.

The Post Maturity Rate on this Note shall be the lesser of (1) the Maximum Interest Rate; or (2) 9.50%. The Center will pay interest on all sums due after the Maturity Date at that rate.

If a payment is 10 days or more late, the Center will be charged 5.000% of the unpaid portion of the regularly scheduled payment. In the event a payment is returned dishonored, the Center will be charged a fee of \$29.00.

All payments of interest shall be computed based on a 360 day year consisting of twelve 30 day months but based upon the actual number of days elapsed. All interest payable under this Note is computed using this method.

Principal of and interest on this Note shall be payable from all available revenues of the Center.

This Note evidences a revolving line of credit. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by the Center or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. The Center agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of the Center's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. The loan evidenced by this Note is not for personal, family, or household use.

This Note is authorized under that certain Loan Agreement and is subject to, and is executed in accordance with, all of the terms, conditions and provisions thereof. A fully executed copy of the Loan Agreement is on file in the permanent records of the Center and is open for inspection to any member of the general public and to any person proposing to do business with, or asserting claims against, the Center, at all times during regular business hours.

Except as otherwise provided in the Loan Agreement, the Center waives all demands for payment, presentations for payment, protests, notices of protests, and all other demands and notices, to the extent permitted by law.

All agreements between the Center and holder hereof, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand, prepayment, or otherwise, shall the interest contracted for, charged, received, paid or agreed to be paid to the holder hereof, exceed the maximum permissible by applicable law. If, from any circumstances whatsoever, interest would otherwise be payable to the holder hereof in excess of the Maximum Interest Rate, then the interest payable to the holder hereof shall be reduced to the maximum amount permitted under applicable law; and if from any circumstances the holder hereof shall ever receive anything of value deemed interest by applicable law in excess of the Maximum Interest Rate, an amount equal to any excessive interest shall be applied to the reduction of the principal hereof and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal hereof, such excess shall be refunded to the Center. All interest paid or agreed to be paid to the holder hereof shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full period of the subject loan until payment in full of the principal so that the interest hereon for such full period shall not exceed the maximum amount permitted by applicable law. This paragraph shall control all agreements between the Center and the holder hereof.

THIS NOTE AND THE LOAN AGREEMENT REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

The Center may, in its discretion, prepay all or any portion of the outstanding principal amount of this Note pursuant to Section 2.6 of the Loan Agreement.

If a date for the payment of the principal of or interest on the Note is a Saturday, Sunday, legal holiday, or a day on which the Lender is authorized by law or executive order to close, then

the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institution is authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Note shall be governed in all respects by the laws of the State of Texas and of the United States of America.

**IN WITNESS WHEREOF**, this Note has been duly executed effective as of the date first written above.

**TEXAMERICAS CENTER**

By: \_\_\_\_\_  
William S. Norton, Executive Director and CEO



\$1,500,000

October 1, 2020

**TEXAMERICAS CENTER  
PROMISSORY NOTE**

**TEXAMERICAS CENTER** (the “*Center*”) for value received, hereby promises to pay to the order of **GUARANTY BANK & TRUST N.A.**, its successor or assigns, at its offices located at 2202 Saint Michael Dr., Texarkana, Texas the principal sum of ONE MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$1,500,000) or so much as may be outstanding.

All capitalized terms which are used but not defined in this Note shall have the same meanings as in the Loan Agreement dated as of even date herewith, between the Center and the Lender (such Loan Agreement, together with all amendments, restatements, supplements and/or other modifications thereto, being the “*Loan Agreement*”).

Subject to Section 2.3(d) of the Loan Agreement, the Center agrees to pay accrued interest only each month beginning on October 31, 2020 and on the last day of each month thereafter and to pay principal and accrued interest on all amounts hereof so advanced and remaining from time to time unpaid hereon in full on September 15, 2021 (the “Maturity Date”).

Interest shall accrue at a variable rate based upon an independent index which is the Wall Street Journal US Prime Rate (the “Index”). If the Index becomes unavailable during the term of this Note, Lender may designate a substitute index after notifying the Center. Lender will tell the Center the current Index rate upon the Center’s request. The interest rate change will not occur more often than each day. Interest prior to maturity on the unpaid principal balance of this Note will be calculated using a rate of 0.50 percentage points below the Index. The initial rate of interest on the Note will be 3.50% per annum. Notwithstanding any other provision of this Note, Lender will not charge interest on any undisbursed Note proceeds. In no event shall the interest rate be less than 3.50% per annum or exceed the lesser of (1) the Maximum Interest Rate, as that term is defined in the Loan Agreement, or (2) 17.75% per annum.

The Post Maturity Rate on this Note shall be the lesser of (1) the Maximum Interest Rate; or (2) 9.50%. The Center will pay interest on all sums due after the Maturity Date at that rate.

If a payment is 10 days or more late, the Center will be charged 5.000% of the unpaid portion of the regularly scheduled payment. In the event a payment is returned dishonored, the Center will be charged a fee of \$29.00.

All payments of interest shall be computed on a 360 day year consisting of twelve 30 day months but based upon the actual number of days elapsed. All interest payable under this Note is computed using this method.

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Principal of and interest on this Note shall be payable from all available revenues of the Center.

This Note evidences a revolving line of credit. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by the Center or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. The Center agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of the Center's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. The loan evidenced by this Note is not for personal, family, or household use.

This Note is authorized under that certain Loan Agreement and is subject to, and is executed in accordance with, all of the terms, conditions and provisions thereof. A fully executed copy of the Loan Agreement is on file in the permanent records of the Center and is open for inspection to any member of the general public and to any person proposing to do business with, or asserting claims against, the Center, at all times during regular business hours.

Except as otherwise provided in the Loan Agreement, the Center waives all demands for payment, presentations for payment, protests, notices of protests, and all other demands and notices, to the extent permitted by law.

All agreements between the Center and holder hereof, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand, prepayment, or otherwise, shall the interest contracted for, charged, received, paid or agreed to be paid to the holder hereof, exceed the maximum permissible by applicable law. If, from any circumstances whatsoever, interest would otherwise be payable to the holder hereof in excess of the Maximum Interest Rate, then the interest payable to the holder hereof shall be reduced to the maximum amount permitted under applicable law; and if from any circumstances the holder hereof shall ever receive anything of value deemed interest by applicable law in excess of the Maximum Interest Rate, an amount equal to any excessive interest shall be applied to the reduction of the principal hereof and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal hereof, such excess shall be refunded to the Center. All interest paid or agreed to be paid to the holder hereof shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full period of the subject loan until payment in full of the principal so that the interest hereon for such full period shall not exceed the maximum amount permitted by applicable law. This paragraph shall control all agreements between the Center and the holder hereof.

THIS NOTE AND THE LOAN AGREEMENT REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

The Center may, in its discretion, prepay all or any portion of the outstanding principal amount of this Note pursuant to Section 2.6 of the Loan Agreement.

If a date for the payment of the principal of or interest on the Note is a Saturday, Sunday, legal holiday, or a day on which the Lender is authorized by law or executive order to close, then

the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institution is authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Note shall be governed in all respects by the laws of the State of Texas and of the United States of America.

**IN WITNESS WHEREOF**, this Note has been duly executed effective as of the date first written above.

**TEXAMERICAS CENTER**

By: \_\_\_\_\_  
William S. Norton, Executive Director and CEO

## GENERAL CERTIFICATE OF TEXAMERICAS CENTER

On September 22, 2020, I, the undersigned duly authorized officer of the TEXAMERICAS CENTER (the "Borrower") acting in my official capacity as such, hereby certify with respect to the Loan Agreement dated as of October 1, 2020, (as amended, restated, supplemented and/or otherwise modified, the "Loan Agreement") by and between Borrower and Guaranty Bank & Trust, N.A., as follows:

1. That the Borrower is an authority, validly created under Chapter 3503, Special District Local Laws, as amended (the "Act") and existing under the Act, and the laws and the Constitution of the State of Texas and is a governmental agency and political subdivision thereof. All capitalized terms used herein shall have the meanings set forth for such terms in the Loan Agreement unless the context clearly indicates otherwise.

2. The Board of Directors of the Borrower duly adopted by a majority vote the Resolution Regarding the Loan Agreement (the "Resolution") authorizing and approving the entering into the Loan Agreement and the Note, at a duly called public meeting, at which a quorum was present and acting throughout; the Resolution is in full force and effect and has not been altered, amended or repealed as of the date hereof; that said meeting was duly called and open to the public in accordance with the laws of the State of Texas.

3. The following described instruments (collectively, the "Instruments"), as executed and delivered or authorized by the Borrower, are in substantially the same form and text as copies of such Instruments which were before and were approved or ratified by the Board of Directors of the Borrower, and which the officers of the Borrower were authorized to execute and deliver for and on behalf of the Borrower:

- (a) the Loan Agreement; and
- (b) the Note.

4. To the best knowledge of the undersigned, on the date hereof, the Borrower is not in default in the performance or observance of any of the covenants, conditions, agreements or provisions of the Instruments.

5. The representations and warranties of the Borrower contained in the Instruments are correct on and as of the date hereof as though made on and as of such date.

6. No litigation is pending or, to the best of Borrower's knowledge, threatened in any court to restrain or enjoin the execution and delivery of the Loan Agreement or the Note, or contesting or affecting the adoption and validity of the Resolution or the authorization, execution and delivery of the Instruments, or contesting the powers of the Board of Directors of the Borrower.

**IN WITNESS WHEREOF**, we have duly executed this certificate on the date first written above.

**TEXAMERICAS CENTER**

By: \_\_\_\_\_  
William S. Norton, Executive Director and CEO

**CERTIFICATE FOR RESOLUTION**

On September 22, 2020, we, the undersigned officers of said Center, hereby certify as follows:

1. On September 22, 2020 at the designated meeting place, and the roll was called of the duly constituted officers and members of said Board of Directors, and all of said persons were present, except the following absentees: \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
TEXAMERICAS CENTER REGARDING A LOAN IN THE AMOUNT  
NOT TO EXCEED \$1,500,000**

was duly introduced for the consideration of said Board of Directors and read in full. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of the Board of Directors shown present above voted "Aye" except as shown below.

NOES: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

2. That a true, full and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Resolution has been duly recorded in said Board of Directors' minutes of said Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from said Board of Directors' minutes of said Meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said Board of Directors as indicated therein; that each of the officers and members of said Board of Directors was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for adoption at said Meeting, and each of said officers and members consented, in advance, to the holding of said Meeting for such purpose, and that said Meeting was open to the public and public notice of the time, place and purpose of said Meeting was given, all as required by Chapter 551, Texas Government Code.

3. That the Chairman of the Board of Directors of the Center has approved and hereby approves the aforesaid Resolution; that the Chairman and the Secretary of said Center have duly signed said Resolution; and that the Chairman and the Center Secretary of said Center hereby declare that their signing of this Certificate shall constitute the signing of the attached and following copy of said Resolution for all purposes.

Signed on the date first written above.

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Secretary, Board of Directors

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Chair, Board of Directors



**RESOLUTION OF THE BOARD OF DIRECTORS OF TEXAMERICAS CENTER  
REGARDING A LOAN IN THE AMOUNT NOT TO EXCEED \$1,500,000**

**WHEREAS**, TEXAMERICAS CENTER ("Borrower") proposes to enter into a Loan Agreement dated as of October 1, 2020 (as amended, restated, supplemented and/or otherwise modified, the "Loan Agreement"), with Guaranty Bank & Trust, as lender ("Lender") to enable Borrower to finance working capital for operation of the Center, in an amount not to exceed \$1,500,000 and as for the payment of the principal of and interest thereon, the Borrower has agreed to pledge its available revenue. All capitalized terms used herein, but not otherwise defined herein, shall have the meaning ascribed to such term in the Loan Agreement.

**WHEREAS**, the proposed form of the Loan Agreement and Note have been presented to this meeting.

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF  
TEXAMERICAS CENTER AS FOLLOWS:**

**Section 1.** The Board of Directors agrees to enter into the Loan Agreement and Note to finance working capital expenses in an amount not to exceed \$1,500,000 at an interest rate agreed upon by the Lender and the Borrower on the date of execution of the Note and the Loan Agreement.

**Section 2.** That Executive Director of the Center is authorized to execute, acknowledge and deliver in the name and on behalf of Borrower to the Lender the Loan Agreement, including all attachments and exhibits thereto and the Note, and the Loan Agreement and the Note shall be in substantially the form presented to this meeting with such changes as the signing officer shall determine to be advisable. Further, said Executive Director is authorized to execute, acknowledge and deliver in the name and on behalf of the Borrower any other agreement, instrument, certificate, representation and document, and to take any other action as may be advisable, convenient or necessary to enter into such Loan Agreement and the Note; the execution thereof by the Executive Director shall be conclusive as to such determination.

**Section 3.** That there is hereby authorized the execution and delivery by the Executive Director in the name of and on behalf of Borrower the Loan Agreement, including all attachments and exhibits thereto and the Note in substantially the form presented to this meeting with such changes as the signing officer shall determine advisable, and the execution thereof shall be conclusive as to such determination.

**Section 4.** That this Resolution shall take effect immediately.

**PASSED AND ADOPTED** this September 22, 2020.

**TEXAMERICAS CENTER**

By: \_\_\_\_\_  
\_\_\_\_\_, Chair

**ATTEST:**

By: \_\_\_\_\_  
\_\_\_\_\_, Secretary

**GENERAL FUND**  
**Analysis of FY20 Actual Revenues Expenses,**  
**FY20 (Original Amended) Budgets and**  
**FY21 Proposed Budgets**

	FY20 Original General Fund	FY20 Amended General Fund	FY20 Original Logistics Fund	FY20 Amended Logistics Fund	FY20 Final Combined	FY21 Proposed General Fund	FY21 Proposed Logistics Fund	FY21 Combined
<b>Revenues:</b>								
ESCA	2,573,078	2,573,078			2,573,078	1,193,346		1,193,346
Franchise Fees - AEP	60,000	52,000			52,000	60,000		60,000
Franchise Fees - Natural Gas	8,500	1,500			1,500	2,000		2,000
Franchise Fees - Network USA	5,000	1,000			1,000	1,000		1,000
Franchise Fees - Riverbend	84,000	89,000			89,000	84,000		84,000
Personal Property Sales	5,000	5,000			5,000	5,000		5,000
EDA Grant	643,000	409,404			409,404	-		-
Leases	1,932,257	2,210,020			2,210,020	1,965,000		1,965,000
Retirement Settlement	-	74,000			74,000	-		-
TAC E Management Fees	15,000	15,000			15,000	5,000		5,000
Bowie County Chapter 381	3,000	3,000			3,000	3,000		3,000
Miscellaneous	5,000	8,000			8,000	5,000		5,000
Interest	100,000	235,000			235,000	100,000		100,000
Leased Employee (TAC E Holdings)	409,302	409,302			409,302	249,479		249,479
PILOT	-	-			-	100,000		100,000
Timber	250,000	378,000			378,000	317,000		317,000
Hunting	51,903	47,812			47,812	47,800		47,800
Project Reimbursement	-	1,032,109			1,032,109	-		-
Logistics	-	-	-	-	-		259,370	259,370
<b>Total Revenue</b>	<b>6,145,040</b>	<b>7,543,224</b>	<b>-</b>	<b>-</b>	<b>7,543,224</b>	<b>4,137,625</b>	<b>259,370</b>	<b>4,396,995</b>
<b>Expenses</b>								
ESCA	2,375,902	2,677,715			2,677,715	1,333,477		1,333,477
Facility Operations	1,570,439	4,062,775			4,062,775	1,876,581		1,876,581
Real Estate	1,375,317	1,039,711			1,039,711	1,332,091		1,332,091
General Government	606,067	1,085,938			1,085,938	1,006,981		1,006,981
Hunting & Timber	154,131	169,936			169,936	102,559		102,559
Logistics	-	-	-	4,190	4,190		838,387	838,387
<b>Total Expenses</b>	<b>6,081,856</b>	<b>9,036,076</b>	<b>-</b>	<b>4,190</b>	<b>9,040,266</b>	<b>5,651,689</b>	<b>838,387</b>	<b>6,490,076</b>
<b>Total Revenue Over (Under) Expenses</b>	<b>63,184</b>	<b>(1,492,852)</b>	<b>-</b>	<b>(4,190)</b>	<b>(1,497,042)</b>	<b>(1,514,064)</b>	<b>(579,017)</b>	<b>(2,093,081)</b>
<b>Beginning Fund Balance</b>	<b>13,457,614</b>				<b>13,457,614</b>			<b>11,960,572</b>
<b>Ending Fund Balance</b>	<b>13,520,798</b>				<b>11,960,572</b>			<b>9,867,491</b>

# ESCA

## FY20 Original & Amended Budget & FY21 Budget

	10/1-9/10 Actual	FY20 Budget	FY20 Increase/Decrease	FY20 Amendment	FY21 Budget
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
<b>46000 · ESCA</b>	1,286,677.64	2,573,078.00		2,573,078.00	1,193,345.66
<b>Total Income</b>		0.00	0.00	2,573,078.00	1,193,345.66
<b>Gross Profit</b>	1,286,677.64	2,573,078.00	0.00	2,573,078.00	1,193,345.66
<b>Expense</b>		0.00			
<b>63200 · Insurance</b>	31,350.15	0.00	31,350.15	31,350.15	39,000.00
<b>65240 · TCEQ Regulatory Support CLIN 6</b>	3,682.25	0.00	3,682.25	3,682.25	62,865.46
<b>65250 · GM, PM, RM, &amp; QM CLIN 4,5</b>					
65250.0 · Legal	63,792.50	100,000.00	0.00	100,000.00	100,000.00
65250.1 · Salaries & Wages	54,633.01	60,777.07	12,000.00	72,777.07	50,439.73
65250.2 · Health Insurance	5,416.97	9,022.25	0.00	9,022.25	10,333.21
65250.3 · Pension	6,764.09	7,640.52	1,500.00	9,140.52	6,343.31
65250.4 · Payroll Taxes	3,733.92	5,342.49	0.00	5,342.49	4,420.89
65250.5 · Cell Phone	65.80	360.00	-250.00	110.00	132.76
65250.6 · Workers Compensation	76.34	248.20	0.00	248.20	187.72
65250.7 · Training & Education	0.00	500.00	-50.00	450.00	483.33
65250.8 · Uniforms	0.00	155.00	-155.00	0.00	251.67
65250.9 · Other Employment Costs	0.00	0.00	0.00	0.00	90.00
65250 · GM, PM, RM, & QM CLIN 4,5 - Other	58,696.25	150,000.00	-75,000.00	75,000.00	0.00
<b>Total 65250 · GM, PM, RM, &amp; QM CLIN 4,5</b>	193,178.88	334,045.53	-61,955.00	272,090.53	172,682.62
<b>65280 · Technical Programs CLIN 1,2,3</b>					

	<b>10/1-9/10</b>	<b>FY20</b>	<b>FY20</b>	<b>FY20</b>	<b>FY21</b>
	<b>Actual</b>	<b>Budget</b>	<b>Increase/Decrease</b>	<b>Amendment</b>	<b>Budget</b>
65290 · Matrix Activities	0.00				
65295 · TAC	0.00				0.00
65280 · Technical Programs CLIN 1,2,3 - Other	1,482,059.70	2,041,856.00	328,736.00	2,370,592.00	1,058,929.01
<b>Total 65280 · Technical Programs CLIN 1,2,3</b>	<b>1,482,059.70</b>	<b>2,041,856.00</b>	<b>328,736.00</b>	<b>2,370,592.00</b>	<b>1,058,929.01</b>
<b>Total Expense</b>	<b>1,710,270.98</b>	<b>2,375,901.53</b>	<b>301,813.40</b>	<b>2,677,714.93</b>	<b>1,333,477.09</b>
<b>Net Ordinary Income</b>	<b>-423,593.34</b>	<b>197,176.47</b>	<b>-301,813.40</b>	<b>-104,636.93</b>	<b>-140,131.43</b>
<b>Net Income</b>	<b>-423,593.34</b>	<b>197,176.47</b>	<b>-301,813.40</b>	<b>-104,636.93</b>	<b>-140,131.43</b>

**FACILITY OPS**  
**FY20 Original & Amended Budgets & FY21 Budget**

	10/1-9/10 Actual	FY20 Budget	FY20 Amended Budget 1	FY20 Amended Budget 2	FY20 Increase/Decrease	FY21 Budget
<b>Ordinary Income/Expense</b>						
<b>Income</b>						
<b>43015 · Franchise Fees</b>						
43020 · Franchise Fees - AEP	43,414.55	60,000.00	60,000.00	52,000.00	-8,000.00	60,000.00
44021 · Franchise Fees - Natural Gas	1,210.51	8,500.00	8,500.00	1,500.00	-7,000.00	2,000.00
44022 · Franchise Fees - IT Conterra	396.68	5,000.00	5,000.00	1,000.00	-4,000.00	1,000.00
44035 · Franchise Fees - Riverbend	83,374.77	84,000.00	84,000.00	89,000.00	5,000.00	84,000.00
<b>Total 43015 · Franchise Fees</b>	128,396.51	157,500.00	157,500.00	143,500.00	-14,000.00	147,000.00
<b>44010 · Personal Property Sales</b>	2,080.56	5,000.00	5,000.00	5,000.00		5,000.00
<b>45000 · Grant Income</b>						
45020 · TCF Grant	0.00	0.00	0.00	0.00	0.00	0.00
45040 · EDA Infrastructure Grant	409,403.38	643,000.00	643,000.00	409,404.00	-233,596.00	0.00
45040 · EDA Infrastructure Grant	0.00	0.00	0.00	0.00	0.00	0.00
45050 · AEP Grant	5,000.00	0.00	0.00	5,000.00	5,000.00	0.00
<b>Total 45000 · Grant Income</b>	414,403.38	643,000.00	643,000.00	414,404.00	-228,596.00	0.00
<b>44070 · Miscellaneous Revenue</b>						
47006 · Tenant Reimbursement	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total 44070 · Miscellaneous Revenue</b>	0.00		0.00	0.00	0.00	0.00
<b>49002 · Project Reimbursement</b>	1,032,108.48	0.00	985,000.00	1,032,109.00	47,109.00	0.00
<b>Total Income</b>	1,576,988.93	805,500.00	1,790,500.00	1,595,013.00	-195,487.00	152,000.00
<b>Gross Profit</b>	1,576,988.93	805,500.00	1,790,500.00	1,595,013.00	-195,487.00	152,000.00
<b>Expense</b>						
<b>60110 · Salaries &amp; Wages</b>	139,155.54	253,897.63	253,897.63	200,000.00	-53,897.63	396,919.82
<b>60120 · Health Insurance</b>	30,903.45	76,107.83	94,076.05	76,107.83	0.00	118,688.61
<b>60130 · Pension</b>	11,317.42	31,777.83	31,777.83	21,777.83	-10,000.00	49,706.72
<b>60140 · Payroll Taxes</b>	10,947.57	22,728.52	22,728.52	22,728.52	0.00	35,379.28

	10/1/-9/10 Actual	FY20 Budget	FY20 Amended Budget 1	FY20 Amended Budget 2	FY20 Increase/Decrease	FY21 Budget
60210 · Cell Phone	1,420.50	1,794.16	1,794.16	1,794.16	0.00	1,977.25
60220 · Workers Compensation	3,444.66	5,005.00	5,005.00	5,800.00	795.00	6,649.09
60230 · Training & Education	402.40	1,950.00	1,950.00	1,950.00	0.00	2,844.44
60240 · Uniforms	2,497.00	2,697.50	2,697.50	3,200.00	502.50	4,085.56
60250 · Other Employment Costs	1,115.00	1,560.00	1,560.00	3,500.00	1,940.00	2,130.00
60300 · Temporary Labor	0.00	25,000.00	25,000.00	0.00	-25,000.00	25,000.00
61120 · Dues & Memberships	40.00	300.00	300.00	300.00	0.00	300.00
61200 · Conferences & Travel	118.56	1,000.00	1,000.00	1,000.00	0.00	1,000.00
62110 · Small Tools & Equipment	663.99	7,000.00	7,000.00	5,000.00	-2,000.00	5,000.00
62115 · Materials & Supplies	5,890.53	7,000.00	7,000.00	8,000.00	1,000.00	7,000.00
62120 · Equipment Maintenance	10,266.15	20,000.00	20,000.00	20,000.00	0.00	20,000.00
62130 · Vehicle Repairs & Maintenance	3,835.20	5,000.00	5,000.00	6,000.00	1,000.00	6,000.00
62200 · Fuel	9,785.21	14,000.00	14,000.00	14,000.00	0.00	14,000.00
63115 · Preventative Maintenance					0.00	
63115 · Preventative Maintenance - Other	0.00	193,225.70	0.00	0.00	-193,225.70	0.00
<b>Total 63115 · Preventative Maintenance</b>	0.00	193,225.70	0.00	0.00	-193,225.70	0.00
63200 · Insurance	0.00	0.00	0.00	0.00		0.00
63410 · Lawn & Property Maintenance	69,042.27	85,000.00	85,000.00	85,000.00	0.00	85,000.00
65110 · Consulting	22,078.58	20,000.00	20,000.00	32,000.00	12,000.00	20,000.00
65310 · Custodial	7,700.00	8,400.00	8,400.00	8,400.00	0.00	8,400.00
66010 · Computer, Reproduct & Maint	3,090.18	3,000.00	3,000.00	4,000.00	1,000.00	4,000.00
66020 · Office Supplies	0.00	0.00	0.00	0.00	0.00	0.00

	10/1/-9/10 Actual	FY20 Budget	FY20 Amended Budget 1	FY20 Amended Budget 2	FY20 Increase/Decrease	FY21 Budget
66120 · Utilities	1,650.00	6,000.00	6,000.00	5,000.00	-1,000.00	6,000.00
66130 · Waste Management	4,861.80	4,500.00	4,500.00	6,000.00	1,500.00	6,000.00
66800 · Miscellaneous	1,188.00	2,000.00	2,000.00	2,500.00	500.00	2,500.00
<b>Total Expense Excluding Capital Outlay</b>	<b>341,414.01</b>	<b>1,170,944.16</b>	<b>3,818,129.68</b>	<b>534,058.34</b>	<b>-458,111.53</b>	<b>828,580.79</b>
<b>67000 · Capital Outlay</b>						
<b>Spec Building</b>						
Clearing	119.20			75,000.00	75,000.00	0.00
<b>Design &amp; Construction</b>						
Principal						306,000.00
Interest						300,000.00
				75,000.00	75,000.00	606,000.00
<b>63300 · Building &amp; Infrastruct Repairs</b>	<b>2,705,541.75</b>	<b>372,000.00</b>	<b>3,194,443.00</b>	<b>3,000,000.00</b>	<b>2,628,000.00</b>	<b>372,000.00</b>
<b>65115 · Grants</b>						
<b>EDA GRANT</b>						
EDA GRANT - Other	453,716.02	329,495.00	379,495.00	453,717.00	124,222.00	0.00
<b>Total EDA GRANT</b>	<b>453,716.02</b>	<b>329,495.00</b>	<b>379,495.00</b>	<b>453,717.00</b>	<b>124,222.00</b>	<b>0.00</b>
Tractor	0.00	70,000.00	70,000.00	0.00	-70,000.00	70,000.00
<b>Total 67000 · Capital Outlay</b>	<b>3,159,257.77</b>	<b>771,495.00</b>	<b>3,643,938.00</b>	<b>3,528,717.00</b>	<b>2,757,222.00</b>	<b>1,048,000.00</b>
<b>Total Expense</b>	<b>3,500,671.78</b>	<b>1,570,439.17</b>	<b>4,267,624.69</b>	<b>4,062,775.34</b>	<b>2,492,336.17</b>	<b>1,876,580.79</b>
<b>Net Ordinary Income</b>	<b>-1,923,682.85</b>	<b>-764,939.17</b>	<b>-2,477,124.69</b>	<b>-2,467,762.34</b>	<b>-2,687,823.17</b>	<b>-1,724,580.79</b>
<b>Net Income</b>	<b>-1,923,682.85</b>	<b>-764,939.17</b>	<b>-2,477,124.69</b>	<b>-2,467,762.34</b>	<b>-2,687,823.17</b>	<b>-1,724,580.79</b>



## HUNTING & TIMBER

### FY20 Original & Amended Budget & FY21 Budget

	10/1-9/3 Actual	FY20 Budget	FY20 Increase/Decrease	FY20 Amended Budget	FY21 Budget
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
<b>44020 · Timber Revenue</b>	377,706.78	250,000.00	128,000.00	378,000.00	317,000.00
<b>44025 · Hunting Revenue</b>	47,811.50	51,903.00	-4,091.50	47,811.50	47,800.00
<b>Total Income</b>	425,518.28	301,903.00	123,908.50	425,811.50	364,800.00
<b>Gross Profit</b>	425,518.28	301,903.00	123,908.50	425,811.50	364,800.00
<b>Expense</b>					
<b>64100 · Forestry</b>					
Reforestation	37,445.00	54,718.00		54,718.00	43,039.00
Site Prep	21,164.47	20,895.00		20,895.00	32,550.00
Understory Burning	0.00	5,000.00	0.00	5,000.00	0.00
Herbicide	11,059.58	0.00	12,000.00	12,000.00	0.00
Release		6,350.00			0.00
Management Plan	42,500.00	42,750.00	0.00	42,750.00	0.00
<b>Total 64100 · Forestry</b>	112,169.05	129,713.00	12,000.00	135,363.00	75,589.00
<b>65110 · Consulting/Managen</b>	30,182.24	22,690.30	10,000.00	32,690.30	26,970.00
<b>64200 · Hunting</b>	0.00	1,728.00	0.00	1,728.00	0.00
<b>65210 · Legal</b>	155.00	0.00	155.00	155.00	0.00
<b>Total Expense</b>	142,506.29	154,131.30	22,155.00	169,936.30	102,559.00
<b>Net Ordinary Income</b>	283,011.99	147,771.70	101,753.50	255,875.20	262,241.00
<b>Net Income</b>	<b>283,011.99</b>	<b>147,771.70</b>	<b>101,753.50</b>	<b>255,875.20</b>	<b>262,241.00</b>

## OVERHEAD

### FY20 Original & Amended Budget & FY21 Budget

	<u>10/1-9/10 Actual</u>	<u>FY20 Budget</u>	<u>FY20 Increase/Decrease</u>	<u>FY20 Amended Budget</u>	<u>FY21 Budget</u>
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
40035 · Settlement	74,000.00	0.00	74,000.00	74,000.00	0.00
46500 · TAC E Management Fees	0.00	15,000.00	0.00	15,000.00	5,000.00
49001 · TAC E Contribution	0.00	0.00	0.00	0.00	0.00
48200 · Bowie County Chapter 381	0.00	3,000.00	0.00	3,000.00	3,000.00
47000 · Miscellaneous Revenue	7,329.74	5,000.00	3,000.00	8,000.00	5,000.00
48000 · Interest	227,978.62	100,000.00	135,000.00	235,000.00	100,000.00
48600 · PILOT	0.00	0.00	0.00	0.00	100,000.00
49000 · Leased Employee Revenue	252,831.06	409,301.51	0.00	409,301.51	249,478.91
<b>Total Income</b>	<u>562,139.42</u>	<u>532,301.51</u>	<u>212,000.00</u>	<u>744,301.51</u>	<u>462,478.91</u>
<b>Gross Profit</b>	562,139.42	532,301.51	212,000.00	744,301.51	462,478.91
<b>Expense</b>					
60110 · Salaries & Wages	393,707.02	245,934.40	300,000.00	545,934.40	381,165.62
60120 · Health Insurance	55,769.75	41,216.86	40,000.00	81,216.86	79,181.39
60130 · Pension	36,965.71	30,871.96	21,000.00	51,871.96	47,782.61
60140 · Payroll Taxes	30,569.23	21,731.68	22,000.00	43,731.68	33,733.23
60210 · Cell Phone	2,268.94	1,656.03	1,000.00	2,656.03	2,294.36
60220 · Workers Compensation	225.63	852.70	200.00	1,052.70	1,841.60
60230 · Training & Education	454.35	1,100.00	-600.00	500.00	3,437.50
60240 · Uniforms	0.00	1,052.50	-1,052.50	0.00	2,245.00
60250 · Other Employment Costs	0.00	0.00	0.00	0.00	600.00
61120 · Dues & Memberships	610.00	1,000.00	0.00	1,000.00	1,000.00
61200 · Conferences & Travel	745.00	1,500.00	-700.00	800.00	1,500.00
61300 · Board Mtgs Spec Evts Comm	15,046.42	17,500.00	0.00	17,500.00	17,500.00
63200 · Insurance	381.00	200.00	181.00	381.00	200.00

	<b>10/1-9/10 Actual</b>	<b>FY20 Budget</b>	<b>FY20 Increase/Decrease</b>	<b>FY20 Amended Budget</b>	<b>FY21 Budget</b>
<b>65010 · Auditing</b>	13,060.00	13,451.00	0.00	13,451.00	27,500.00
<b>65020 · Accounting</b>	19,775.75	40,000.00	0.00	40,000.00	40,000.00
<b>65110 · Consulting</b>	49,549.96	50,000.00	6,000.00	56,000.00	50,000.00
<b>65210 · Legal</b>	96,597.35	50,000.00	70,000.00	120,000.00	100,000.00
<b>65315 · Janitorial</b>	933.83	3,000.00	1,000.00	4,000.00	3,000.00
<b>66010 · Computer, Reproduct &amp; Maint</b>	32,765.52	35,000.00	5,000.00	40,000.00	35,000.00
<b>66020 · Office Supplies</b>	12,857.35	10,000.00	4,000.00	14,000.00	14,000.00
<b>66030 · Postage</b>	1,348.26	4,000.00	-1,500.00	2,500.00	2,500.00
<b>66110 · Telephone &amp; Internet</b>	16,914.52	16,000.00	2,000.00	18,000.00	18,000.00
<b>66120 · Utilities</b>	12,613.32	13,500.00	1,000.00	14,500.00	14,500.00
<b>66130 · Waste Management</b>	3,364.12	3,500.00	500.00	4,000.00	4,000.00
<b>66310 · Advertising</b>	50.80	500.00	-300.00	200.00	500.00
<b>66320 · PILOT Expense</b>	0.00	0.00	0.00	0.00	73,000.00
<b>66800 · Miscellaneous</b>	5,759.34	2,500.00	4,000.00	6,500.00	2,500.00
<b>66900 · Bad Debt</b>	6,142.70	0.00	6,142.70	6,142.70	0.00
<b>Total Expense</b>	<b>808,475.87</b>	<b>606,067.13</b>	<b>479,871.20</b>	<b>1,085,938.33</b>	<b>1,006,981.31</b>
<b>Net Ordinary Income</b>	<b>-246,336.45</b>	<b>-73,765.62</b>	<b>-267,871.20</b>	<b>-341,636.82</b>	<b>-544,502.40</b>
<b>Net Income</b>	<b>-246,336.45</b>	<b>-73,765.62</b>	<b>-267,871.20</b>	<b>-341,636.82</b>	<b>-544,502.40</b>

**REAL ESTATE**  
**FY20 Original & Amended Budget & FY21 Budget**

	10/1-9/10 <u>Actual</u>	FY20 <u>Budget</u>	FY20 <u>Amended Budget 1</u>	FY20 <u>Amended Budget 2</u>	FY20 <u>Increase/Decrease</u>	FY21 <u>Budget</u>
<b>Ordinary Income/Expense</b>						
<b>Income</b>						
<b>43010 · Leases</b>						
44045 · Processing Fee	0.00	0.00		0.00	0.00	0.00
43010 · Leases - Other	2,210,019.40	1,932,257.00	1,932,257.00	2,210,020.00	277,763.00	1,965,000.00
<b>Total 43010 · Leases</b>	<u>2,210,019.40</u>	<u>1,932,257.00</u>	<u>1,932,257.00</u>	<u>2,210,020.00</u>	<u>277,763.00</u>	<u>1,965,000.00</u>
<b>47000 · Miscellaneous Revenue</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Income</b>	<u>2,210,019.40</u>	<u>1,932,257.00</u>	<u>1,932,257.00</u>	<u>2,210,020.00</u>	<u>277,763.00</u>	<u>1,965,000.00</u>
<b>Gross Profit</b>	2,210,019.40	1,932,257.00	1,932,257.00	2,210,020.00	277,763.00	1,965,000.00
<b>Expense</b>						
<b>60110 · Salaries &amp; Wages</b>	115,245.50	172,241.36	172,241.36	162,241.36	-10,000.00	283,735.80
<b>60120 · Health Insurance</b>	10,155.02	36,633.58	44,661.95	26,633.58	-10,000.00	57,753.19
<b>60130 · Pension</b>	10,788.15	21,530.18	21,530.18	21,530.18	0.00	35,518.09
<b>60140 · Payroll Taxes</b>	7,892.22	15,272.49	15,272.49	15,272.49	0.00	25,048.51
<b>60210 · Cell Phone</b>	1,069.53	1,104.06	1,104.06	1,254.06	150.00	1,401.09
<b>60220 · Workers Compensation</b>	425.11	285.45	285.45	675.00	389.55	774.54
<b>60230 · Training &amp; Education</b>	2,015.03	4,162.50	4,162.50	4,162.50	0.00	5,006.94
<b>60240 · Uniforms</b>	0.00	660.00	660.00	0.00	-660.00	1,245.56
<b>60250 · Other Employment Costs</b>	0.00	0.00	0.00	0.00	0.00	180.00
<b>60300 · Temporary Labor</b>	13,334.70	30,000.00	30,000.00	15,000.00	-15,000.00	30,000.00
<b>61120 · Dues &amp; Memberships</b>	20,943.00	25,195.00	25,195.00	25,195.00	0.00	25,195.00
<b>61200 · Conferences &amp; Travel</b>	9,635.69	108,285.00	108,285.00	25,000.00	-83,285.00	108,285.00
<b>62130 · Vehicle Repairs &amp; Maintenance</b>	0.00	700.00	700.00	0.00	-700.00	700.00
<b>62200 · Fuel</b>	312.93	3,000.00	3,000.00	1,000.00	-2,000.00	3,000.00
<b>63110 · Cost of Sales &amp; Leases</b>	10,274.64	250,000.00	0.00	15,000.00	-235,000.00	15,000.00

	10/1-9/10 Actual	FY20 Budget	FY20 Amended Budget 1	FY20 Amended Budget 2	FY20 Increase/Decrease	FY21 Budget
63200 · Insurance	211,154.00	292,247.00	325,247.00	292,247.00	0.00	325,247.00
65110 · Consulting	66,204.38	100,000.00	100,000.00	100,000.00	0.00	100,000.00
65115 · Grants	0.00	35,000.00	35,000.00	0.00	-35,000.00	35,000.00
65120 · Marketing	134,735.79	160,000.00	160,000.00	160,000.00	0.00	160,000.00
65210 · Legal	122,391.89	100,000.00	100,000.00	150,000.00	50,000.00	100,000.00
66010 · Computer, Reproduct & Maint	9,380.88	15,000.00	15,000.00	15,000.00	0.00	15,000.00
66120 · Utilities	7,114.06	3,000.00	3,000.00	9,000.00	6,000.00	3,000.00
66800 · Miscellaneous	158.01	1,000.00	1,000.00	500.00	-500.00	1,000.00
67000 · Capital Outlay	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Expense</b>	<b>753,230.53</b>	<b>1,375,316.62</b>	<b>1,166,344.98</b>	<b>1,039,711.17</b>	<b>-335,605.45</b>	<b>1,332,090.72</b>
<b>Net Ordinary Income</b>	<b>1,456,788.87</b>	<b>556,940.38</b>	<b>765,912.02</b>	<b>1,170,308.83</b>	<b>613,368.45</b>	<b>632,909.28</b>
<b>Net Income</b>	<b>1,456,788.87</b>	<b>556,940.38</b>	<b>765,912.02</b>	<b>1,170,308.83</b>	<b>613,368.45</b>	<b>632,909.28</b>

## LOGISTICS

### FY20 Original & Amended Budget & FY21 Budget

	<u>10/1-7/14 Actual</u>	<u>FY20 Budget</u>	<u>FY20 Increase/Decrease</u>	<u>FY20 Amended Budget</u>	<u>FY21 Budget</u>
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
49xxx · Contract Revenue	0.00	0.00	0.00	0.00	259,370.00
<b>Total Income</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>259,370.00</u>
<b>Gross Profit</b>	0.00	0.00	0.00	0.00	259,370.00
<b>Expense</b>					
60110 · Salaries & Wages	0.00	0.00	2,000.00	2,000.00	305,130.82
60120 · Health Insurance	0.00	0.00	0.00	0.00	260,938.00
60130 · Pension	0.00	0.00	0.00	0.00	39,268.76
60140 · Payroll Taxes	0.00	0.00	160.00	160.00	28,196.08
60210 · Cell Phone	0.00	0.00	0.00	0.00	3,000.40
60220 · Workers Compensation	0.00	0.00	30.00	30.00	8,988.00
60230 · Training & Education	0.00	0.00	0.00	0.00	2,000.00
60240 · Uniforms	0.00	0.00	0.00	0.00	5,500.00
60250 · Other Employment Costs	0.00	0.00	0.00	0.00	3,000.00
60300 · Temporary Labor	0.00	0.00	0.00	0.00	25,000.00
61120 · Dues & Memberships	0.00	0.00	0.00	0.00	0.00
61200 · Conferences & Travel	0.00	0.00	0.00	0.00	10,000.00
61300 · Board Mtgs Spec Evts Comm	0.00	0.00	0.00	0.00	0.00
62100 · Equipment Rental	0.00	0.00	0.00	0.00	32,250.00
62115 · Materials & Supplies	0.00	0.00	0.00	0.00	1,500.00
62120 · Equipment Maint	0.00	0.00	0.00	0.00	4,000.00
62210 · Propane	0.00	0.00	0.00	0.00	23,820.00
63200 · Insurance	0.00	0.00	0.00	0.00	0.00
63410 · Lawn & Property Maintenance	0.00	0.00	0.00	0.00	0.00
65010 · Auditing	0.00	0.00	0.00	0.00	10,000.00
65020 · Accounting	0.00	0.00	0.00	0.00	12,000.00
65110 · Consulting	0.00	0.00	0.00	0.00	0.00

	<b>10/1-7/14</b>	<b>FY20</b>	<b>FY20</b>	<b>FY20</b>	<b>FY21</b>
	<b>Actual</b>	<b>Budget</b>	<b>Increase/Decrease</b>	<b>Amended Budget</b>	<b>Budget</b>
65210 · Legal	0.00	0.00	0.00	0.00	10,000.00
65315 · Janitorial	0.00	0.00	0.00	0.00	1,000.00
66010 · Computer, Reproduct & Maint	0.00	0.00	2,000.00	2,000.00	2,600.00
66020 · Office Supplies	0.00	0.00	0.00	0.00	1,500.00
66030 · Postage	0.00	0.00	0.00	0.00	0.00
66110 · Telephone & Internet	0.00	0.00	0.00	0.00	7,320.00
66120 · Utilities	0.00	0.00	0.00	0.00	5,000.00
66130 · Waste Management	0.00	0.00	0.00	0.00	5,000.00
66310 · Advertising	0.00	0.00	0.00	0.00	0.00
66400 · Rent	0.00	0.00	0.00	0.00	0.00
66401 · Start Up Fees	0.00	0.00	0.00	0.00	1,375.00
66800 · Miscellaneous	0.00	0.00	0.00	0.00	0.00
66900 · Bad Debt	0.00	0.00	0.00	0.00	0.00
67000 · Capital Outlay	0.00	0.00	0.00	0.00	30,000.00
<b>Total Expense</b>	<b>0.00</b>	<b>0.00</b>	<b>4,190.00</b>	<b>4,190.00</b>	<b>838,387.06</b>
<b>Net Ordinary Income</b>	<b>0.00</b>	<b>0.00</b>	<b>-4,190.00</b>	<b>-4,190.00</b>	<b>-579,017.06</b>
<b>Net Income</b>	<b>0.00</b>	<b>0.00</b>	<b>-4,190.00</b>	<b>-4,190.00</b>	<b>-579,017.06</b>