

Elko County Nevada

Investment Policy

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County Treasurer

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Policy Introduction, Scope and Overview

The County is a political subdivision of the State of Nevada organized in 1869. The County covers an area of approximately 17,203 square miles in the northeastern portion of the State. It is the policy of the County to invest public funds in a manner which will provide a market rate of return commensurate with the primary objective of safety of principal, while meeting the daily cash flow demands of the County and conforming to all Nevada Revised Statutes (NRS) and County ordinances governing the investment of public funds.

Except for cash in certain restricted and special funds, Elko County will consolidate cash balances from all funds to maximize earnings. Investment income will be allocated to various funds based on their respective participation and in accordance with generally accepted accounting principles.

Governing Authority

The Board of County Commissioners is the governing body of the County. The five members are elected from County commission election districts for four-year staggered terms.

Delegation of Authority and Investment Responsibility

Under authority delegated by the Board of County Commissioners, in accordance with NRS 355.175 the investment of County funds is the responsibility of the County Treasurer. This responsibility includes the authority to open accounts with financial institutions and broker/dealers, to arrange for the custody of securities and to execute such documents as may be necessary to carry out this responsibility.

The Treasurer is also responsible for furnishing accurate, timely instructions to the safekeeping bank(s) concerning settlement of investment transactions and verifying accuracy of completed transactions. The County may utilize registered investment advisors to assist with the management of the County's investment program. Registered investment advisors are to make investments for Elko County as allowed by Nevada Revised Statutes and under the guidelines of the current investment policy.

The County Treasurer shall be responsible for analyzing and evaluating the credit worthiness, capability and reputation of all banks, brokers/dealers and registered investment advisors with which the County conducts investment transactions. Such analysis must include:

a) For banks, a review of the annual financial statements.
b) For broker/dealers and registered investment advisors, a review of their registration with the SEC, FINRA and the State of Nevada to the appropriateness of services provided to Elko County.
c) Securing references from other entities, agencies and/or organizations that have a business relationship with each prospective bank, broker, dealer and/or registered investment advisor.

Investment Program Oversight Committee (IPOC) and Investment Program Review

The Investment Program Oversight Committee shall be comprised of the County Treasurer, CFO and/or Comptroller and one individual not employed by Elko County, but who has investment or other related experience.

Policy Statement

The purpose of this Investment Policy is to establish investment guidelines for the County Treasurer, who is responsible for the stewardship of the County's Investment Program. Each transaction and the entire portfolio must comply with applicable Nevada Revised Statutes, County Ordinances and this Policy. All investment program activities will be judged by the standards of the Policy and ranking of Primary

Investment Objectives. Those activities that violate its spirit and intent will be deemed to be contrary to the Policy. This Policy conforms to customary standards of prudent investment management. Should the provisions of the NRS change from those contained herein, such provisions will be considered incorporated in this Policy. This Policy shall remain in effect until the Board of County Commissioners approves a subsequent revision.

Scope of the Investment Policy

This policy applies to all financial assets of the County that are overseen by the County Treasurer, including, but not specifically limited to those assets held in the public interest in the County's fiscal capacity as well as those held in trust or agency capacity for other governmental entities. Should bond covenants be more restrictive than this policy, bond proceeds will be invested in full compliance with those restrictions.

Primary Investment Objectives

The County's available funds are to be invested in short-term and intermediate-term fixed income instruments earning a market rate of return without assuming undue risk to principal. Funds subject to this policy will be invested in compliance with NRS 355.165 to 355.177. The primary objectives of such investments shall be, in order of importance:

A. **Safety of Principal:** Safety of principal is the foremost objective of the County's investment program. Investments by the County Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk through diversification.
B. **Maintenance of Liquidity:** The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements, which may be reasonably anticipated.
C. **Yield:** The County's investment portfolio shall be structured with the objective of earning a market rate of return in relation to the prevailing budgetary and economic environments and taking into account the County's investment risk constraints of safety, equity and the cash flow characteristics of the portfolio.

Primary Investment Philosophy

The primary investment philosophy of the County is to match investment maturities with expected cash outflows. Securities shall generally be held until maturity, with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- Liquidity needs of the portfolio require that the security be sold.
- A security rebalance would improve the quality, yield or target duration in the portfolio.

Standard of Prudence

The Prudent Investor Rule to be used by investment officials shall be the "uniform prudent investor act" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The standard of prudence to be applied to the investment of the County's assets shall be the "Prudent Person Standard" which states: "In investing the County's monies, there shall be exercised the judgment and care under the 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".

Ethics and Conflicts of Interest

Nevada Revised Statute 281.561 mandates that the County Treasurer file an annual Statement of Financial Disclosure form. Additionally, officers and employees involved in the investment process and the Investment Committee, if applicable, shall refrain from personal business activity that could conflict with proper execution of investment program or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

Limit on Receipt of Honoraria, Gifts and Gratuities

Employees responsible for the management of the County's investment portfolio or any member of the Investment Program Oversight Committee may accept honoraria, gifts or gratuities from any advisor, broker, dealer, banker or other person with whom the County Treasurer conducts business, that aggregate in value cannot be in excess of what is allowable under NRS in any fiscal year.

Investment Procedures

The County Treasurer, authorized County staff and/or authorized investment advisors will have written Investment Procedures for the operation of the investment program. The procedures may include such items as delegation of duties/authority, reconciliation, trade settlement, investment strategy/selection, broker/dealer selection and compliance monitoring and internal controls.

Internal Controls

The County Treasurer has established a system of internal controls over investments. The internal controls have been reviewed by the County's internal audit division. The controls are designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties or imprudent actions by staff and County officials.

Internal and External Audit

The custodian/safekeeping account, investment transactions and records may be audited by internal auditors independent of the Treasurer's Office and/or by outside independent auditors with a frequency prescribed by the Board of County Commissioners, the County Manager, the Chief Financial Officer or the Comptroller. The results of that audit shall be furnished to the Board of County Commissioners, the County Manager, the Chief Financial Officer and Comptroller.

Safekeeping and Custody

Securities purchased by the County shall be delivered against payment (delivery vs. payment) and held in a custodial safekeeping account with the trust department of a third-party bank insured by the Federal Deposit Insurance Corporation designated by the Treasurer for this purpose in accordance with NRS 355.172. A custody agreement between the bank and the County is required before execution of any transactions.

Authorized Investments and Procedures (Pursuant to NRS 350.659, 355.165, 355.170, 355.171, 356.120)
The County may only invest in the following securities:

1. **State of Nevada Local Government Investment Pool (LGIP):** In accordance with NRS 355.165 and 355.167, funds may be invested in LGIP which is administered by the State Treasurer. All money in LGIP shall be held in trust in the custody of the State Treasurer. All money in the LGIP shall be deposited, invested and reinvested in the same manner and to the same extent as if it were state money in the State Treasury.

2. **U.S. Obligations:** Bills, notes, bonds and debentures of the United States Treasury or obligations backed by the full faith and credit of the United States, the maturity date of which is not more than 10 years from the date of purchase.

3. **U.S. Federal Agencies:** Obligations of the following agencies/instrumentalities of the United States of America or a corporation sponsored by the government or Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Tennessee Valley Authority and the Federal Agricultural Mortgage Association and other departments/agencies of the United States including, but not limited to the US Small Business Administration (SBA), Government National Mortgage Association (GNMA) and FDIC, as long as the payment of such debt is guaranteed by the United States. Effective maturity or the last cash flow on federal agency securities must not exceed 10 years from the date of purchase.

4. **Bankers Acceptances:** Banker's acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve Banks and generally accepted by banks or trust companies which are members of the Federal Reserve System. Eligible bankers' acceptances may not exceed 180 days' maturity. Purchases of bankers' acceptances may not exceed 20 percent of the money available to a local government for investment as determined on the date of purchase.

5. **Commercial Paper:** Commercial Paper issued by a corporation, trust or limited liability company organized and operating in the United States or by a depository institution licensed by the United States or any state operating in the United States that are rated by a nationally recognized rating service as "A-1", "P-1" or its equivalent or better. Maturities of Commercial Paper must not exceed 270 days and the aggregate value must not exceed 25 percent of the total portfolio as determined by the date of purchase. Not more than 5 percent of the total par value of the portfolio may be in notes, bonds and other unconditional obligations issued by any one corporation. If the rating is reduced below the rating requirements mentioned above, the investment advisor must, as soon as possible, report the reduction in the rating to the governing body of the local government that purchased the investment.

6. **Money Market Mutual Funds:** Funds that are registered with the Securities and Exchange Commission are rated AAA by a nationally recognized rating service and invest in securities issued by the Federal Government or agencies of the Federal Government, master notes, bank notes or other short-term commercial paper rated by a nationally recognized rating service as "A-1", "P-1" or its equivalent or better and in repurchase agreements fully collateralized by such securities.

7. **Negotiable Certificates of Deposit:** CD's which are issued by commercial banks, insured credit unions or insured savings & loan associations. Purchases in CDs must be in the limits of insurance provided by an instrumentality of the United States or have a minimum rating of A-1 or P-1 by a nationally recognized rating service or be collateralized in the same manner as is required for uninsured deposits pursuant to NRS 356.133. The maximum maturity is 5 years at time of purchase, and no more than 5 percent shall be invested in any one commercial bank, insured credit union, savings and loan associations or savings bank.

8. **Non-Negotiable Certificates of Deposit:** CD's issued by insured commercial banks, insured credit unions or insured savings & loan associations, except certificates that are not within the limits of insurance provided by an instrumentality of the United States, unless those certificates are collateralized in the same manner as is required for uninsured deposits by a County Treasurer pursuant to NRS 356.133.

9. **Municipal Bonds:** Issuer must have a long-term rating of "A" or better from at least one (1) nationally recognized statistical rating organizations (NRSROs). Eligible securities are bonds of this state, bonds issued by other states, bonds of any county, city, school district or other local government of this State or of other states, maximum maturity of five (5) years.

10. **Bonds, notes or other obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the International Finance Corporation or the InterAmerican Development Bank** that is denominated in United States dollars; Is a senior unsecured obligation; At the time of purchase has a remaining term to maturity of 5 years or less; and is rated by a nationally recognized rating service as "AA" or its equivalent or better, may not, in aggregate value, exceed 15 percent of the total par value of the portfolio as determined at the time of purchase.

11. **Bonds, notes or other obligations publicly issued in the United States by a foreign financial institution, corporation or government that is denominated in United States dollars;** Is a senior, unsecured, unsubordinated obligations, Is registered with the Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933, §§ 77a et seq., as amended; is publicly traded; Is purchased from a registered broker-dealer; At the time of purchase has a remaining term to maturity of 5 years or less; and is rated by a nationally recognized rating service as "AA" or its equivalent or better, except that investments pursuant to this paragraph may not, in aggregate value, exceed 10 percent of the total par value of the portfolio as determined at the time of purchase.

The following investment types are allowed under NRS 355.171 through an SEC registered investment advisor that has been approved by the State of Nevada Board of Finance:

12. **Corporate Bonds:** Notes, bonds issued by corporations organized in the United States are rated by a nationally recognized rating organization service as "A" or its equivalent or better. Maturities of Corporate Bonds must not exceed 5 years and the aggregate value must not exceed 25% of the total portfolios determined on the purchase date. Not more than 5% of the total par value of the portfolio may be in notes, bonds and other unconditional obligations issued by any one corporation. Corporate bonds must be purchased from a registered broker/dealer. If the rating of the issue is reduced below the rating requirements mentioned above, the investment advisor must (as soon as possible), report the reduction in the rating

to the governing body of the local government that purchased the investment and the State of Nevada Board of Finance.

13. **Collateralized Mortgage Obligations:** Must have a long-term rating of "AAA" by at least one NRSRO's.

14. **Asset-Backed Securities:** Must have a long-term rating of "AAA" by at least one NRSRO.

15. **Other:** Any other investments as allowable per NRS 355.165, 355.168, 355.170, 356.120 and 355.171 (including collateralized mortgage obligations that are rated by a nationally recognized rating service as "AAA" or its equivalent and asset-backed securities that are rated by a nationally recognized rating service as "AAA" or its equivalent). Unless the purchase is affected by the State Treasurer pursuant to his/her investment pool, corporate bonds, collateralized mortgage obligations and asset-backed securities are required to be purchased by a registered investment advisor who is registered with the Securities and Exchange Commission and approved by the State Board of Finance.

Prohibited Investments and Transactions

The following are prohibited investments and transactions:

- Range notes
- Inverse floating rate securities
- Step-down securities
- Short selling
- Reverse repurchase agreements
- County's own securities or interim warrants

Diversification Parameters

The County Treasurer will diversify its investments by security type and institution.

Maturity Parameters

To the extent possible, the County Treasurer will attempt to match its investments with anticipated cash flow requirements.

Investment Transaction Parameters

Those who execute on behalf of the county, including investment advisors, will seek to invest at the best prices.

Authorized Financial Institutions

The County Treasurer shall deposit funds with banks that comply with all applicable state and federal laws. The County Treasurer may physically possess securities, which must be registered in the name of the County or may make an agreement, in writing, with any qualified bank, custodian or trust to hold those securities for and in the name of County. The bank, custodian or trust shall furnish the County Treasurer a written statement acknowledging that the securities are held in the name of the County.

Authorized Broker/Dealers

The County may utilize the use of broker/dealers to buy and sell securities. Broker/dealers must either be primary dealers, regional dealers or regional dealers that clear transactions through a dealer which qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and must have been in operation at least three years.

Authorized Investment Advisors

The County may enter into an agreement with investment advisors for investment management/advisory services and the investment advisor will operate under the direction of the County Treasurer. The investment advisor shall be registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. The investment advisor shall submit on an annual basis to the County Treasurer form ADV Part 1 and form ADV Part 2.

Collateralization of Deposits

All County money deposited with a bank, savings and loan, savings bank or credit union including checking accounts, savings accounts, NOW accounts, non-negotiable certificates of deposit, time deposits or similar type accounts provided by the financial institution in excess of the amount of federal insurance will be fully collateralized in accordance with NRS 356.

Performance Information

The investment portfolio shall be designed to earn a market rate of investment income in relation to prevailing budgetary and economic cycles, while considering investment risk constraints and liquidity needs of the County. Given this strategy, the benchmark for investment considerations shall be a custom benchmark which reflects the prominent and persistent characteristics of the portfolio overtime. The benchmark will be adjusted periodically when material changes take place regarding asset allocation and/or weighted average maturity.

Business Continuity

Elko County has developed an Emergency Operations Plan describing the County's anticipated response to a range of events that could significantly disrupt its business. Because the timing and impact of disasters, emergencies and other events is unpredictable, flexibility is necessary when responding to actual disruptions as they occur. With that in mind, the goal of the Plan is to resume operations as quickly and smoothly as possible.

Ongoing Training and Education

The County strives for professionalism and accountability in the investment of its funds. In order to assure the highest possible professional standards, the personnel involved in the investment function shall complete at least 16 hours per year of continuing education programs or other training in cash and investment management.

Investment Policy Review, Revisions and Adoption

The Investment Policy shall be reviewed at least annually by the County Treasurer to ensure its consistency with the County's overall objectives and its compliance with applicable laws and best practices. However, the Treasurer may, at any time, further restrict for investment the types of instruments, issuers and maturities. If approved by the State Legislature, previously unauthorized investment vehicles and procedures may be utilized by the County. The Investment Policy shall be submitted to the Board of County Commissioners for consideration and adoption at a public meeting at timing deemed appropriate by the County Treasurer.

SUMMARY OF AUTHORIZED INVESTMENTS

AUTHORIZED INVESTMENTS	MAXIMUM % HOLDINGS	PURCHASE RESTRICTIONS	MAXIMUM MATURITY	CREDIT QUALITY	NRS Requirements
US Treasury Obligations	100%	N/A	10 years	N/A	No type of limit, no issuer limit, max maturity 10 yrs, no rating criteria
U.S. GSEs	100%	N/A	10 years	N/A	No type of limit, no issuer limit, max maturity 10 yrs, no rating criteria
Money-Market Mutual Funds	100%	Max 100% issuer, government only, must maintain constant NAV	Daily	AAA rated from a NRSRO	No type of limit, no issuer limit, govt only, AAA rated from a NRSRO
Commercial Paper	25%	Max issuer 5%, combined with corporates and CD	270 days	A-1 equivalent or better by a NRSRO	Type limit 25%, issuer limit 5%, 270 max maturity, A-1 or better by a NRSRO
Negotiable CDs (above FDIC limit)	5%	Max issuer 5%, combined with corporates and CP, issued by banks, credit unions, S&L in the U.S.	5 years	A-1 equivalent or better by a NRSROs, past 1-year long term rating A or better	No type of limit, no issuer limit, no maturity limit, no rating criteria, issued by banks, credit unions, S&L and savings banks
Negotiable CDs (at/below FDIC limit)	50%	FDIC limit (currently $250,000), issued in the U.S.	5 years	N/A	No type of limit, no issuer limit, no maturity limit, no rating criteria, issued by banks, credit unions, S&L and savings banks
Non-Negotiable CDs (at/below FDIC limit)	5%	FDIC limit (currently $250,000), issued in the U.S.	5 years	N/A	No type of limit, no issuer limit, no maturity limit, no rating criteria, issued by banks, credit unions, S&L and savings banks
Corporate Notes/Bonds	25%	Max issuer 5%, combined with CDs and CP, issued by U.S. corporations	5 years	An equivalent or better by a NRSROs	Type limit 25%, issuer limit 5%, maturity limit 5 yrs, An equivalent or better by a NRSRO
Asset-Backed Securities	25%	Max issuer 5%, U.S. issuer	N/A	AAA by a NRSRO	No type of limit, no issuer limit, no maturity limit, AAA by a NRSRO, no issuer domicile constraint
Collateralized Mortgage Obligations	25%	Max issuer 5%, U.S. issuer	N/A	AAA by a NRSRO	No type of limit, no issuer limit, no maturity limit, AAA by a NRSRO, no issuer domicile constraint
State and Local Government Bonds	20%	Max issuer 5%	5 years	An equivalent or better by a NRSRO	No type of limit, no issuer limit, no maturity limit, A by a NRSRO, obligation federal tax exempt

AUTHORIZED INVESTMENTS	MAXIMUM % HOLDINGS	PURCHASE RESTRICTIONS	MAXIMUM MATURITY	CREDIT QUALITY	NRS Requirements
Bankers' Acceptances	20%	Max issuer 5%, generally accepted by banks or trust companies which are members of the Federal Reserve System	180 days	A-1 equivalent or better by a NRSRO	Type limit 20%, not issuer limit, 180-day max maturity limit, A-1 equivalent or better by a NRSRO, generally accepted by banks or trust companies which are members of the Federal Reserve System
State of NV LGIP	100%	N/A	Daily	N/A	No limits
Supranationals	15%	Max 10% issuer, dollar denominate, senior unsecured unsubordinated or unconditionally guaranteed by IBRD, IFC or IADB	5 years	AA equivalent or better by a NRSRO	Type limit 15% no issuer limit, max maturity 5 yrs, AA equivalent or better by a NRSRO, dollar denominate, senior unsecured unsubordinated or unconditionally guaranteed by IBRD, IFC or IADB

CREDIT RATINGS INTERPRETATION

SHORT TERM DEBT RATINGS			
MOODY'S	**S&P**	**FITCH**	**RATINGS INTERPRETATION FOR CREDIT**
P-1	A-1+	F1+	STRONGEST QUALITY
	A-1	F1	STRONG QUALITY
P-2	A-2	F2	GOOD QUALITY
P-3	A-3	F3	MEDIUM QUALITY

LONG TERM DEBT RATINGS			
MOODY'S	**S&P**	**FITCH**	**RATINGS INTERPRETATION FOR CREDIT**
Aaa	AAA	AAA	STRONGEST QUALITY
Aa1	AA+	AA+	STRONG QUALITY
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	GOOD QUALITY
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	MEDIUM QUALITY
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	SPECULATIVE
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	LOW
B2	B	B	
B3	B-	B-	
Caa	CCC+	CCC	POOR
-	CCC	-	HIGHLY SPECULATIVE TO DEFAULT
-	CCC-	-	
Ca	CC	CCC	
C	-	-	
-	-	DDD	
-	-	DD	
-	D	D	

GLOSSARY OF TERMS

The following is a glossary of terms which appear in the Government Investment Officers Association's Model Investment Policy.

144A: A Section of the Securities and Exchange Commission (SEC) which restricts trades of privately placed securities so that these investments can be traded among qualified institutional buyers.

Accretion: The increase in the value of a discounted instrument as time passes and as the maturity date gets closer. The value of the instrument will accrete (grow) at the interest rate implied by the discounted issuance price, the value at maturity and the term to maturity.

Accrued Interest: The interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

Agency: A debt security issued by an agency or instrumentality of the United States. Agencies are backed by each particular agency or instrumentality of the United States with a market perception that there is an implicit government guarantee.

Amortized Cost: The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called "Book Value").

Amortization: The systematic reduction of the amount owed on a debt issue through periodic payments of principal. The decrease in the value of a premium instrument as time passes and as the maturity date gets closer. The value of the instrument will amortize (decrease) at the interest rate implied by the discounted issuance price, the value at maturity and the term to maturity.

Asset-Backed Security: A security backed by notes or receivables against assets other than real estate. Examples are autos, credit cards and equipment.

Ask/Offer: The price at which securities are offered.

Bankers' Acceptances: A short-term credit instrument created by a non-financial firm and guaranteed by a bank as to payment. Acceptances are traded at discounts from face value in the secondary market on the basis of the credit quality of the guaranteeing banks.

Basis Point: A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield. As an example, the difference between a security yielding 2.00% and 2.25% is 25 basis points.

Benchmark: A comparative base for measuring the performance or risk tolerance of an investment portfolio. A benchmark should represent the persistent and prominent characteristics of a portfolio, considering metrics such as duration, investment type and asset allocation.

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

Bond: A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

Book or Effective Return: The sum of all investment income plus realized gains and losses.

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

Broker: A broker facilitates security trades on behalf of investors (see Dealer).

Bullet: A colloquial term for a bond that cannot be redeemed or called, prior to maturity.

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

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

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

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

Certificate of Deposit: A debt instrument issued by financial institutions that will pay interest, periodically or at maturity and principal when it reaches maturity. Maturities range from a few weeks to several years.

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

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

Collateralized (Guaranteed) Investment Contracts (CIC): A CIC is a fixed rate, fixed maturity contract similar to a bond that is typically collateralized by an insurance company. However, unlike a bond, a CIC is always carried or valued at par. CICs are primarily utilized for the investment of bond proceeds.

Commercial Paper: An unsecured short-term promissory note issued by corporations, with maturities typically ranging from 1 to 270 days and usually transacts at a discount with no coupon payments.

Comprehensive Annual Financial Report (CAFR): The CAFR is the entity's official annual financial report. It consists of three major sections: introductory, financial and statistical. The introductory section furnishes general information on the entity's structure, services and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The reported information is in conformity with accounting principles generally accepted in the United States of America (GAAP). The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic conditions.

Convexity: A measure of how much a fixed-income instrument's duration changes when interest rates change. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Corporate Security: A debt obligation issued by a corporation.

Coupon or Coupon Rate: The stated interest rate on a debt security that an issuer promises to pay. The origin of the term "coupon" is that bonds were historically issued in the form of bearer certificates. Physical possession of the certificate was proof of ownership. Several coupons, one for each scheduled interest payment, were printed on the certificate.

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

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

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

CUSIP: A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character. The first six characters identify the issuer, the following two identify the issue and the final character is a check digit. CUSIPs are correlated to an alphabetical listing of the issuer's name.

Day Count Convention: A day-count convention is the system used to calculate the amount of accrued interest or the present value when the next coupon payment is less than a full coupon period away. Each bond market and financial instrument has its own day-count convention, which varies depending on the type of instrument, whether the interest rate is fixed or floating and the country of issuance. Among the most common conventions are 30/360 or 365, actual/360 or 365 and actual/actual.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for their own account. (see Broker).

Debenture: A bond secured only by the general credit of the issuer and not by physical assets or collateral of the company.

Delivery (Settlement): There are typically four types of delivery or settlement of securities: cash, which is the same day as the transaction occurred; regular, which trade day plus one; corporate, which is trade day plus two; and forward, which typically occurs three to thirty days after the trade date.

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

Derivative Security: Financial instrument created from or whose value depends upon, one or more underlying assets or indexes of asset values.

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

Discount Rate: The interest rate member banks pay the Federal Reserve when the banks use securities as collateral.

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

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates. There are three primary types of duration: Macaulay Duration, Modified Duration and Effective Duration.

> **Macaulay Duration** was developed in 1938 by Frederic Macaulay. This form of duration measures the number of years required to recover the true cost of a bond, considering the present value of all coupon and principal payments received in the future. Thus, it is the only type of duration quoted in "years." Interest rates are assumed to be continuously compounded.
>
> **Modified Duration** expands or modifies Macaulay duration to measure the responsiveness of a bond's price to interest rate changes. It is defined as the percentage change in price for a 100-basis point change in interest rates. The formula assumes that the cash flows of the bond do not change as interest rates change (which is not the case for most callable bonds).
>
> **Effective Duration** (sometimes called option-adjusted duration) further refines the modified duration calculation and is particularly useful when a portfolio contains callable securities. Effective duration requires the use of a complex model for pricing bonds that adjusts the price of the bond to reflect changes in the value of the bond's "embedded options" (e.g., call options or a sinking fund schedule) based on the probability that the option will be exercised. Effective duration incorporates a bond's yield, coupon, final maturity and call features into one number that indicates how price-sensitive a bond or portfolio is to changes in interest rates.

Earnings Apportionment: The distribution of investment income to investment pool participants.

Environmental, Social and Governance (ESG): (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.

Fair Value: The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Agricultural Mortgage Corporation (FAMC/Farmer Mac): Farmer Mac is a stockholder-owned, federally chartered corporation with the mission of providing a secondary market for a variety of loans made to borrowers in rural America. Farmer Mac was established under federal legislation in 1988. Farmer Mac is an instrumentality of the United States and government-sponsored enterprise ("GSE") by virtue of the status conferred by its charter. s. Farmer Mac is part of the Farm Credit System but is

separate from the Federal Farm Credit Banks and Funding Corporation. It is based primarily in Washington, D.C and has offices in Iowa, Idaho and California.

Federal Deposit Insurance Corporation (FDIC): The FDIC preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure. The FDIC receives no Congressional appropriations - it is funded by premiums that banks and thrift institutions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. The FDIC insures trillions of dollars of deposits in U.S. banks and thrifts - deposits in virtually every bank and thrift in the country.

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

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

Federal Farm Credit Bank (FFCB/Farm Credit): The Federal Farm Credit Banks Funding Corporation is responsible for issuing and marketing debt securities on behalf of the four Banks of the Farm Credit System: AgFirst FCB, Agribank FCB, FCB of Texas. And CoBank, ACB. These four Banks (located in South Carolina, Minnesota, Texas and Colorado) are a leading provider of loans, leases and services to rural communities and U.S. agriculture. The Farm Credit System is a government-sponsored enterprise, created in 1916 and dedicated to assuring a steady source of financing to qualified borrowers. The Federal Farm Credit Banks Funding Corporation is based in Jersey City, New Jersey.

Federal Home Loan Banks (FHLB/Home Loan): The Federal Home Loan Banks are 11 U.S. government-sponsored banks that provide reliable liquidity to member financial institutions to support housing finance and community investment. With their members, the FHLB represents the largest collective source of home mortgage and community credit in the United States. FHLB was created by Congress in 1932 by the Federal Home Loan Bank Act and is located in Reston, Virginia.

Federal Home Loan Mortgage Corporation (FHLMC/Freddie Mac): Freddie Mac was created by Congress in 1970 to expand the secondary market for mortgages in the US. Along with the Federal National Mortgage Association, buys mortgages on the secondary market, pools them and sells them as a mortgage-backed security to investors on the open market. This secondary mortgage market increases the supply of money available for mortgage lending and increases the money available for new home purchases. Freddie Mac is headquartered in McLean, Virginia.

Federal National Mortgage Association (FNMA/Fannie Mae): Fannie Mae was created Congress in 1938 to provide supplemental liquidity to the mortgage market, like FHLMC. Fannie Mae is headquartered in Washington, D.C.

Federal Open Market Committee (FOMC): The FOMC is the branch of the Federal Reserve Board that determines the direction of monetary policy. The FOMC meets several times a year to discuss whether to maintain or change current policy.

Federal Reserve Board (FRB): The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes policies on such key matters as reserve requirements and other regulations, sets the discount rate and tightens or loosens the availability of credit in the economy.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 6,000 commercial banks that are members of the system. These member banks hold stock in the Federal Reserve Banks and earn dividends.

Financial Industry Regulatory Authority (FINRA): FINRA is a private corporation, authorized by Congress, that acts as a self-regulatory organization. FINRA is the successor to the National Association of Securities Dealers, Inc. and the member regulation, enforcement and arbitration operations of the New York Stock Exchange. FINRA also provides BrokerCheck, which is a service to obtain information regarding brokers, brokerage firms and investment advisors.

Fitch: A credit rating agency that as one of its services, analyzes and rates securities. Fitch Ratings is one of the "Big Three" credit rating agencies, along with Moody's and S&P.

Floating Rate Securities: A bond whose interest rate is adjusted according to the interest rates of other financial instruments. These instruments provide protection against rising interest rates, but pay lower yields than fixed rate notes.

Futures: Futures are derivative financial contracts that obligate the parties to transact an asset at a predetermined future date and price. Here, the buyer must purchase or the seller must sell the underlying asset at the set price, regardless of the current market price at the expiration date.

Generally Accepted Accounting Principles (GAAP): GAAP refers to a common set of accepted accounting principles, standards and procedures that companies and their accountants must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

Governmental Account Standards Board (GASB): GASB is a non-profit entity that was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities.

Government National Mortgage Association (GNMA/Ginnie Mae): Ginnie Mae is a U.S. government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities issued by approved GNMA lenders. That assurance allows the mortgage lenders to obtain a better price for these offerings in the capital markets. Those improved proceeds, in turn, allow the lenders to make additional mortgage loans and at lower costs to finance. GNMA was created by Congress in 1968 and is headquartered in Washington D.C.

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

Government Sponsored Enterprises (GSEs): Federally chartered agency or instrumentality of the United States Government

IDC Ranking: IDC Financial Publishing, Inc. compiles financial data on all banks, thrifts and credit unions reporting to the federal government and publishes a ranking based on 24 key indicators.

Interest Rate: See "Coupon Rate."

Interest Rate Risk: The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. Duration is a measure of interest rate risk.

Interest Rate Swap: An interest rate swap is a forward contract in which one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating rate or vice versa, to reduce or increase exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would have been possible without the swap.

Inter-American Development Bank (IADB): An international financial institution that supports Latin American and Caribbean economic development, social development and regional integration by lending to governments and government agencies, including State corporations. The IADB is headquartered in Washington, D.C. IADB is a supranational organization and was established in 1959.

International Bank for Reconstruction and Development (IBRD): An international financial institution that offers loans to middle-income developing countries. The IBRD is the first of five member institutions that compose the World Bank Group and is headquartered in Washington, D.C. IBRD is a supranational organization and was established in 1944.

International Finance Corporation (IFC): An international financial institution that offers investment, advisory and asset-management services to encourage private-sector development in less developed countries. The IFC is a member of the World Bank Group and is headquartered in Washington, D.C. IFC is a supranational organization and was established in 1956.

Inverse Floater: An inverse floater is a bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate. An inverse floater adjusts its coupon payment as the interest rate changes.

Inverted Yield Curve: A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of (or anticipation of) high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

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

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

Investment-Grade Obligations: Obligations that are rated BBB or higher by a rating agency.

Leverage: The use of financial leverage to control a greater amount of assets (by borrowing money) will cause the returns on the owner's cash investment to be amplified.

Liquidity: The amount of a portfolio or an asset that can be converted easily and quickly into cash.

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

Make Whole Call: A make whole call provision is a type of call provision on a bond allowing the issuer to pay off remaining debt early. The issuer typically has to make a lump sum payment to the investor derived from a formula based on the net present value (NPV) of future coupon payments that will not be paid incrementally because of the call combined with the principal payment the investor would have received at maturity.

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

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

Market Value: Current market price of a security.

Master Repurchase Agreement (MRA): A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower. SIFMA's MRA is the industry standard agreement.

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

Medium-Term Notes: Debt obligations of banks, corporations and insurance companies. They are issued at a specific rate of return for a specific period of time.

Monetary Policy: The way in which the money supply is managed by the Federal Reserve Board. The FRB manipulates the money supply either through open market transactions, member bank reserve requirements or through changing the Fed Funds Rate or the Discount Rate.

Money Market: Typically refers to short-term debt instruments (bills, commercial paper, discount notes, etc.).

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

Moody's Investors Service: A company that as one of its services, analyzes and rates securities (similar to Fitch and Standard and Poor's).

Mortgage-Backed Security: A security that is backed by a pool of mortgages. Generally, the security is issued or guaranteed by the United States or its agencies or instrumentalities, but also may be issued by financial institutions such as banks.

Municipal Bond: A municipal bond is a debt security issued by a local government, such as county, state, city, special improvement district, to finance its capital expenditures, including the construction of highways, bridges or schools. Municipal bonds can issue taxable or tax-exempt from federal, state and local taxes.

Mutual Fund: A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities. These investors may be retail or institutional in nature. Mutual funds have advantages and disadvantages compared to direct investing in individual securities.

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. The most recognized NRSROs are Fitch, Moody's and Standard and Poor's.

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

Negotiable Certificate of Deposit (CD): A CD is a debt instrument issued by depository institutions, which over time will pay interest as well as principal at time of maturity. A CD is purchased through a federally insured bank or credit union that is insured up to $250,000. The $250,000 insured amount is per bank or credit union.

Nominal Yield: The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

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

Open Market Operations: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Option Adjusted Spread (OAS): Option-adjusted spread is the yield spread which has to be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options. OAS is hence model-dependent.

Overnight Indexed Swap (OIS): OIS is an interest rate swap where the periodic floating payment is generally based on a return calculated from a daily compound interest investment. ... The LIBOR–OIS spread is the difference between LIBOR and the OIS rates.

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

Pass-Thorough Securities: A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

Portfolio: Collection of securities held by an investor.

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

Premium: The amount by which the price paid for a security exceeds the security's par value.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers and banks.

Prime Rate - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

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

Private Placements: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

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

Range Notes: Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

Real Adjustment: When a specific metric or economic indicator is adjusted for inflation.

Regional Dealer: Non-Primary broker-dealers and banks, which transact in the fixed-income markets.
Regular Settlement: Securities settlement that calls for delivery and payment on the next business day following the trade day for government securities and the second business day following the trade date for corporate and municipal securities. Money market funds and money market instruments are settled on a same day basis.

Reinvestment Risk: The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

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

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

Rule 2a-7 of the Investment Company Act: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping: The holding of assets (e.g., securities) by a financial institution.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission (SEC): The government agency that regulates and supervises the securities industry. The commission administers federal law, formulates and enforces rules to protect against malpractice and seeks to ensure that companies provide the fullest possible disclosure to investors. All of the national exchanges and virtually all institutions in the securities industry fall under its jurisdiction.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule.

Securities Lending: Securities lending is when entities transfer or "loan" their securities to broker-dealers in return for cash collateral and simultaneously agree to return the collateral in exchange for the same securities in the future. Entities then invest the cash received as collateral in allowable investments, such as commercial paper, at a rate that exceeds the "rebate" or loan rate paid to the broker-dealer for the cash collateral. These transactions are structured to result in earning an incremental income on a portion of the investment portfolio. The number of securities loaned from the portfolio and the income generated is dependent upon market conditions.

Security Swap: Selling one asset and buying another.

Securities Industry and Financial Markets Association (SIFMA): SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. SIFMA was formed in 2006, from the merger of the Bond Market Association and the Securities Industry Association. SIFMA also provides a recommended holiday schedule for the U.S. financial markets.

Standard and Poor's (S&P): A company that as one of its services, analyzes and rates securities (similar to Moody's Investors Service).

Standard of Prudence: An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices. Generally, the Prudent Person and Prudent Investor are used, with the Prudent Investor being more relevant to state and local governments.

Stated Final Maturity: The date when the final principal amount of a note, draft or other debt instrument becomes due and is repaid to the investor.

Straight Line Amortization: A common method of calculating accretion or amortization of a discount or premium security to par or 100 from the purchase date to the maturity date. It is calculated by dividing the discount/premium amount by the number of days to maturity, without regard to a security's day count convention.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, etc.) and corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Structured Overnight Financing Rate (SOFR): SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The SOFR includes all trades in the Broad General Collateral Rate plus bilateral Treasury repurchase agreement (repo) transactions cleared through the Delivery-versus-Payment (DVP) service offered by the Fixed Income Clearing Corporation (FICC), which is filtered to remove a portion of transactions considered "specials".
The SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data collected from the Bank of New York Mellon as well as GCF Repo transaction data and data on bilateral Treasury repo transactions cleared through FICC's DVP service, which are obtained from DTCC Solutions LLC, an affiliate of the Depository Trust & Clearing Corporation. Each business day, the New York Fed publishes the SOFR on the New York Fed website at approximately 8:00 a.m.

Supranational: A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. The three U.S. based supranationals are International Bank for Reconstruction and Development, the International Finance Corporation and the Inter-American Development Bank.

Total Return: The sum of all investment income plus realized and unrealized gain and losses.

Trade Reporting and Compliance Engine (TRACE): TRACE is the FINRA-developed vehicle that facilitates the mandatory reporting of over-the-counter secondary market transactions in eligible fixed income securities. All broker-dealers who are FINRA member firms have an obligation to report transactions in corporate bonds to TRACE under an SEC-approved set of rules.

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

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

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

Uniform Net Capital Rule: SEC Rule 15C3-1 outlining capital requirements for broker/dealers who must maintain a maximum ratio of indebtedness to liquid capital of 15 to 1. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities (one reason new issues are spread among members of underwriting syndicates). Liquid capital includes cash and assets easily converted to cash.

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

Volatility Risk Rating: A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns to those that are highly sensitive with currently identifiable market volatility risk.

Warrant: In finance, a warrant is a security that entitles the holder to buy the underlying stock of the issuing company at a fixed price called exercise price until the expiry date. Warrants and options are similar in that the two contractual financial instruments allow the holder special rights to buy securities. In accounting, a warrant is sometimes similar to a check or an instrument to present for payment.

Weighted Average Life (WAL): The average number of years that each dollar of unpaid principal due on loan, asset-backed security or mortgage-backed security remains outstanding. WAL delineates how many years it will take to pay half of the outstanding principal.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio, weighted by the individual securities.

When Issued: A transaction that is made conditionally because a security has been authorized but not yet issued. Treasury securities, stock splits and new issues of stocks and bonds are traded on a when-issued basis.

World Bank: The World Bank is an international financial institution that provides loans and grants to the governments of poorer countries for the purpose of pursuing capital projects. It comprises two institutions: the International Bank for Reconstruction and Development and the International Development Association.

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

Yield-to-Call (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve: A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-Maturity (YTM): The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Yield-to-Worst (YTW): The YTW is the lowest potential yield that can be received on a bond without the issuer actually defaulting. The YTW is calculated by making worst-case scenario assumptions on the issue by calculating the return that would be received if the issuer uses provisions, including prepayments or calls.

Zero-Coupon Securities: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Investment Policy Certification



GOVERNMENT INVESTMENT OFFICERS ASSOCIATION

Investment Policy Certification

Elko County, Nevada

The investment policy submitted for review meets the standards established by the Government Investment Officers Association

Rick Phillips
Founder
Government Investment Officers Association

Date: January 2024

GIOA Government Investment Officers Association

APPENDIX A

The Elko County Treasurer is responsible for receiving and disbursing public funds from programs and functions that come under the jurisdiction of the Elko County Board of Commissioners and certain other related governing bodies. The Treasurer has been designated as the investment officer and as such has responsibility for these public funds pending their disbursement.
To improve the efficiency of the investment program, the Treasurer has established a procedure for pooling all investments. The primary objective for pooling the investments is to combine the funds available for investment to improve the cash management of funds through the identification of all idle funds thereby maximizing the interest income received by each participating fund.

The criteria established in the investment of pooled funds will be the same as the County investment policy.

This investment policy will affect the investments purchased after the date of approval and acceptance by the Board of County Commissioners, County of Elko, Nevada.

Approved: June 18, 2025

Jon Karr, Chair

Delmo Andreozzi, Vice Chair

Brian Gale

Travis Gerber

Rex Steninger

Cheryl Paul, Elko County Treasurer