

2.1.4 Bond Funds

Investment of these funds will have the primary objective of safety of principal, while seeking to maximize returns on such funds, the maturity of investments must ensure sufficient funds are available to meet payment obligations on a timely basis. Short to intermediate term investments will be the most appropriate, depending on the progress of projects funded with bond funds. Any yield restrictions due to arbitrage rules must be considered when investing bond funds.

3. PRUDENCE:

Investments shall be made with judgment and care--under circumstances 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.

3.1 The standard of prudence to be used by investment officials shall be the "**prudent person**" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy who exercise 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 appropriate action is taken to control adverse developments.

4. OBJECTIVE:

The primary objectives, in priority order, of the Northeast Texas Community College's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Northeast Texas Community College District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The investment policy shall be:

4.5 Marketability: The Northeast Texas Community College District's investment portfolio shall be designed with the objective of purchasing investments that can be converted to cash or other liquid assets within seven working days to ensure an adequate cash flow for uninterrupted fiscal operations.

Market price of each investment shall be monitored and reported to the Board of Trustees during all regularly scheduled meetings of the Board of Trustees. Monitoring shall include calculating and reporting 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.

4.6 Maturity: Maturities of investments must allow for availability of some funds as a safe-guard for any unanticipated short-fall in funds required for operations as well as debt service payments.

5. DELEGATION OF AUTHORITY:

Authority to manage the Northeast Texas Community College District's investment program is derived from the following: The Public Funds Investment Act, Chapter 2256, Texas Government Code and Northeast Texas Community College District Board of Trustees Resolution. Management responsibility for the investment program is hereby delegated to the Vice President for Administrative Services and the Controller, who shall serve as investment officers for the college and shall establish written procedures for the operation of the investment program consistent with this investment policy. The investment officers shall attend at least one training session on investments within six months after taking office or assuming duties. Procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officers and approved by the Board. The investment offices shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Signatures approval of both investment officers is required on all investment transactions.

6. TRAINING: Each member of the Board of Trustees and its investment officer(s) shall attend at least one training session related to the person's responsibilities within six months after taking office or assuming duties. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of inveng-2 (t)-12 (y)20 ()-10 (r)3 (i)-2 (s)-1 (ks)-1 (,)T0.002 Tc -0.002

responsibilities under the Public Funds Investment Act.

7. ETHICS AND CONFLICTS OF INTEREST:

Officers and employees 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 their ability to make impartial investment decisions. Employees and investment officials shall disclose to the President of Northeast Texas Community College District any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Northeast Texas Community College District, particularly with regard to the time of purchases and sales.

8. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:

The Vice President for Administrative Services will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Vice Pr/dealers

instrumentality of the United States;
9.4.4

GLOSSARY

AGENCIES: Federal agency securities.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid). See Offer

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the Northeast Texas Community College District. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on a bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted

Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage

New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) - registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state--the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

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

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than

