Exhibit A

City of Wolfforth, Texas

Investment Policy

Reviewed and Approved:

December 2, 2024

Investment Policy

Table of Contents

I. PURPOSE

Chapter 2256 of the Texas Government Code, as amended from time to time by the Texas State Legislature ("Public Funds Investment Act" or "PFIA") requires each city to adopt rules governing its investment practices and to define the authority of the Investment Officer(s). The Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and prudent fiscal management of City funds.

II. SCOPE

A. The Investment Policy applies to the investment and management of all funds under direct authority of the City including but not limited to investment of general funds, enterprise funds, special funds, reserve funds, interest and sinking funds, and bond funds. Retirement funds are not governed by this policy. This Policy establishes guidelines for who can invest City funds, how City Funds will be invested, and when and how a periodic review of investments will be made. In addition to the guidelines of this policy, bond funds (as defined by the Internal Revenue Service) shall be managed in accordance with their governing resolution and all applicable State and Federal Law.

B. Review and Amendment
The City Council is required by state statute and by this Investment Policy to review this Investment Policy and investment strategies not less than annually and to adopt a resolution or an ordinance stating the review has been completed and recording any changes made to either the policy or strategy statements.

III. STANDARD OF CARE

The standard of care used by the City shall be the "prudent investor rule", as set forth in Tex. Gov't Code Ann. Sec. 2256.006 and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The Prudent Investor Rule states that:

> "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."

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 City'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 City.

All participants in the investment program will seek to act responsibly as custodians of the public trust. Investment Officers will avoid any transaction that might impair public confidence in the City's ability to govern effectively. Investment Officers shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of the public trust. Nevertheless, the City recognizes that in a marketable, diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment rate of return.

Investment Officers, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for market price changes, provided that these deviations from expectations are reported as soon as possible to the Mayor and the City Council, and that appropriate action is taken by the Investment Officers and their oversight managers to control adverse developments.

IV. OBJECTIVES

A. Preservation and Safety of Principal
Preservation of principal is the foremost objective of the City. Each investment transaction shall seek first to ensure that capital losses are avoided, whether the loss occurs from the default of an issuer or from erosion of market value.

B. Liquidity
The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which can be reasonably anticipated. Liquidity will be achieved by maintaining appropriate cash-equivalent balances, matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

C. Yield
The investment portfolio of the City shall be designed to meet or exceed the average rate of return on 91-day U.S. treasury bills throughout budgetary and economic cycles, considering the City's investment risk constraints and the cash flow characteristics of the portfolio. Legal constraints on debt proceeds that are not exempt from federal arbitrage regulations are limited to the arbitrage yield of the debt obligation. Investment Officers will seek to optimize the yield of these funds in the same manner as all other City funds. However, if the yield achieved by the City is higher than the arbitrage yield, positive arbitrage income will be rebated to the federal government as required by applicable federal regulations.

V. INVESTMENT COMMITTEE

A. Members
An Investment Committee, consisting of the Mayor, the City Manager, and the City Secretary shall review the City's investment strategies and monitor the results of the investment program

periodically. This review can be done by reviewing the quarterly written reports and by holding Committee meetings as necessary. The Committee will be authorized to invite other advisors to attend meetings as needed.

B. Scope
The Investment Committee shall include in its deliberations such topics as economic outlook, investment strategies, portfolio diversification, maturity structure, potential risk to the City's funds, evaluation and authorization of broker/dealers, rate of return on the investment portfolio, review and approval of training providers, and compliance with the Investment Policy. The Investment Committee will also advise the City Council of any future amendments to the Investment Policy that are deemed necessary or recommended.

C. Procedures
The Investment Committee should meet at least annually to discuss the investment program and policies.

VI. <u>RESPONSIBILITY AND CONTROL</u>

A. Investment Officers
The City Manager and City Secretary are hereby appointed as "Investment Officers."
No person shall engage in an investment transaction except as provided under the terms of this Policy and the procedures established by this Policy. This Policy explicitly authorizes the Investment Officers to withdraw, transfer, deposit, and enter into related bank agreements, and invest the City's funds.

B. Delegation
Routine management responsibility and the establishment of written procedures for the operation of the investment program consistent with this Investment Policy are assigned to the City Manager. Such procedures shall include explicit delegation of authority to persons responsible for the daily cash management operation, the execution of investment transactions, overall portfolio management, and investment reporting. The City Manager may delegate the daily investment responsibilities to either internal investment officials or an external investment advisor. However, the use of an external investment advisor must be approved in advance by the City Council. The Investment Officers and/or investment officials will be limited by compliance with all federal regulations, ordinances, and the statements of investment strategy.

C. Internal Controls
Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentations by third parties, unanticipated changes in financial markets, or imprudent actions by Investment Officers. Controls deemed most important would include control of collusion; separation of duties; third-party custodial safekeeping; avoidance of bearer-only securities; clear delegation of authority; specific limitations regarding securities losses and remedial action; written confirmation of telephone

transactions; minimizing the number of authorized investment officials; and documentation of any rationale for investment transactions.

In conjunction with the annual independent audit, a compliance audit of management controls on investments and adherence to the Investment Policy and incorporated Investment Strategies shall be performed by the City's independent auditor.

D. Ethics and Conflicts of Interest

An Investment Officer of the City who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship. These disclosures shall be to the Texas Ethics Commission and the City Council. For purposes of this section, an Investment Officer has a personal business relationship with a business organization if:

(1) the Investment Officer owns ten (l0) 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; or
(2) funds received by the Investment Officer from the business organization exceed ten (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.

Investment Officers of the City shall refrain from personal and business activities involving any of the City's custodians, depositories, broker/dealers or investment advisors which may influence the Officer's ability to conduct his duties in an unbiased manner. Investment Officers will not utilize investment advice concerning specific investments or classes of investments obtained in the transaction of the City's business for personal investment decisions, will in all respects subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchase and sales and will keep all investment advice obtained on behalf of the City and all transactions contemplated and completed by the City confidential, except when disclosure is required by law.

E. Investment Training Requirements

To ensure quality and capability of investment management, each Investment Officer shall attend at least ten (10) hours of training relating to their investment responsibilities within twelve (12) months after assuming their duties. In addition to this initial requirement, each Investment Officer shall receive not less than eight (8) hours of instruction relative to their investment responsibilities during each subsequent two-year period aligned with the City's fiscal year. The investment training session shall be provided by an independent source approved by the Investment Committee. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institute of higher learning or any other sponsor other than a business organization with whom the City may engage in an investment transaction. Such training shall include education in investment controls, credit risk, market risk, investment strategies, and compliance with investment laws, including the Public Funds Investment Act. A list will be maintained of the number of hours and conferences attended for each Investment Officer and a report of such information will be provided to the Investment Committee.

VII . AUTHORIZED INVESTMENTS

A. Obligations of the United States or its agencies and instrumentalities, *excluding* mortgaged back securities, collateralized mortgage obligations, and real estate mortgage investment conduits.

B. Direct obligations of the State of Texas or its agencies and instrumentalities

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

D. Obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;

E. Fully collateralized repurchase agreements having a defined termination date; placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas; and secured by obligations described by a combination of cash and securities listed in A - D above and pledged with a third party selected or approved by the City; and having a market value of not less than the principal amount of the funds disbursed. The term repurchase agreement includes reverse repurchase agreements. *Repurchase agreements must also be secured in accordance with State law. Each counter party to a repurchase agreement is required to sign a copy of the Security Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement as approved by the City. An executed copy of this Agreement must be on file before the City will enter any transaction with a counter party. All Master Repurchase Agreements must be approved by the City Council.*

F. Certificates of deposit must be issued by a depository institution that has its main office or a branch office in the state of Texas that are:

(1) Guaranteed or insured by the FDIC or its successors; or

(2) Secured by obligations that are described by A – D above, which are intended to include all direct Federal agency or instrumentality issued mortgage-backed securities, but excluding those mortgage-backed securities that have a market value of not less than the principal amount of the certificates; or
(3) Secured in any other manner provided by law for deposits of the City; or
(4) Governed by a Depository Agreement that complies with Federal and State regulation to properly secure a pledged security interest.

G. Money market mutual funds regulated by the Securities and Exchange Commission, with a dollar weighted average portfolio maturity of 60 days or less that fully invest dollar-for-dollar all City's funds without sales commissions or loads and, whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The City may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund or exceeds 80% of it's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service in money market mutual funds;

H. Joint Investment Pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. 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 managed in compliance with the PFIA.

If an investment in the City's portfolio becomes an unauthorized investment due to changes in the Investment Policy or the Public Funds Investment Act, the City is not required to liquidate it. If an authorized investment is rated in a way that causes it to become an unauthorized investment, the Investment Officers of the City shall take all prudent measures to liquidate the investment. Investment Officers shall consider the time remaining until maturity of the investment, the overall quality of the investment, and the quality and amounts of any collateral which may be securing the investment in determining the appropriate steps to take.

VIII. PORTFOLIO AND INVESTMENT ASSET PARAMETERS

A. Competitive Process for Investments
It is the policy of the City to provide a competitive environment for all individual investment purchases and sales, and financial institution, money market mutual fund, and local government investment pool selections.

B. Maximum Maturities
The City will manage its investments to meet anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in instruments maturing more than five years from the date of purchase.

C. Maximum Dollar-Weighted Average Maturity

Under most market conditions, the composite portfolio will be managed to achieve a one year or less dollar-weighted average maturity.

D. Diversification
The allocation of assets in the portfolios should be flexible depending upon the outlook for the economy and the investment markets. In establishing specific diversification strategies, the following general policies and constraints shall apply.

(1) Portfolio maturities and call dates shall be staggered in a way that avoids undue concentration of assets in a specific sector. Maturities shall be selected which provide the stability of income and reasonable liquidity.
(2) To attain sufficient liquidity, the City shall schedule the maturity of its investments to coincide with known disbursements. Risk of market price volatility shall be controlled through maturity diversification.
(3) The City shall not invest more than 50% of the investment portfolio in repurchase agreements, excluding bond proceeds and reserves.
(4) The City shall not invest more than 50% of the investment portfolio in any individual money market mutual fund.
(5) The Investment Committee shall review diversification strategies and establish or confirm guidelines on at least an annual basis. The Investment Committee shall review the quarterly investment reports and evaluate the probability of market and default risk in various investment sectors as part of its consideration.

IX. AUTHORIZED BROKER/DEALERS

A. The Investment Committee will, at least annually, authorize a list of broker/dealers, who are eligible to provide investment services to the City. These firms may include:

(1) All primary government securities dealers; and
(2) Those regional broker/dealers who qualify under Securities and Exchange Commission Rule 15C3-l (uniform net capital rule), and who meet other financial credit criteria standards in the industry.

These firms will be selected based on their competitiveness, participation in agency selling groups and the experience and background of the salesperson handling the account.

B. All broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officers with the following:

(1) Audited financial statements;
(2) Proof of Financial Industry Regulatory Authority (FINRA) registration; and
(3) Resumes of all sales representatives who will represent the financial institution or broker/dealer firm in dealings with the City.

All business organizations, as defined by Section 2256.005, (including local government investment pools and discretionary investment management firms) shall provide an executed written instrument, by the qualified representative, in a form acceptable to the City and the business organization substantially to the effect that the business organization has received and reviewed the Investment Policy of the City and acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards, or relates to investment transactions of the City that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

X. SAFEKEEPING OF INVESTMENT ASSETS

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted using the delivery versus payment (DVP) basis. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the safekeeping bank. The safekeeping bank is responsible for matching up instructions from the City's Investment Officers on an investment settlement with what is wired from the counterparty, prior to releasing the City's designated funds for a given purchase. Securities will be held by a third-party safekeeping bank designated by the Investment Officers and evidenced by safekeeping receipts or statements. The security shall be held in the name of the City or held on behalf of the City in a bank nominee name. The safekeeping bank's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the City. A safekeeping agreement must be in place which clearly defines the responsibilities of the safekeeping bank.

XI. COLLATERAL

A. The City's depository bank(s) shall comply with Chapter 2257 of the Texas Government Code, (The Public Funds Collateral Act) and shall execute a mutually acceptable depository pledge agreement. The collateralized deposit portion of the agreement shall define the City'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. The agreement:

    (1) Must be in writing;
    (2) Must be executed by the Depository and the City contemporaneously with the acquisition of the asset;
    (3) Must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to the City; and
    (4) Must remain part of the Depository's "official record' upon its execution.

B. The Federal Reserve Bank, Federal Home Loan Bank and other financial institutions authorized under the Public Funds Collateral Act, are eligible as custodial agents for collateral, subject to City approval. An authorized City representative will approve and release all pledged collateral.

C. Market Value
The Market Value of pledged Collateral must be equal to or greater than 103% of the principal and accrued interest for cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) insurance coverage. The securities comprising the collateral will be marked to market on a monthly basis using quotes by a recognized market pricing service quoted on the valuation date, and the City will be sent reports monthly. The City reserves the right to accept or reject, at its sole discretion, any proposed collateral.

D. Collateral Substitution
Collateralized investments often require substitution of collateral. The custodial agent must contact the City for approval and settlement. The substitution will be approved if its value is equal to or greater than the required collateral value.

E. Collateral Reduction
Should the collateral's market value exceed the required amount, the custodial agent may request approval from the City to reduce Collateral. Collateral reductions may be permitted only if the collateral's market value exceeds the required amount.

F. Letters of Credit
Letters of Credit, issued by an agency or instrumentality of the United States, are acceptable collateral for financial institution deposits. They must be equal to or greater than 100% of the principal and accrued interest for cash balances more than the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) insurance coverage.

XII. INVESTMENT REPORTS

A. Reporting Requirements
The Investment Officers shall prepare a quarterly investment report in compliance with section 2256.023 of the Public Funds Investment Act. The report shall be submitted to the City Council and the Investment Committee.

B. Investment Records
An investment official designated by the City Manager shall be responsible for the recording of investment transactions and the maintenance of the investment records. Reconciliation of the accounting records and of any investments shall also be performed.

C. Weighted average yield to maturity shall be the City's performance measurement standard.

D. Information to maintain the investment program and the reporting requirements, including pricing or marking to market the portfolio, may be derived from various sources such as: broker/dealer research reports, newspapers, financial on-line market quotes, direct communication with broker/dealers, market pricing services, investment software for maintenance of portfolio records, spreadsheet software, or external financial consulting services relating to investments.

E. Auditor Review
The City's independent external auditor must formally review the quarterly investment reports annually to ensure compliance with the Public Funds Investment Act and any other applicable State Statutes.

XIII . INVESTMENT STRATEGIES

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

A. Operating Funds

Investment strategies for 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 quality, short-to-medium term securities which will complement each other in a laddered structure. The dollar-weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security, and the maximum allowable maturity shall be two years.

B. Bond Proceeds

The investment maturity of bond proceeds (excluding reserve and debt service funds) shall generally be limited to the anticipated cash flow requirement of the "temporary period," as defined by Federal tax law. During the temporary period, which is generally three years for capital projects, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds are subject to yield restriction and shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations. The maximum maturity for all bond proceeds shall not exceed the anticipated project spending dates. Interest more than the allowable arbitrage earnings will be segregated and made available for necessary payments to the US Treasury

C. Debt Service Funds

Investment strategies for Debt Service Funds shall be to ensure adequate funding for each consecutive debt service payment. The Investment Officers shall invest in such a manner as not to exceed an "unfunded" debt service date with the maturity of any investment. An unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy said payment.

D. Bond Reserve Funds

Market conditions, Bond Ordinance constraints and Arbitrage regulation compliance will be considered when formulating a Reserve Fund strategy. Maturity limitation shall generally not exceed the call provisions of the Bond Ordinance and shall not exceed the final maturity of the bond issue.

E. Other Funds

The anticipated cash requirements of other City Funds will govern the appropriate maturity mix. Appropriate portfolio strategy shall be determined based on market conditions. Policy compliance, City financial condition, and other risk return constraints will be considered when formulating investment strategy. Maximum maturity shall not exceed five years and each fund's weighted average life shall not exceed three years.

XIV. GLOSSARY OF CASH MANAGEMENT TERMS

Accretion – common investment accounting entry in which the book value of securities purchased at a discount are gradually written up to the par value. The process has the effect of recording the discount as income over time.

Accrued Interest – Interest earned, but not yet paid, on a bond.

Agency – See Federal Agency

Amortization – common investment accounting entry in which the book value of securities purchased at a premium are gradually written down to the par value.

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

Book Value – The original acquisition cost of an investment plus or minus the accrued amortization or accretion.

Broker – A financial firm that brings securities buyers and sellers together in return for a fee. The term "broker" is often used interchangeably with "dealer" to refer to a seller of investment securities.

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

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

Collateralized Mortgage Obligation (CMO) – A derivative mortgage-backed security (MBS) created from pools of home mortgage loans. A single MBS is divided into multiple classes, each class containing a unique risk profile and security characteristics. A number of CMO classes are expressly prohibited by Texas State law.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 1 to 270 days. Commercial paper must carry a minimum rating of A1P1 in order to be eligible under the Texas Public Funds Investment Act.

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

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

Derivative – Financial instruments whose value is derived from the movement of an underlying index or security.

Dealer – A dealer, as opposed to a broker, acts as a principal in all securities transactions, buying and selling for their own account. Often times, the terms "broker" and "dealer" are used interchangeably to refer to a seller of investment securities.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for securities at the time of delivery 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.

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

Dollar Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio.

Federal Agency – A debt instrument, either fully guaranteed or sponsored by the U.S. government. The typical definition of agency includes the government sponsored enterprises of Fannie Mae, Freddie Mac, the Federal Farm Credit Bank (FFCB) and the Federal Home Loan Bank (FHLB).

Federal Deposit Insurance Corporation (FDIC) - A federal agency that insures bank deposits, currently up to $250,000 per account (thru December 31, 2013). Public deposits that exceed this amount must be properly collateralized with investment securities or insured through a surety bond.

Interest Rate - See "Coupon Rate."

Internal Controls - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met.

Interlocal Cooperation Act –Law permitting joint participation by local governments providing one or more government functions within the State. This law (Section 791.001 et seq. of the Texas Government Code ("the Act")) has allowed for the creation of investment pools in Texas.

Investment Advisors Act of 1940- Law which requires all Investment Advisors to be registered with the SEC to protect the public from fraud.

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. The Texas Public

Funds Investment Act requires that public entities have a written and approved investment policy.

Investment Pool – An entity created under the Interlocal Cooperation Act to invest public funds jointly on behalf of the entities that participate in the pool.

Liquidity – A liquid investment is one that can be easily and quickly converted to cash without substantial loss of value. Investment pools and money market funds, which allow for same day withdrawal of cash, are considered extremely liquid.

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

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

Market Value - A security's par amount multiplied by its market price.

Master Repurchase Agreement – A written contract covering all future transactions between the two parties to a repurchase 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."

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

Mortgage-Backed Security (MBS) – Security backed by pools of home loan mortgages.

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

Net Asset Value (NAV) – The value of a mutual fund or investment pool at the end of the business day. NAV is calculated by adding the market value of all securities in a fund or pool, deducting expenses, and dividing by the number of shares in the fund or pool.

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

Par - Face value or principal value of a bond, typically $1,000 per bond. A security's par value is multiplied by its coupon rate to determine coupon payment amount.

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

Primary Government Securities Dealer (Primary Dealer) – One of 23 (as of 4/2011 large government securities dealers who are required to submit daily reports of market activity and monthly financial statements to the New York Federal Reserve Bank. Primary Dealers are required to continually "make a market" in Treasury securities, buying or selling when asked, thereby creating a liquid secondary market for US debt obligations.

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

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

Repurchase Agreement (repo or RP) - An agreement by 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.

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

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

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 two- to 10-years and issued in denominations ranging from $1,000 to $1 million or more.

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

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

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

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 - 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.