Treasurer's Office – Cuyahoga County, Ohio
Statement of Investment Policy

This version effective as of January 24, 2025

Introduction

This Investment Policy (the "Policy") is the investment policy of Cuyahoga County, Ohio (the "County"). It has been approved by the County Treasurer (the "Treasurer"), adopted by majority vote of the Investment Advisory Committee (the "Committee"), and supersedes the previously adopted policy originally adopted on January 19, 1999 and last revised April 30, 2021.

Purpose

The purpose of this Policy is to establish the priorities, procedures and guidelines, based upon applicable provisions of the Ohio Revised Code ("ORC") that shall govern the investment of the County's public moneys and the management of the assets in which those moneys are invested (the "Portfolio"). Any such investment shall be made under direction and control of the County Treasurer's Office.

Investment Advisory Committee – Membership, Meetings and Minutes

The Investment Advisory Committee ("Committee") shall consist of three members: the County Executive, the County Treasurer and a representative of the County Council. Members may designate alternates by providing a signed writing to the Secretary of the Committee at any time.

The Committee's first meeting of the calendar year shall serve as the Committee's organization meeting within the meaning of the ORC. Notice of the organization meeting shall be provided to the public via publication on the County's website and the County's general events calendar hosted on that website. Such notice shall be given a minimum of one week prior to the meeting.

At its organization meeting, the Committee shall select from its membership a Chair, Vice Chair and Secretary. The Committee shall also use this meeting to establish the dates, times and locations for its regular meetings for the year to come, and to review this policy (including provisions on membership, meetings and record keeping). Committee members shall receive no additional compensation.

The Committee shall meet at least quarterly to review the performance of the County's Portfolio, and to advise the Treasurer on the County's investments to ensure the safest and best stewardship of those investments. Any member of the Committee, upon giving five days' notice, may call a special meeting of the Committee. In such an event, notice must be provided to members of the media and public who have requested such notice of the time, date and location of meetings a minimum of 24 hours in advance, except in the event of an emergency requiring immediate official action.

Emergency meetings as defined by the ORC may be called by any member for any reason allowable under the law, so long as reasonable effort is made to immediately notify members of the media and public who have so requested of the time, place, and purpose of the meeting.

Any individual wishing to receive written notice of the Committee's meetings may do so by making a written request and providing stamped, self-addressed envelopes or a working email address to the secretary of the Committee. The Committee shall make reasonable efforts to broadcast its proceedings electronically utilizing the County's official web communications channels. Unless otherwise specified, notices shall be provided for meeting dates and times via publication on the County's website.

Members of the public wishing to comment at Committee meetings shall be afforded an opportunity to do so, consistent with the rules governing public comment then in effect.

The Secretary or their designee shall serve as the custodian of records relating to the Committee's formal actions. Such records shall include written meeting minutes which accurately reflect the Committee's decisions, including motions, formal votes, and a record of how each member of the Committee voted. These records shall also include such information as is reasonably necessary to understand and appreciate the Committee's decision-making process and rationale.

Policy Adoption and Revision

This Policy has been adopted by a majority vote of the Committee at the recommendation of the Treasurer. It can only be changed by a majority vote taken at a public meeting consistent with the provisions of this Policy and the ORC. This Policy shall comply with the provisions of Section 701.06 of the Cuyahoga County Code, including publication of this Policy on the Treasurer's Office website.

A copy of any amended Policy approved by the Committee shall be filed with the Auditor of State pursuant to ORC 135.35(K)(1).

Rule of Law

The procedures and guidelines contained in this Policy are based upon applicable provisions of the ORC, including but not limited to Chapter 135.

Standard of Prudence and Release of Liability

The standard of prudence to be applied to the investment of the Portfolio shall be the Uniform Prudent Investor Act standard, as codified in ORC 5809.02 and applied in the context of overall Portfolio management.

In accordance with this standard, all participants in the investment process shall exercise reasonable discretion in acting as custodians of the public trust. All participants in the investment process recognize that the Portfolio is subject to periodic review and evaluation. The Portfolio and its Procedures (as defined below) shall be managed with a degree of professionalism worthy of the public trust and shall conform to all state and local statutes governing the investment of public funds.

Investment staff acting in accordance with this policy, or any other written procedures pertaining to the administration and management of the Portfolio who exercise the proper due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the Committee and that appropriate action is taken to control and prevent any further adverse developments.

Ethics and Conflict of Interest

The Cuyahoga County Treasurer's Office and the Committee recognize the responsibility the Treasurer's Office has in administering the County's investable assets. Maintaining integrity and public trust in the process is essential. All persons responsible for the investment of County funds acting in their professional capacities owe a fiduciary duty to the taxpayers of Cuyahoga County.

All persons involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Members of the Committee, employees of the Treasurer's Office, and investment officials shall disclose any material interest in financial institutions with which they conduct business, and shall further disclose any personal finance or investment positions that could be related to the performance of the Portfolio. All such members, employees, and officials shall refrain from undertaking personal investment transactions with the same individual(s) with which business is conducted on behalf of the County, subordinate any personal investment transactions to those of the County (particularly with regard to the timing of purchases and sales) and further refrain from securing personal gifts from brokers or others with which they conduct County business. Members, employees, and officials shall be governed by the provisions of the Ohio ethics law[1] and Cuyahoga County Ethics Code,[2] as well as the codes of conduct established by the Financial Industry Regulatory Authority ("FINRA"),[3] Securities and Exchange Commission,[4] and the code of ethics and standards of conduct of the CFA Institute.[5]

Scope of the Investment Policy

This Policy governs the administration and management of all public moneys held for investment by the County Treasurer, as described in the Annual Financial Report of the County. Any practice not clearly authorized under this Policy is prohibited. The guidance set forth herein shall be strictly adhered to by all individuals involved in or responsible for any aspect of the management or administration of those funds.

Investment Objectives

In order of priority, the investment objectives of Cuyahoga County are:

1. Compliance with state and federal law;

2. Safety of principal;

County funds shall be invested in a manner that ensures the preservation of capital within the context of credit and market risk.

Credit risk, for purposes of this Policy, shall be defined as the risk of loss due to the failure of a security issuer to pay principal or interest, or the failure of the issuer to make timely payments of principal or interest. Eligible investments under the ORC subject to credit risk include certificates of deposit, commercial paper, corporate bonds, and banker's acceptances. Credit risk shall be minimized by a) diversifying assets by issuer; b) ensuring that required, minimum credit quality ratings exist prior to the purchase of such instruments; c) maintaining adequate collateralization as required by the ORC; and d) obtaining delivery of securities purchased subject to a repurchaser agreement to the Treasurer or an appropriate custodian under the provisions of this policy.

Market risk, for purposes of this Policy, shall be defined as the risk of loss due to fluctuations in the financial marketplace, based upon changes in the general and individual levels of interest rates. Market risk shall be minimized by a) maintaining adequate liquidity so that, where possible, current obligations of the County may be met without selling securities prior to maturity; and b) diversifying investments as to maturity, issuer and type.

3. Maintenance of liquidity;

The portfolio shall be managed to retain sufficient liquidity as is necessary to meet all current obligations of the County that might reasonably be anticipated, and shall be structured so that investments mature concurrently with known cash needs.

The Treasurer or an authorized designee may elect to separate the County's total investment fund balances into a liquidity portfolio, comprised of short-term investments and/or eligible money market funds, and a core portfolio comprised of various eligible securities with longer-term maturities.

4. Maximizing return; and

The portfolio shall be managed in such a fashion as to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the provisions of the ORC, the requirements of this policy, and cash flow needs within the County.

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[1] See https://ethics.ohio.gov/education/overview.html. Last accessed January 11, 2024.
[2] See https://cuyahogacounty.gov/code/titles/title-4-ethics. Last accessed January 11, 2024.
[3] See https://www.finra.org/careers/investment-and-securities-account-restrictions-under-finras-code-conduct. Last accessed January 11, 2024.
[4] See https://www.sec.gov/Archives/edgar/data/1270436/000119312510052707/dex141.htm. Last accessed January 11, 2024.
[5] See https://www.cfainstitute.org/en/ethics-standards/ethics/code-of-ethics-standards-of-conduct-guidance. Last accessed January 11, 2024.

For purposes of this policy, "market-average rate of return" shall be defined as the 60-month average of the ICE BofA 0-5 Year U.S. Treasury Index.

In pursuit of public policy goals, and consistent with the provisions of Ohio law, the County may accept lower-than-market yields in limited circumstances and for a limited period (not to exceed five years for any single instrument). Such investments shall not exceed 5% of the County's overall portfolio.

5. Sustainability.

The Treasurer shall prudently consider sustainability factors in investment decision making, analysis, portfolio construction, risk management, due diligence, and investment ownership. Sustainability factors may include, but are not limited to:

a. Corporate governance and leadership factors, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct and business practices.
b. Environmental factors such as climate competence, greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, management of plastics and forever chemicals, and ecological impacts.
c. Social capital factors that may have an adverse or positive impact on customers, local communities, the public, and/or government, such as human rights, customer welfare, data privacy, cyber security, access and affordability, product quality and safety, selling practices and product labeling, community reinvestment, and community relations.
d. Human capital factors that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and bidder policies, employee health and safety, employee engagement, diversity, equity, and inclusion, and incentives and compensation.
e. Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks, and whether the company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change.

Sustainability factors shall be duly considered within the framework of this policy and relevant State and Federal law, with an emphasis on materiality and the reasonable likelihood such factors substantially impact the overall financial condition or operating performance of any given investment vehicle.

Procedures and Limitations

The Treasurer shall establish written procedures (the "Procedures") for the operation of the investment program consistent with this Policy, shall establish a system of controls to regulate the activities of subordinate officials and shall be responsible for all transactions undertaken. The Procedures shall include reference to safekeeping, PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such Procedures shall also include explicit delegation of authority to persons responsible for investment transactions.

The Treasurer may retain the services of an Investment Advisor, in accordance with the requirements of ORC 135.341(D) to assist in performing investment management activities.

No person may engage in an investment transaction except as provided under the terms of this Policy and the Procedures. Further, the roles and responsibilities of staff assigned to perform investment management duties shall be clearly defined through the drafting and maintenance of formal job descriptions and an established chain of command.

Authorized Investments

The Treasurer, or an authorized designee, shall be permitted to invest in any security specifically authorized for investment by counties in the ORC.

Portfolio Diversification

The portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of investment. The maximum percentage of the total average portfolio permitted in each eligible investment is as follows:

Permitted Investment	Sector Limit	Issuer Limit
A. U.S. Treasury Obligations	100%	100%
B. Federal Agency (Fixed Rate)	100%	
C. Federal Agency (Callable)	70%	40%
D. * Repurchase Agreements	50%	5 % or $150 million, whichever is less
E. Commercial Paper and Bankers' Acceptances combined	40%	5%
F. Certificates of Deposit	50%	10%
G. * Bank Deposits (excluding CDs)	100%	100%
H. Municipal Obligations	20%	5%
I. * STAR Ohio	100%	100%
J. * Money Market Mutual Funds	75%	25%
K. Corporate Notes	15%	5%
L. Foreign Notes	2%	2%
M. Delinquent Tax Anticipation Notes	15%	15%
N. Linked Deposits	5%	5%

For purposes of this policy, the County's total average portfolio will be equal to the average investable balance for the 12-month period ending one month prior to the current month. For the preceding cash equivalent investments, indicated by an "*" (Overnight Repurchase Agreements, Bank Deposits excluding CDs, STAR Ohio, and Money Market Mutual Funds), the total average portfolio will be equal to the prior day's portfolio market value.

Prohibited Investments and Investment Practices

The purchase of any security with a final maturity in excess of five years, in accordance with ORC Section 135 (except as provided under Section 135.35), must be approved via resolution by the Committee. To control the volatility of the long-term portfolio, the County Treasurer shall determine an average maturity target for the full portfolio, neither to exceed three years nor fall below a year under normal market conditions.

Notwithstanding these limitations, in no case will the assets in either category be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds. No provision of this section shall be construed to invalidate longer-term investments made prior to the adoption of this policy, so long as such investments were made consistent with the requirements of the ORC.

The County is expressly prohibited from the following investments and investment practices:

1. Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
2. Issuing taxable Tax or Current Revenue Anticipation Notes for the sole purpose of investing the proceeds;
3. Investment in reverse repurchase agreements;
4. Short sales (selling a specific security before it has been legally purchased);
5. Pair-offs (buying a security and selling it before the settlement date);
6. Speculative trading (repetitive buying and selling of the same or similar securities for the purpose of capital gains);
7. Investment in securities commonly known as derivatives, structured notes, or trusts collateralized by Treasury obligations. A treasury inflation-protected security shall not be considered a derivative, provided the security matures not later than five years after purchase; and
8. Any other investment practices prohibited by state or federal law and inconsistent with the parameters of this policy.

Monitoring and Adjusting the Portfolio

Treasurer's Office staff, in coordination with any applicable Investment Advisor, shall routinely monitor the contents of the Portfolio, the available markets and the relative values of competing instruments, and adjust the portfolio as necessary to meet the investment objectives listed above. It is recognized and understood that this non-speculative active management of portfolio holdings may cause a book loss on the sale of an owned investment. It is the policy of the County to charge any such loss against the interest income account during the month in which the loss was booked. Losses shall be allocated to the various funds based on the proportionate fund equity in the total portfolio based on the average daily balance during the month in which the sale occurred. Losses shall only be posted to those funds that can legally accept them.

It is expected that all securities purchased will be held to maturity. In accordance with ORC 135.35(E), the County shall only redeem or sell securities prior to maturity under the following conditions: (1) to meet additional liquidity needs; (2) to purchase another security to increase yield or current income; (3) to lengthen or shorten the Portfolio's average maturity; (4) to realize any capital gains and/or income; (5) to adjust the Portfolio's asset allocation.

In the event of a downgrade of the credit-rating of a security in the Portfolio to a rating below the minimum criteria for purchase, Treasury staff will report the downgrade to the Treasurer without undue delay. Sale of the security is not mandatory, but an evaluation of the current situation of the issuer in the context of the market price, time to maturity and impact on the Portfolio will be considered in deciding whether to sell or hold the security. Any such security will be periodically re-evaluated, and as needed, as conditions change, until the security either matures or is sold.

Internal Controls

The County Treasurer shall establish and be responsible for monitoring a system of internal controls governing the administration and management of the Portfolio, and these controls shall be documented in writing. Such controls shall be designed to prevent and control losses of County funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by personnel. The internal controls will address control of collusion, separation of duties, separating transaction authority from accounting and record keeping, custodial safekeeping, delegation of authority, written confirmation of telephone transactions, minimizing the number of authorized investment officials and documentation of investment transactions.

The County Executive may periodically seek additional examinations of the investment program at its discretion. The County Treasurer at his or her discretion may contract with an independent firm to seek additional examinations of the County Investment Program.

Eligible Banks and Broker/Dealers

The Treasurer, or an authorized Investment Advisor, shall establish and maintain a list of eligible brokers, dealers, and banks with which investment transactions can be made.

Written procedures maintained by the County Treasurer and/or Investment Advisor will describe the selection process for eligible brokers, dealers, and banks. To the greatest extent feasible within the bounds of fiduciary prudence, it is the policy of Cuyahoga County to remove any barriers to the full participation of all qualified firms in investment transactions. Equity-focused outreach efforts will include both a local and national search for qualified firms.

All financial institutions interested in transacting securities trades with the County are required to request and complete a "Broker/Dealer Request for Information" from the Treasurer or Investment Advisor. These financial institutions must meet all requirements set by Securities and Exchange Commission Rule 15C3-1.

Competitive Selection of Investment Instruments

Cuyahoga County shall transact securities purchases/sales only with approved providers through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers. The County will accept the offer which (a) has the highest rate of return within the maturity required and (b) optimizes the investment objectives of the overall portfolio. When selling a security, the County will select the bid that generates the highest sale price. If there is a tie bid between one or more brokers, the County Treasurer shall award the winning bid to the brokers on a rotating basis.

It is the responsibility of the personnel involved with each purchase/sale to produce and retain written records of each transaction including the name of the financial institutions solicited, rate quoted, description of the security, investment selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale shall be included in this record.

Primary fixed price Federal Agency offerings may be purchased from the list of qualified broker/dealers without competitive solicitation. However, before purchasing any primary fixed price agency offering, the County Treasurer will evaluate the appropriateness of the offering as it relates to comparable investments. If it is determined that agency obligations meeting the County's requirements are available in the secondary market at a higher yield, then the outstanding obligation shall be purchased following competitive bidding procedures.

If the County is utilizing the services of an Investment Advisor, the Advisor's internal protocols for ensuring competitive selection shall control.

In making investment decisions, all other things being equal and subject to compliance with any applicable Internal Revenue Code requirements for bond proceeds, investment in corporations and financial institutions doing business in the State of Ohio will be given preference over other investment options.

Investment of Bond Proceeds

The resolutions providing for the payment of presently outstanding debt of the County impose certain restrictions on the investment of funds pledged to the payment of principal, interest and other costs associated with the bonds. Those funds established by the provisions of the bond resolutions will be managed in accordance with the terms and conditions of the bond covenants if those requirements are more restrictive than this investment policy.

The County shall comply with all applicable sections of the Internal Revenue Code of 1986, Arbitrage Rebate Regulations and bond covenants with regard to the investment of bond proceeds.

Safekeeping, Settlement, and Custody

The Treasurer shall be responsible for ensuring that all investment securities purchased by the County or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution (to be designated as the "Custodian") qualified per ORC 135.18 to act in this capacity. All securities held for the County account will be held free and clear of any liens and all transactions will be conducted on a delivery-vs.-payment basis. Excluding any primary issued securities, all purchases and sales will be transacted on a cash, regular (next day) or "skip-day" settlement basis. If the securities are registerable either as to principal and/or interest, then the securities are to be registered in the Treasurer's name. The Custodian shall issue a safekeeping receipt to the County listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the Custodian will also provide reports which list all securities held for the County, the book value of holdings and market values as of month-end.

Appropriate County officials and representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process shall be bonded to such a degree as to protect the County against losses from malfeasance and misfeasance.

Reporting

The County Treasurer shall maintain accurate, complete, and timely records of all investment activities. Within ten (10) business days of the end of each month, the County Treasurer shall submit an investment report to the Treasurer of State. This report shall include: (i) a listing of the existing portfolio in terms of investment securities, maturity date, return, market value and other features deemed relevant and (ii) a listing of all transactions executed during the preceding month. The market values presented in these reports will be consistent with accounting guidelines in GASB Statement 31 pertaining to the valuation of investments and the treatment of unrealized gains/losses. The report will also include a statement that the investment of the Portfolio is in compliance with this Policy and any applicable bond resolutions.

The County Treasurer shall also prepare quarterly reports in sufficient detail to provide full disclosure of all investment activities to the Committee.

Continuing Education

The Treasurer shall annually attend continuing education classes or seminars sponsored by the State Treasurer and State Auditor as required by the ORC. Through participation in these programs, the Treasurer is expected to develop and maintain an enhanced background and working knowledge of investment best practices, cash management, and ethics.

In addition, Treasury employees who manage investments will attend a minimum of six hours each year of continuing education on public sector investment topics at County cost.

Statement of Currency and Compliance

Pursuant to the following sections, the Cuyahoga County Treasurer's Office and the Committee have approved this investment policy, effective January 24, 2025. This policy represents a revision of a previously adopted policy originally adopted on January 19, 1999 and last revised April 30, 2021, and supersedes all previously adopted versions.

This revised Policy, signed by all entities conducting investment business with the Treasurer, advising the Treasurer, and executing the Treasurer's transactions (as identified in ORC 135.35(J)(1)) has been filed with the Ohio Auditor of State in accordance with state law and will remain in effect unless properly modified by a subsequent written filing.

Treasurer Recommendation and Approval

The Cuyahoga County Treasurer, as the Investment Authority for the County, hereby submits the investment policy, dated January 24, 2025, for review and consideration by the Cuyahoga County Investment Advisory Committee.

Brad Cromes, Cuyahoga County Treasurer

1/24/25
Date

Investment Advisory Committee Acceptance and Approval

The investment policy is hereby approved by the Cuyahoga County Investment Advisory Committee.

Brad Cromes, Chair

1/24/25
Date

Chris Ronayne, Vice Chair

1/28/25
Date

Dale Miller

Dale Miller, Secretary

1/29/25
Date

Acknowledgement of Policy Receipt, Understanding and Adherence

The following entity has signed, herein, this approved investment policy. Having read the policy's contents, the following representative(s), on behalf of the entity, acknowledge receipt and comprehension of those contents, and pledge to adhere to the principles therein.

Jason Headings
Signature of Registered Representative

Meeder Public Funds
Name of Firm or Institution

02/06/2025
Date

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APPENDIX

Glossary of Terms

Amortized Book Value: The recorded amount of a security, adjusted for any applicable amortization of premium or discount. Eventually, once all amortization has been recorded, the amortized value of a security will equal its face value.

Arbitrage Rebate Regulations: The Internal Revenue Code of 1986 requires that certain earnings on investments of tax-exempt bond proceeds be paid to the United States. The amount that must be rebated is based on the difference between the amount actually earned on investments and the amount that would have been earned if those investments had a yield equal to the yield on the issue.

Bankers' Acceptances: Time drafts that a business can order from the bank. The financial institution promises to pay the exporting firm a specific amount on a specific date, at which time it recoups its money by debiting the borrower's account. A banker's acceptance, or BA, works much like a post-dated check, which is simply an order for a bank to pay a specified party at a later date. The holder may choose to sell the BA for a discounted price on a secondary market, giving investors a relatively safe, short-term investment.

Bid: An offer made by an investor, a trader or a dealer to buy a security.

Bond Covenants: A legally binding term of an agreement between a bond issuer and a bond holder. Bond covenants are designed to protect the interests of both parties. Negative or restrictive covenants forbid the issuer from undertaking certain activities; positive or affirmative covenants require the issuer to meet specific requirements.

Broker: A firm that arranges transactions between a buyer and a seller for a commission when the deal is executed.

Broker-Dealer: A person or firm in the business of buying and selling securities, operating as both a broker and a dealer, depending on the transaction. A brokerage acts as a broker (or agent) when it executes orders on behalf of clients, whereas it acts as a dealer (or principal) when it trades for its own account.

Commercial Paper: An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on commercial paper rarely range any longer than 270 days. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Corporate Notes: Debt obligations issued by private or public corporations with maturities ranging from 9 months to
30 years.

Custodial Bank: A firm that holds securities and other assets in electronic or physical form for safekeeping so as to minimize the risk of their theft or loss.

Dealer: A firm in the business of buying and selling securities for their own account. A dealer is defined by the fact that it acts as principal in trading for its own account, as opposed to a broker who acts as an agent in executing orders on behalf of its clients.

Delivery versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called free). Delivery versus payment is delivery of securities with a simultaneous exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Depository Bank: A for-profit or non-profit financial organization that takes money from clients and places it in any of a variety of deposit or investment vehicles for the benefit of both the client and the organization.

Derivatives: A contract between two or more parties whose value is based on an agreed-upon underlying financial asset, index or security such as bonds, commodities, currencies, interest rates, market indexes and stocks.

Duration: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Federal Government Agency: An administrative division within the federal government that serves a specifically assigned purpose across the legislative, judicial and executive branches of the government. A type of Government Sponsored Enterprise ("GSE").

Financial Industry Regulatory Authority (FINRA): A self-regulatory organization under the Securities Exchange Act of 1934, which is responsible for regulatory oversight of all securities firms that do business with the public.

Foreign Notes: A debt security issued by a national government denominated in a foreign currency or U.S. dollars.

GASB Statement 31: Governmental Accounting Standards Board ("GASB") Statements are issued to set generally accepted accounting principles ("GAAP') for state and local governments in the United States. GASB Statement 31 provides: Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Government Sponsored Enterprise ("GSE"): A financial services corporation created by the United States Congress. Their intended function is to enhance the flow of credit to targeted sectors of the economy and to make those segments of the capital market more efficient and transparent, and to reduce the risk to investors and other suppliers of capital.

Institutional Money Market Mutual Fund: High minimum investment, low expense share classes of Money Market Funds which are marketed to corporations, governments, or fiduciaries.

Instrumentality: An organization that serves a public purpose and is closely tied to a federal and/or state government but is not a government agency. Many instrumentalities are private companies, and some are chartered directly by state or federal government.

Investment Adviser's Act of 1940: Legislation passed by Congress in 1940 that requires all investment advisers to register with the Securities and Exchange Commission. The Act is designed to protect the public from fraud or misrepresentation by investment advisers.

Long-Term Credit Rating: Probability factor of a security issuer going into default over a long timeframe.

Market Price: Current market price of a security.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market Fund: An investment whose objective is to earn interest for shareholders while maintaining a net asset value ("NAV") of $1 per share. A money market fund's portfolio is comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments.

Municipal Obligations: A form of debt obligation issued by states, provinces, cities or towns, typically used to fund municipal and local projects.

Net Assets: The total assets of a business minus its total liabilities.

Offer: The price at which a seller is willing to sell a security.

Portfolio: Collection of securities held by an investor.

Primary Fixed Price Federal Agency Offerings: Initial offerings of debt by Government Sponsored Enterprises (GSEs). Typically sold at par.

Primary Government Securities Dealers: A firm that buys government securities directly from a government, with the intention of reselling them to others, thus acting as a market maker of government securities. In the United States, primary dealers are designated by the Federal Reserve Bank of New York. These dealers must meet certain liquidity and quality requirements as well as provide a valuable flow of information to the Fed about the state of the worldwide markets.

Short Term Rating: Probability factor of an issuer of debt going into default within a year.

"Skip-Day" Settlement Basis: A situation where the settlement for a trade occurs one business day after the original or usual settlement date.

Structured Notes: A debt obligation that also contains an embedded derivative component with characteristics that adjust the security's risk/return profile. The return performance of a structured note will track that of the underlying debt obligation and the derivative embedded within it.

Tax or Current Revenue Anticipation Notes: Short-term note sold by a municipal issuer as interim financing in anticipation of tax and other revenue.

Third-Party Safekeeping: A custodial arrangement where investment securities are held by a firm that is not otherwise a party to the transaction (i.e. broker, dealer, portfolio manager) or affiliated with a party to the transaction.

Yield: The rate of annual income returns on an investment, expressed as a percentage.