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bank and the District. All securities will be received and delivered using standard delivery versus payment (DVP) procedures. The third party bank trustee agreement must comply with Section 53608, which states, in essence, the legislative body of a local agency may deposit its securities for safekeeping with a bank, of the California Government Code. No outside broker/dealer or advisor may have access to District funds, accounts or investments and any transfer of funds must be approved by the District's Chief Executive Officer or Chief Financial Officer.

The District's current custodian for General Fund investments is Fidelity Investments.

Certificates of Deposit purchased directly from local financial institutions may be maintained by the District in a safe deposit box at a local financial institution.

5. STRUCTURE AND RESPONSIBILITIES

This section of the policy defines the overall structure and areas of responsibility within the investment management program.

A. Responsibilities of the District's CFO

The District's CFO is charged with responsibility for maintaining custody of all public funds and securities belonging to or under the control of the District, and for the deposit and investment of those funds in accordance with principles of sound treasury management, applicable laws, ordinances and this Investment Policy. This includes establishing written procedures for the operation of the investment program consistent with this policy. The procedures should include reference to safekeeping, master repurchase agreements, wire transfer agreements, banking services contracts and depository agreements. Such procedures shall also 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 Board of Directors.

The Board has made a delegation of authority to the Chief Executive Officer and Chief Financial Officer, as set forth in Appendix D.

The current delegation of authority will be provided to all approved financial institutions. They will be notified of any changes to this delegation in a timely fashion and acknowledge receipt.

B. Responsibilities of the Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer and Chief Financial Officer are responsible for keeping the Board of Directors fully advised as to the financial condition of the District.

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C. Responsibilities of the Board of Directors

The Board shall consider and adopt a written Investment Policy. As provided in that policy, the Board shall receive, review and accept quarterly investment reports.

D. Ethics and Conflicts of Interest

All District officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Those employees and investment officials shall disclose in their Annual Statement of Economic Interests (Form 700) any material financial interests in financial institutions that conduct business within the District, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District's investments.

The District has adopted a Conflict of Interest Code applicable to all elected officials and designated positions as set forth in the District's Conflict of Interest Code (Compliance With The Political Reform Act of 1974) policy.

6. REPORTING

The District's CFO shall prepare a quarterly investment report, including a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made. This management summary shall be prepared in a manner that will allow the Chief Executive Officer and the Board to ascertain whether investment activities during the reporting period have complied with the District's Investment Policy.

The quarterly report shall include the following:

- A list of individual securities held at the end of the reporting period.
- Unrealized gains or losses resulting from amortization or accretion of principal versus market value changes by listing the cost and market value of securities owned by the District.
- ~~Dollar-weighted yield to maturity of the District's investments.~~ Expected yield for the next 12 month period
- Maturity schedule by type, of each of the District's investments.
- Statement of compliance of the District's Investment Policy with California Government Code §536000 et seq.
- Statement as to ability to meet all scheduled expenditure requirements for the next six months.
- Market value, book value, par value and cost basis of all investments.

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7. PERFORMANCE STANDARDS

The investment portfolio will be managed in accordance with the standards established within this Investment Policy and should obtain a market rate of return throughout budgetary and economic cycles. The Finance Committee will establish and periodically review the District's portfolio benchmarks and performance. A benchmark will be selected that compares with the portfolio composition, structure and investment strategy at that time.

8. REVIEW OF INVESTMENT POLICY

A. Policy Review

This Investment Policy shall be reviewed annually by the Board in accordance with State law to ensure its consistency with respect to the overall objectives of safety, liquidity and yield. Proposed amendments to the policy shall be prepared by the Chief Financial Officer and forwarded to the Board for its consideration and adoption in a public meeting.

B. Internal Control and Review

The external auditors shall annually review the investments and general activities associated with the investment program to ensure compliance with this Investment Policy. This review will provide internal control by assuring compliance with policies and procedures established by this Investment Policy.

9. DEFINITIONS

The District has adopted its definitions of terms as published by the California Debt and Investment Advisory Commission in its updated *Local Agency Investment Guidelines*. Definitions are included as Appendix E of this policy.

10. ADOPTION OF POLICY

This Policy was duly adopted by the Board of Directors of the Sierra View Local Health Care District on the ~~25th~~ 24th day of May, ~~2021~~ 2022 ~~2023~~.

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APPENDIX A ALLOWABLE INVESTMENTS

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2021) A APPLICABLE TO ALL LOCAL AGENCIES

Local Agency Investment Guidelines, Update for 2021, by California Debt and Investment Advisory Commission. Reflects state law changes effective as of January 1, 2021.

Figure 1

| INVESTMENT TYPE | MAXIMUM MATURITY ^C | MAXIMUM SPECIFIED % OF PORTFOLIO ^D | MINIMUM QUALITY REQUIREMENTS | GOV'T CODE SECTIONS |
|---|-------------------------------|---|---|----------------------|
| Local Agency Bonds | 5 years | None | None | 53601(a) |
| U.S. Treasury Obligations | 5 years | None | None | 53601(b) |
| State Obligations—CA And Others | 5 years | None | None | 53601(c) 53601(d) |
| CA Local Agency Obligations | 5 years | None | None | 53601(e) |
| U.S Agency Obligations | 5 years | None | None | 53601(f) |
| Bankers' Acceptances | 180 days | 40% ^E | None | 53601(g) |
| Commercial Paper—Non-Pooled Funds ^F (under \$100,000,000 of investments) | 270 days or less | 25% of the agency's money ^G | Highest letter and number rating by an NRSRO ^H | 53601(h)(2)(c) |
| Commercial Paper—Non- | 270 days or less | 40% of the agency's | Highest letter and | 53601(h)(2)(c) |

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| | | money ^G | number rating by an NRSRO ^H | |
|--|-----------------------------|---|---|------------------------------------|
| Pooled Funds (min. \$100,000,000 of investments) | | | | |
| Commercial Paper— Pooled Funds^I | 270 days or less | 40% of the agency's money^G | Highest letter and number rating by an NRSRO^H | 53635(a)(1) |
| Negotiable Certificates of Deposit | 5 years | 30%^J | None | 53601(i) |
| Non-negotiable Certificates of Deposit | 5 years | None | None | 53630 et seq. |
| Placement Service Deposits | 5 years | 50%^K | None | 53601.8 and 53635.8 |
| Placement Service Certificates of Deposit | 5 years | 50%^K | None | 53601.8 and 53635.8 |
| Repurchase Agreements | 1 year | None | None | 53601(j) |
| Reverse Repurchase Agreements and Securities Lending Agreements | 92 days^L | 20% of the base value of the portfolio | None^M | 53601(j) |
| Medium-Term Notes^N * | 5 years or less | 30%^G | "A" rating category or its equivalent or better | 53601(k) |
| Mutual Funds And Money Market Mutual | N/A | 20%^O | Multiple^{P,Q} | 53601(l) and 53601.6(b) |

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| Funds** | | | | |
|---|-----------------|------|--|------------------------------|
| Collateralized Bank Deposits ^R | 5 years | None | None | 53630 et seq. and 53601(n) |
| Mortgage Pass-Through and Asset-Backed Securities | 5 years or less | 20% | “AA” rating category or its equivalent or better | 53601(o) |
| County Pooled Investment Funds | N/A | None | None | 27133 |
| Joint Powers Authority Pool | N/A | None | Multiple ^S | 53601(p) |
| Local Agency Investment Fund (LAIF) | N/A | None | None | 16429.1 |
| Voluntary Investment Program Fund ^T | N/A | None | None | 16340 |
| Supranational Obligations ^U | 5 years or less | 30% | “AA” rating category or its equivalent or better | 53601(q) |
| Public Bank Obligations | 5 years | None | None | 53601(r), 53635(c) and 57603 |

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Table of Notes for Figure 1

A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.

B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.

C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.

D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.

E No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.

F Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.

G Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper and medium-term notes of any single issuer.

H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.

I Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).

J No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).

K Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.

L Reverse repurchase agreements or securities lending agreements may exceed the 92-day term

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if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.

M Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.

N "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."

O No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.

P A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.

Q A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.

R Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.

S A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).

T Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.

U Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

** Limit of 10% of total investment assets in the medium-term notes of any single issuer.*

*** Maximum 10% in any single fund.*

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APPENDIX B
SIERRA VIEW LOCAL HEALTH CARE DISTRICT BROKER/DEALER QUESTIONNAIRE

1. Name of Firm: _____
2. Address: _____
3. Telephone: _____
4. Principal(s)/Manager(s)/Partner(s):
Name: _____ Title: _____
Name: _____ Title: _____
5. Is your firm:
Broker? Yes No (a firm that does not own the securities being offered) Dealer? Yes
No (a firm that owns a position in the securities being offered)
6. Year founded: _____
7. Firm's total volume of U.S. government securities traded in most recent fiscal year:
\$ _____
8. Financial instruments most regularly offered: _____

9. References: (Public sector clients in the local geographical area are preferred):
Name: _____
Title: _____ Telephone: _____
Address: _____
Name: _____
Title: _____ Telephone: _____
Address: _____
Name: _____
Title: _____ Telephone: _____

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Address: _____

10. Local office and representative assigned to the Sierra View Local Health Care

District account: Address: _____
Name: _____ Title: _____

11. Has any client sustained a loss on a securities transaction arising from a misunderstanding or misrepresentation of the risk characteristic of the financial instrument?

Yes No

If yes, please explain: _____

12. Has your firm, its employees, or local office been the subject of a state or federal investigation for alleged unfair, illegal, or fraudulent activities?

Yes No

If yes, please explain: _____

13. Please explain your usual custody or delivery process. Who audits these fiduciary systems?

14. Describe the capital line and trading limits imposed on the office that would service the account and conduct business with the Sierra View Local Health Care District.

15. Please enclose recent financial statements and/or other indications of your firm's capitalization.

16. Please describe the limits of insurance (Securities Investor Protection Corporation, excess SIPC, etc.) available:

17. Please provide proof of National Association of Securities Dealers (NASD) certification.

18. Please provide proof of registration with the State of California.

19. Please provide proof that your firm is qualified under SEC Rule 15c3-1 (Uniform Net Capital Rule).

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20. What information do you require of the Sierra View Local Health Care District?

21. What transaction documents can the Sierra View Local Health Care District expect to receive from you?

22. Please confirm that your representatives have read and understand the Sierra View Local Health Care District Investment Policy and that they are familiar with Government Code §53600 et seq.

Attach resumes of all persons receiving a copy of our investment policy:

Name: _____ Title: _____

Name: _____ Title: _____

Name: _____ Title: _____

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APPENDIX C

Annual Broker Certification for (year) _____

I hereby certify that the preceding is true and correct to the best of my knowledge and that I am authorized to execute this request for information on behalf of the broker/dealer Firm. I further agree to notify the Sierra View Local Health Care District (the District) immediately in the event of a material adverse change in the Firm's financial condition.

The Firm has in place reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between the Firm and the District.

All individuals assigned to the District's account have read the District's Investment Policy for the current fiscal year, understand the objectives and constraints set forth by the Policy, agree to disclose potential conflicts or risks to public funds that might arise out of business transactions between the Firm and the District, and will incorporate due diligence in conforming to the provisions of the Policy as well as all applicable state and federal regulations as they apply to the investment activities of California special districts.

The Firm shall be provided annually the District's Investment Policy and shall be informed of any changes to the policy. The undersigned certify that no securities will be sold to the District which are in violation of State Code or the District's Investment Policy; however, the District shall be responsible for ensuring compliance with percentage limits established by State Code and the District's Investment Policy.

The Firm and the broker are in receipt of the District's Investment Policy for (Year)_____.

Firm Name: _____ Signature: _____

Broker assigned to City: _____ Date: _____

Name of Principal: _____ Manager Title: _____

Signature: _____ Date: _____

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**APPENDIX D
DELEGATION OF AUTHORITY**

The following named individuals are hereby designated authority to act as authorized agents of the Sierra View Local Health Care District including the purchase and sale of public funds and securities:

Donna J. Hefner, President/Chief Executive Officer
Douglas S. Dickson, Chief Financial Officer/Treasurer

This designation shall remain valid until May 31, ~~2022~~2023-2023 or until rescinded or superseded. Executed this ~~25th~~24th day of May, ~~2021~~20222023

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~~Liberty Lomelli~~Kent Sorrells

Secretary, Sierra View Local Health Care District Board of Directors

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APPENDIX E GLOSSARY

A

ACCRUED INTEREST

Coupon interest accumulated on a bond or note since the last interest payment or, for a new issue, from the dated date to the date of delivery.

ASSET ALLOCATION

The division of an investment portfolio among different asset categories, such as stocks, bonds, and cash.

ASSET-BACKED SECURITIES

Securities that are supported by pools of assets, such as installment loans or leases, or by pools of revolving lines of credits. Asset-backed securities are structured as trusts in order to perfect a security interest in the underlying assets.

B

BANK DEPOSITS

Deposits in banks or other depository institutions that may be in the form of demand accounts (checking) or investments in accounts that have a fixed term and negotiated rate of interest.

BANKERS' ACCEPTANCE

A draft or bill of exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill.

BASIS POINTS

Refers to the yield on bonds. Each percentage point of yield in bonds equals 100 basis points (1/100% or 0.01%). If a bond yield changes from 7.25% to 7.39% that is a rate of 14 basis points.

BENCHMARK

A passive index used to compare the performance, relative to risk and return, of an investor's portfolio.

BONDS

A debt obligation of a firm or public entity. A bond represents the agreement to repay the debt in principal and, typically, interest on the principal.

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BOOK VALUE

The value at which an asset is carried on a balance sheet.

BROKER

A person or firm that acts as an intermediary by purchasing and selling securities for others rather than for its own account.

BUY AND HOLD STRATEGY

A strategy based on holding all securities until maturity, regardless of fluctuations in the market.

C

CALL OPTION

The terms of the bond contract giving the issuer the right to redeem or call an outstanding issue of bonds prior to its stated date of maturity.

CALL RISK

The risk to a bondholder that the bond issuer will exercise a callable bond feature and redeem the issue prior to maturity.

CALLABLE SECURITIES

An investment security that contains an option allowing the issuer to retire the security prior to its final maturity date.

CASH FLOW

A comparison of cash receipts (revenues) to required payments (debt service, operating expenses, etc.).

CERTIFICATE OF DEPOSIT

A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period. Certificates of Deposit (CDs) differ in terms of collateralization and marketability. Those appropriate to public agency investing include:

Negotiable Certificates of Deposit

Generally, short-term debt instrument that usually pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. The majority of negotiable CDs mature within six months while the average maturity is two weeks. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial

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depositor (investor). Negotiable CDs are insured by FDIC up to \$250,000, but they are not collateralized beyond that amount.

Non-Negotiable Certificates of Deposit

CDs that carry a penalty if redeemed prior to maturity. A secondary market does exist for non-negotiable CDs, but redemption includes a transaction cost that reduces returns to the investor. Non-negotiable CDs issued by banks and savings and loans are insured by the Federal Deposit Insurance Corporation up to the amount of \$250,000, including principal and interest. Amounts deposited above this amount may be secured with other forms of collateral through an agreement between the investor and the issuer. Collateral may include other securities including Treasuries or agency securities such as those issued by the Federal National Mortgage Association.

COLLATERALIZATION OF DEPOSITS

Process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing the repayment of deposited funds.

COMMERCIAL PAPER

An unsecured short-term promissory note issued by corporations or municipalities, with maturities ranging from 2 to 270 days.

COUNTY POOLED INVESTMENT FUNDS

The aggregate of all funds from public agencies placed in the custody of the county treasurer or chief finance officer for investment and reinvestment.

COUPON

The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; a certificate attached to a bond evidencing interest due on a payment date.

CREDIT RATING

The three most commonly used nationally recognized statistical rating organizations (NRSROs) are Standard & Poor's, Fitch Ratings, and Moody's.

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| Moody's | | S&P | | Fitch | | Rating description | |
|-----------|------------|-----------|--------------------|--|--------------------|--------------------|------------------|
| Long-term | Short-term | Long-term | Short-term | Long-term | Short-term | | |
| Aaa | P-1 | AAA | A-1+ | AAA | F1+ | Prime | Investment-grade |
| Aa1 | | AA+ | | AA+ | | High grade | |
| Aa2 | | AA | | AA | | High grade | |
| Aa3 | | AA- | | AA- | | | |
| A1 | A+ | A-1 | A+ | F1 | Upper medium grade | | |
| A2 | A | A-2 | A | F2 | Upper medium grade | | |
| A3 | A- | | A- | | | | |
| Baa1 | BBB+ | | BBB+ | | | | |
| Baa2 | P-3 | BBB | A-3 | BBB | F3 | Lower medium grade | |
| Baa3 | | BBB- | | BBB- | | | |
| Ba1 | | BB+ | | B | | BB+ | B |
| Ba2 | BB | BB | | | | | |
| Ba3 | BB- | BB- | | | | | |
| B1 | B+ | B+ | Highly speculative | | | | |
| B2 | B | B | | | | | |
| B3 | B- | B- | | | | | |
| Caa1 | Not prime | CCC+ | C | | CCC | C | |
| Caa2 | | CCC | | Extremely speculative | | | |
| Caa3 | | CCC- | | Default imminent with little prospect for recovery | | | |
| Ca | | CC | | | | | |
| C | C | | | | | | |
| | | D | / | DDD | / | In default | |
| | | | | DD | / | | |
| | | | | D | | | |

Source: benzinga.com

CREDIT RISK

The chance that an issuer will be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of an issuer/borrower's credit will cause the market value of a security to fall, even if default is not expected.

CUSIP NUMBER

The Committee on Uniform Security Information Procedures (CUSIP) Number refers to a security's identification number assigned to each publicly traded security by the CUSIP Service Bureau operated

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by Standard & Poor's for the American Bankers Association. The CUSIP Number is a nine-character identifier unique to the issuer, the specific issue and the maturity, if applicable (the first six characters identifying the issuer, the next two identifying the security and the last digit providing a check digit to validate the accuracy of the preceding CUSIP number).

CUSTODIAN

A bank or other financial institution that keeps custody of stock certificates and other assets.

D

DEALER

Someone who acts as a principal in all transactions, including underwriting, buying, and selling securities, including from his/her own account.

DEFAULT RISK

The risk that issuers/borrowers will be unable to make the required payments on their debt obligations.

DELIVERY VS. PAYMENT (DVP)

The payment of cash for securities as they are delivered and accepted for settlement.

DERIVATIVE

Securities that are based on, or derived from, some underlying asset, reference date, or index.

DISCOUNT

Discount means the difference between the par value of a security and the cost of the security, when the cost is below par. Investors purchase securities at a discount when return to the investor (yield) is higher than the stated coupon (interest rate) on the investment.

DIVERSIFICATION

The allocation of different types of assets in a portfolio to mitigate risks and improve overall portfolio performance.

F

FIDUCIARY

An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE SECURITY

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A security that has a variable or “floating” interest rate.

G

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB)

A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACT (GIC)

An agreement acknowledging receipt of funds for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

I

INTEREST RATE RISK

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, spread between two rates, shape of the yield curve, or any other interest rate relationship.

INSTITUTIONAL ACCOUNT

As defined by the Financial Industry Regulatory Authority (FINRA), an institutional account includes one of the following: (1) a bank, savings and loan association, insurance company or registered investment company; (2) an investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); or (3) any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

L

LIQUIDITY

The measure of the ability to convert an instrument to cash on a given date at full face or par value.

LIQUIDITY RISK

The risk that a security, sold prior to maturity, will be sold at a loss of value. For a local agency, the liquidity risk of an individual investment may not be as critical as how the overall liquidity of the portfolio allows the agency to meet its cash needs.

LOCAL AGENCY INVESTMENT FUND (LAIF)

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A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

M

MARKET RISK

The chance that the value of a security will decline as interest rates rise. In general, as interest rates fall, prices of fixed income securities rise. Similarly, as interest rates rise, prices fall. Market risk also is referred to as systematic risk or risk that affects all securities within an asset class similarly.

MARKET VALUE

The price at which a security is trading and presumably could be purchased or sold at a particular point in time.

MATURITY

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

MEDIUM-TERM NOTE

Corporate or depository institution debt securities meeting certain minimum quality standards (as specified in the California Government Code) with a remaining maturity of five years or less.

MONEY MARKET MUTUAL FUNDS

MMF's are mutual funds that invest exclusively in short-term money market instruments. MMF's seek the preservation of capital as a primary goal while maintaining a high degree of liquidity and providing income representative of the market for short-term investments.

MORTGAGE BACKED SECURITIES

Mortgage-backed securities (MBS) are created when a mortgagee or a purchaser of residential real estate mortgages creates a pool of mortgages and markets undivided interests or participations in the pool. MBS owners receive a prorata share of the interest and principal cash flows (net of fees) that are "passed through" from the pool of mortgages. MBS are complex securities whose cash flow is determined by the characteristics of the mortgages that are pooled together. Investors in MBS face prepayment risk associated with the option of the underlying mortgagors to pre-pay or payoff their mortgage. Most MBS are issued and/or guaranteed by federal agencies and instrumentalities (e.g., Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC)).

MORTGAGE PASS-THROUGH OBLIGATIONS

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Securities that are created when residential mortgages (or other mortgages) are pooled together and undivided interests or participations in the stream of revenues associated with the mortgages are sold.

MUNICIPAL NOTES, BONDS, AND OTHER OBLIGATIONS

Obligations issued by state and local governments to finance capital and operating expenses.

N

NET ASSET VALUE

Net asset value (NAV) is a term used in the mutual fund industry to determine the average price per share of a pool or mutual fund. How this measure varies over time provides information on whether the pool is stable or variable. NAV is the market value of all securities in a mutual fund, less the value of the fund's liabilities, divided by the number of shares in the fund outstanding. Shares of mutual funds are purchased at the fund's offered NAV.

NEW ISSUE

Securities sold during the initial distribution of an issue in a primary offering by the underwriter or underwriting syndicate.

NOTE

A written promise to pay a specified amount to a certain entity on demand or on a specified date. Usually bearing a short-term maturity of a year or less (though longer maturities are issued— see "Medium-Term Note").

P

PAR AMOUNT OR PAR VALUE

The principal amount of a note or bond which must be paid at maturity. Par, also referred to as the "face amount" of a security, is the principal value stated on the face of the security. A par bond is one sold at a price of 100 percent of its principal amount.

PORTFOLIO

Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

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PREMIUM

Premium means the difference between the par value of a security and the cost of the security, when the cost is above par. Investors pay a premium to purchase a security when the return to the investor (yield) is lower than the stated coupon (interest rate) on the investment.

PRINCIPAL

The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRUDENT INVESTOR STANDARD

A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, re-investing, purchasing, acquiring, exchanging, selling, and managing funds. The test of whether the standard is being met is if a prudent person acting in such a situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

R

REINVESTMENT RISK

The risk that interest rates may be lower than the yield on a fixed income security when the investor seeks to reinvest interest income or repaid principal from the security.

REPURCHASE AGREEMENTS

An agreement of one party (for example, a financial institution) to sell securities to a second party (such as a local agency) and simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on demand or at a specified date.

REVERSE REPURCHASE AGREEMENTS

An agreement of one party (for example, a financial institution) to purchase securities at a specified price from a second party (such as a public agency) 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.

RISK

The uncertainty of maintaining the principal or interest associated with an investment due to a variety of factors.

S

SAFEKEEPING SERVICE

Offers storage and protection of assets provided by an institution serving as an agent.

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SAFETY In the context of investing public funds, safety relates to preserving the principal of an investment in an investment portfolio; local agencies address the concerns of safety by controlling exposure to risks.

SECURITIES AND EXCHANGE COMMISSION (SEC)

The federal agency responsible for supervising and regulating the securities industry.

SUPRANATIONAL INSTITUTIONS

International institutions formed by two or more governments that transcend boundaries to pursue mutually beneficial economic or social goals. There are three supranational institutions that issue obligations that are eligible investments for California local agencies: the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB).

T

TRUSTEE, TRUST COMPANY OR TRUST DEPARTMENT OF A BANK

A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

U

U.S. TREASURY OBLIGATIONS

Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

Y

YIELD

The current rate of return on an investment security generally expressed as a percentage of the securities current price.

YIELD CURVE

A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

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YIELD-TO-CALL

The rate of return to the investor earned from payments of principal and interest, with interest compounded semi-annually at the stated yield when the security is redeemed on a specified call date. In addition, if the security is redeemed at a premium call price, the amount of the premium is also reflected in the yield.

YIELD-TO-MATURITY

The rate of return to the investor earned from payments of principal and interest, with interest compounded semi-annually at the stated yield as long as the security remains outstanding until the maturity date.

YIELD-TO-WORST

For a given dollar price on a municipal security, the lowest of the yield calculated to the pricing call, par option or maturity.