WINDHAM BOARD POLICY

SUBJECT: **INVESTMENT POLICY**

AUTHORITY: *Securities Exchange Act of 1934*, 15 U.S.C. § 78m; *Investment Company Act of 1940,* 15 U.S.C. § 80a-29; *Investment Advisers Act of 1940,* 15 U.S.C. § 80b-3; Rules and Regulations, *Investment Company Act of 1940*, 17 C.F.R. pt. 270; Tex. Gov't Code §§ 573.022–.025, 808.001–.057; *Public Funds Investment Act,* Tex. Gov't Code §§ 2256.001–.055; *Public Funds Collateral Act,* Tex. Gov't Code §§ 2257.001–.114

APPLICABILITY: Windham School District

POLICY:

Windham School District (WSD) shall invest funds in a manner that preserves the principal of funds invested while meeting the daily cash flow demands of WSD and conforming to the provisions of the operative bond ordinance, resolution, or trust agreements securing outstanding bonds controlled by WSD, and to all statutes governing the investment of WSD funds, including but not limited to the *Public Funds Investment Act* (*Act*). The requirements of this policy do not apply to an investment donated for a particular purpose or under terms of use specified by the donor.

DEFINITIONS:

I. General

A. "Bond Proceeds" are the proceeds from the sale of bonds, notes, and other obligations issued by WSD, and reserves and funds maintained by WSD for debt service purposes.

B. "Funds" are public funds in the custody of a state agency or local government that: (1) are not required by law to be deposited in the state treasury; and (2) the investing entity has authority to invest.

C. "Investment Pool" is an entity created under the *Act* to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are preservation and safety of principal, liquidity, and yield.

D. "Joint Account" is an account maintained by a custodian bank and established on behalf of two or more parties to engage in aggregate repurchase agreement transactions.

E. "Pooled Fund Group" is an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

F. "Repurchase Agreement" is a simultaneous agreement to buy, hold for a specified time, and sell back at a future date, obligations described by Texas Government Code § 2256.009(a)(1) or 2256.013 or, if applicable, § 2256.0204, at a market value at the time the funds are dispersed of no less than the principal amount of the funds dispersed. The term includes a direct security repurchase agreement and reverse security repurchase agreement.

II. For reporting purposes, the following definitions are provided in the *Act*:

A. "Book Value" is the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

B. "Market Value" is the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

III. For purposes of defining a qualified representative, the following guidelines should be used:

"Qualified Representative" is a person who holds a position with a business organization, who is: (1) authorized to act on behalf of the business organization; and (2) one of the following:

A. For a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

B. For a state or federal bank, savings bank, or state or federal credit union, a member of the loan committee for the bank or branch of the bank, or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

C. For an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool and to sign the written instrument on behalf of the investment pool; or

D. For an investment management firm registered under the *Investment Advisors Act of 1940* or, if not subject to registration under that act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

PROCEDURES:

I. Scope

WSD shall endeavor to earn a return on funds invested at the highest investment return possible after taking into account the primary goals of preservation of principal and liquidity of funds invested, consistent with the policy objectives described below. This policy applies to all financial assets controlled by WSD. In addition to this policy, bond funds, including debt service and reserve funds, shall be managed by governing statutes, bond ordinance, resolution, trust agreements, and federal law. These funds are accounted for in WSD Annual Financial Report and include:

A. General fund;

B. Special revenue funds;

C. Capital project funds;

D. Debt service funds;

E. Enterprise funds; and

F. Custodial funds.

II. Prudence

A. Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. 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 WSD'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 WSD's written investment policy.

B. In a diversified portfolio, occasional measured losses are inevitable and shall be considered within the context of the overall portfolio's return. WSD Board of Trustees (board) retains ultimate responsibility as fiduciaries of WSD's assets.

III. Objectives

Investment funds shall be governed by the following investment objectives, in order of priority.

A. Preservation and Safety of Principal

Investments of WSD shall be undertaken in a manner that seeks to ensure the preservation and safety of principal in the overall portfolio. To attain this objective, diversification along credit, excluding U.S. Treasury obligations, and maturity lines is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Safety is further assured by requiring adequate and appropriate collateral.

B. Liquidity

The investment portfolio shall remain sufficiently liquid to enable WSD to meet all operating requirements that might be reasonably anticipated.

C. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return, such as yields equal to or greater than the yield on U.S. Treasury obligations of comparable maturity, throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

IV. Delegation of Authority and Training

A. Delegation of Authority

Authority to manage the investment program is derived from the *Act*. Management responsibility for the investment program is hereby delegated to the chief financial officer, who for the purposes of this policy, shall be referred to herein as the investment officer. The investment officer shall establish written procedures for the operations of the investment program consistent with this policy and the provisions of the trust agreements in relation to WSD's outstanding bonds, lease purchase agreements, and any trust agreement or other instrument securing indebtedness of WSD issued after the adoption of this policy.

Procedures include references to safekeeping, master repurchase agreements, wire transfer agreements, collateral or depository agreements, and banking services contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy, the procedures established by the investment officer, and when applicable, the provisions of the operative bond documents and trust agreements securing outstanding bonds controlled

by WSD. All requirements for eligibility of the investment officer shall apply to all persons responsible for investment transactions for WSD (investors). Other than pursuant to the existing trust agreements, which require that certain funds be invested by the trustee upon direction of WSD, or pursuant to a contract with an investment advisor, the investment officer shall be responsible for all transactions undertaken under this policy. The investment officer shall establish a system of controls to regulate the activities of the investors, trustees, investment advisors, and subordinate officials.

B. Training

An investment officer shall attend a training session not less than once each state fiscal biennium, and may receive training from any independent source approved by the board. The investment officer shall prepare a report on Subchapter A, "Authorized Investments for Governmental Entities," of the *Act* and deliver the report to the board no later than the 180th day after the last day of each regular session of the legislature.

Each member of the board and the investment officer are required by Texas Government Code § 2256.007(a) to attend investment training relating to the person's responsibilities under the *Act* within six months after taking office or assuming duties. Training shall include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the *Act*.

V. Investment Advisor

WSD may contract with an investment management firm registered under the *Investment Advisers Act of 1940* or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of the *Act* may not be for a term longer than two years. A renewal or extension of the contract shall be made by WSD, by order, ordinance, or resolution.

The *Act* does not prohibit WSD or investment officer from using WSD employees or the services of a contractor of WSD to aid the investment officer in the execution duties under this policy.

VI. Ethics and Conflicts of Interest

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 ability to make impartial investment decisions. Conflicts of interest, as defined in Texas Government Code § 2256.005(i), shall be reported to the board and Texas Ethics Commission.

The investment procedures established by the investment officer shall provide for any person involved in investment activity for WSD to sign the Investor Certification of Ethical Understanding (Attachment A).

VII. Reporting

A. The investment officer shall submit a written report of investment transactions to each member of the board at least quarterly. The report shall:

1. Describe in detail the investment position of WSD on the date of the report;

2. Be prepared and signed by the investment officer;

3. Contain a summary statement of each pooled fund group that states the:

   a. Beginning market value for the reporting period;

   b. Ending market value for the period; and

   c. Fully accrued interest for the reporting period;

4. State the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

5. State the maturity date of each separately invested asset that has a maturity date;

6. State the account, fund, or pooled group fund in WSD for which each individual investment was acquired; and

7. State the compliance of the investment portfolio of WSD as it relates to:

   a. Investment strategy expressed in this policy; and

   b. Relevant provision of the *Act*.

B. Market prices shall be taken from bank statements where applicable. The *Wall Street Journal* shall be used to monitor the market values on treasury bills and treasury notes if bank statements do not provide this information. Additionally, timely transaction data shall be available, upon request, and kept on file, of all transactions to record and document investment activity. Other information that may be included in the report includes recommendations to amend current specific investment strategies, this policy, and analysis of current market conditions.

C. It is recognized there may be fluctuations in value during and in comparative reporting periods. If it is WSD's intent not to hold some or all of its investment securities to maturity, a statement of such shall also be included in the investment report.

D. In conjunction with the annual financial audit, WSD shall perform a compliance audit of management controls on investments and adherence to the established investment policies and safekeeping procedures as set forth in this policy.

E. The credit rating of investments acquired with public funds shall be monitored, as necessary, via newsletters, statements, websites, or required reports made by the investments. Investments not meeting the requirements of Texas Government Code § 2256.019 shall be liquidated in accordance with the procedures established in § 2256.021.

F. No later than January 1 of each even numbered year, WSD shall report the results of the most recent audit performed to the state auditor. WSD shall also report other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. The report shall be prepared in a manner the state auditor prescribes.

G. If WSD invests in securities other than money market mutual funds, investment pools, or accounts offered by its depository bank in the form of certificates of deposit, money market, or similar accounts, the reports shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the board by that auditor.

H. All investments made by WSD shall comply with the *Act* and all federal, state, and local statutes, rules, or regulations.

VIII. Authorized Financial Institutions and Business Organizations

A. The investment officer shall maintain a list of financial institutions, business organizations, and investment management firms selected by credit worthiness, authorized to provide investment services. In addition, a list shall also be maintained of approved security brokers and dealers, selected principally on the basis of evidenced credit worthiness, who are authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established and defined by state laws.

B. An investment committee of WSD shall at least annually review, revise, and adopt a list of qualified business organizations authorized to engage in investment transactions with WSD.

C. A written copy of all investment policies, including this policy, shall be presented to any person offering to engage in an investment transaction with an investing entity. A business organization includes investment pools. Nothing in this policy relieves WSD of the responsibility for monitoring the investments made by WSD to determine compliance with this policy.

D. Before engaging in investment transactions with a business organization, the investment officer must receive a signed Qualified Representative Certification (Attachment B) and Broker and Dealer Questionnaire (Attachment C) from the qualified representative of the organization. The primary representative of the business organization shall attest that the qualified representative responsible for

WSD's account with the business organization has received and reviewed this policy and acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between WSD and the business organization that are not authorized by the provisions of this policy.

E. The investment officer may not acquire or otherwise obtain any authorized investment described in this policy from a person who has not delivered a Qualified Representative Certification and Broker and Dealer Questionnaire to WSD.

IX. Safekeeping

All securities purchased by WSD under this policy shall be designated as assets of WSD, conducted on a delivery-versus-payment basis except investment pool funds and mutual funds, and protected through the use of a third party custody or safekeeping agent that may be the trustees under the respective trust agreements.

For funds not covered under a trust agreement, WSD shall enter into a formal agreement with an institution of such size and expertise as is necessary to provide the services needed to protect and secure the investment assets of WSD.

X. Diversification

WSD shall diversify its investment portfolios. Assets held in particular funds shall be diversified to eliminate the risk of loss resulting in over concentration of assets in a specific maturity, specific issuer, excluding U.S. Treasury obligations, or specific class of securities. Diversification strategies shall be determined and revised periodically by the investment officer for all funds.

In establishing specific diversification strategies, the following general policies and constraints shall apply:

A. Portfolio maturities shall be matched versus liabilities to avoid undue market risk;

B. Maturities selected shall provide for stability of income and liquidity;

C. Disbursement and payroll dates shall be covered through maturing investments and cash equivalent instruments, such as money market mutual funds eligible under the *Act* and this policy as an eligible investment;

D. No investment shall have a stated maturity in excess of the maximum maturity permitted by the trust agreements or five years;

E. If rating restrictions on securities as defined in sections XI and XII of this policy are breached, prudent action shall be taken, consistent with this policy and the *Act* to rectify the situation; and

F. The investment officer shall conduct a quarterly review of these guidelines and evaluate the probability of market and default risk in various investment sectors.

XI. Authorized Investments

In accordance with authorizing federal and state laws, the operative bond documents and trust agreements where applicable, WSD's depository contracts, and appropriate approved collateral provisions, and in furtherance of the Investment Strategy Statement (Attachment D), WSD may use the following methods for the investment of WSD's funds:

A. Obligations of the United States or its agencies and instrumentalities.

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

C. Bonds issued, assumed, or guaranteed by the state of Israel.

D. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

E. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the state of Texas or its 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.

F. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

G. Certificates of deposit shall be: (1) issued by a broker or depository institution that has its main office or a branch office in the state of Texas that are guaranteed or insured by the FDIC, the National Credit Union Share Insurance Fund, or its successor; (2) secured by obligations described in section XI.A-F, including mortgage backed securities directly issued by, a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by section XIII; or (3) secured in any other manner and amount provided by law for deposits of WSD. All certificates of deposit shall comply with Texas Government Code § 2256.010(b).

H. Fully collateralized repurchase agreements authorized under Texas Government Code § 2256.011, if the repurchase agreement: (1) has a defined termination date; (2) is secured by a combination of cash and obligations described by Texas Government Code § 2256.009(a)(1) 2256.013 or, if applicable, § 2256.0204; (3) requires the securities purchased by WSD, or cash held by WSD, to be pledged, either directly or through a joint account approved by WSD, and held in WSD's name, either directly or through a joint account approved by WSD, and deposited at the time the investment

is made with WSD or with a third party selected and approved by WSD and is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the state of Texas. A repurchase agreement made by WSD under this section may be submitted for clearing and settlement to a covered clearing agency, as defined by the Securities and Exchange Commission in Rule 17Ad-22 (17 C.F.R. Section 240.17Ad-22).

Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date that the reverse security repurchase agreement is delivered. Money received by WSD under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of authorized investments acquired shall mature no later than the expiration date stated in the reverse security repurchase agreement.

Contracting with an investment management firm under Section 2256.003(b) may authorize the firm to invest WSD's public funds or other funds under WSD's control in repurchase agreements as provided by this section using a joint account. An investment management firm responsible for managing a repurchase agreement transaction using a joint account on behalf of WSD as authorized under Subsection (f) must ensure: (1) accounting and control procedures are implemented to document WSD's aggregate daily investment and pro rata share in the joint account; (2) each party participating in the joint account retains the sole rights of ownership to the party's pro rata share of assets invested in the joint account, including investment earnings on those assets; (3) policies and procedures are implemented to prevent a party participating in the joint account from using any part of a balance of the joint account that is credited to another party.

WSD requires each issuer of repurchase agreements to sign a copy of WSD's Master Repurchase Agreement. An executed copy of this agreement shall be filed before WSD enters into any repurchase agreement with an issuer.

I. Fund Investments

1. No-Load Money Market Mutual Funds

The board, by official action, may authorize a no-load money market mutual fund if the fund complies with the following:

a. Is registered with and regulated by the Securities and Exchange Commission (SEC);

b. Provides WSD with a prospectus and other information required by the *Securities Exchange Act of 1934* (15 U.S.C. § 78a *et seq.*) or the *Investment Company Act of 1940* (15 U.S.C. § 80a-1 *et seq.*); and

c. Complies with federal SEC Rule 2a-7 (17 C.F.R. § 270.2a-7), promulgated under the *Investment Company Act of 1940* (15 U.S.C. § 80a-1.)

2. No-Load Mutual Funds

The board, by official action, may authorize a no-load mutual fund if the mutual fund:

a. Is registered with the SEC;

b. Has an average weighted maturity of less than two years; and

c. Has a duration of one year or more and is invested exclusively in obligations authorized by the *Act*; or

d. Has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

3. WSD is not authorized to:

a. Invest in the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for debt service, in no load mutual funds as herein described above;

b. Invest any portion of bond proceeds, reserves, and funds held for debt service, in no load mutual funds herein described above; or

c. Invest its funds or funds under its control, including bond proceeds, reserves, and other funds held for debt service, in any one mutual fund as set out above in an amount that exceeds 10% of the total assets of the mutual fund.

d. Invest funds under its control in a company designated by the United States secretary of state as a foreign terrorist organization, that the Texas Comptroller's office has designated as a scrutinized company under Chapter 2270, Texas Government Code, or that boycotts Israel; or

e. Acquire a security issued by a country of concern identified under Chapter 2270, Texas Government Code, or an entity owned or controlled by, or subject to the jurisdiction of, a country of concern.

J. WSD may invest its funds and funds under its control through an eligible investment pool if the board, by official action, authorizes investment in the particular pool.

1. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the *Act*. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with subchapter A of the *Act* and the investment policies and objectives adopted by the investment pool. To be eligible to receive funds from and investments on behalf of WSD, an investment pool must be rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

   WSD may invest its funds through an eligible investment pool if the pool provides an offering circular or other similar disclosure instrument that contains the following information to the investment officer:

   a. The types of investments in which money is allowed to be invested;

   b. The maximum average dollar weighted maturity allowed, based on the stated maturity date of the pool;

   c. The maximum stated maturity date any investment security within the portfolio has;

   d. The objectives of the pool;

   e. The size of the pool;

   f. The names of the members of the advisory board of the pool and the dates the terms expire;

   g. The custodian bank that is safekeeping the pool's assets;

   h. If the intent of the pool is to maintain a net asset value of $1 and the risk of market price fluctuation;

   i. Whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

   j. The name and address of the independent auditor of the pool;

   k. The requirements to be satisfied for WSD to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for WSD to invest funds in and withdraw funds from the pool;

   l. The performance history of the pool, including yield, average dollar weighted maturities, and expense ratios; and

   m. The pool's policy regarding holding deposits in cash.

2. To maintain eligibility to receive funds from and invest funds on behalf of WSD, an investment pool must furnish to the investment officer:

   a. Investment transaction confirmations; and

   b. A monthly report that contains, at a minimum, the following information:

      i. The types and percentage breakdown of securities in which the pool has invested;

      ii. The current average dollar weighted maturity, based on the stated maturity date of the pool;

      iii. The current percentage of the pool's portfolio in investments that have stated maturities more than one year;

      iv. The book value versus the market value of the pool's portfolio, using amortized cost valuation;

      v. The size of the pool;

      vi. The number of participants in the pool;

      vii. The custodian bank that is safekeeping the pool's assets;

      viii. A listing of daily transaction activity of WSD;

      ix. The yield and expense ratio of the pool, including a statement regarding how yield is calculated;

      x. The portfolio managers of the pool; and

      xi. Any changes or addenda to the offering circular.

3. WSD by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

4. For purposes of investment in an investment pool for which a $1.00 net asset value is maintained, yield shall be calculated in accordance with regulations governing the registration of open end management investment companies under the *Investment Company Act of 1940*, as promulgated by the SEC.

5. To be eligible to receive funds from and invest funds on behalf of WSD, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and if the investment pool uses

amortized cost, the investment pool must, to the extent reasonably possible, stabilize at a $1.00 net asset value, when rounded and expressed to two decimal places. The governing body of the investment pool must, if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005. The investment pool must, in addition to the requirements of its investment policy and any other forms of reporting, report yield to its investors in accordance with regulations of the federal SEC applicable to reporting by money market funds.

6. If the investment pool operates an internet website, the information in a disclosure instrument or report described in sections XI.J.1, 2, and 5 of this policy must be posted on the website.

7. To maintain eligibility to receive funds from and invest funds on behalf of WSD, an investment pool must make available to WSD an annual audited financial statement of the investment pool in which WSD has funds invested.

8. If an investment pool offers fee breakpoints based on the fund balance invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

9. To be eligible to receive funds from and invest funds on behalf of WSD, a public funds investment pool must have an advisory board composed:

   a. Equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Texas Government Code §§ 791.001–.034 and managed by a state agency; or

   b. Of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

10. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment 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.

K. Commercial paper is an authorized investment under Texas Government Code § 2256.013, if the commercial paper:

1. Has a stated maturity of 365 days or fewer from the date of its issuance; and

2. Is rated not less than A-1 or P-1 or an equivalent rating by at least:

    a. Two nationally recognized credit rating agencies; or

    b. One nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

L. Interest-bearing banking deposits that are guaranteed or insured by:

1. The Federal Deposit Insurance Corporation or its successor; or

2. The National Credit Union Share Insurance Fund or its successor; and

M. Interest-bearing banking deposits other than those described by subsection (L) if:

1. The funds invested in the banking deposits are invested through:

    a. A broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Texas Government Code § 2256.025; or

    b. A depository institution with a main office or branch office in this state that the investing entity selects;

2. The broker or depository institution selected as described by paragraph (a) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

3. The full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

4. The investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

    a. The depository institution selected as described by paragraph (a);

    b. An entity described by Texas Government Code § 2257.041(d); or

    c. A clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. § 240.15c3-3).

XII. Authorized and Suitable Investments (Bond Proceeds, WSD)

Bond proceeds may be invested in accordance with the provisions of the operative bond ordinance, resolution, or trust agreement authorizing the issuance of bonds. To the extent of any inconsistency between the provisions of this policy and the operative bond instrument, the investment terms contained in the operative bond instrument shall control; however, provided that no such investment of bond proceeds shall be made in the non-approved investments described in section XIII of this policy.

XIII. Non-Approved Investments

The following investments are not authorized under this policy.

A. Obligations whose payment represents the coupon payment on the outstanding principal balance of the underlying mortgage backed security collateral and pays no principal, such as an interest only bond.

B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage backed security collateral and bears no interest, such as a principal only bond.

C. Collateralized mortgage obligations that have a stated final maturity of greater than five years.

D. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index, such as inverse floaters.

E. Any investment not specifically authorized in section XI of this policy.

XIV. Collateralization

WSD requires all bank and savings and loan association deposits to be insured by the FDIC or its successors or collateralized with eligible securities. Financial institutions serving as WSD depositories shall be required to sign an agreement with WSD and its safekeeping agent for the collateral, defining WSD's rights to the collateral in case of default, bankruptcy, or closing.

A. Allowable Collateral

1. Certificates of Deposit

Eligible securities for collateralization of deposits are defined by the *Public Funds Collateral Act.*

2. Repurchase Agreements

Collateral underlying repurchase agreements are limited to U.S. government or agency obligations that are eligible for wire transfer, such as book entry, to WSD's designated safekeeping agent through the Federal Reserve System.

B. Collateral Levels

Collateral is valued at current market plus interest accrued through the date of valuation.

1. Certificates of Deposit

The market value of collateral pledged for certificates of deposit shall at all times be equal to or greater than the par value of certificates of deposit plus accrued interest, less the amount insured by the FDIC.

2. Repurchase Agreements

The market value of collateral required to be pledged for repurchase agreements shall be a percentage of the par value of the agreement plus accrued interest and shall be maintained at those levels. The percentage coverage required shall be defined in WSD's Master Repurchase Agreement.

Collateral Maturity	U.S. Treasury Securities	U.S. Government Securities
One Year or Less	101%	101%
One to Five Years	102%	102%
Over Five Years	103%	104%

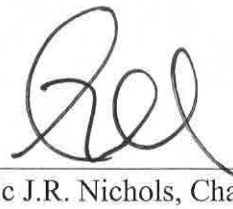
XV. Existing Investments

Investments held on the effective date of this policy that are no longer authorized investments under the *Act* or this policy do not need to be liquidated before the final stated maturity of the investment. The investment officer shall take all prudent measures that are consistent with this policy to liquidate any investment that becomes a non-authorized investment, such as through a rating downgrade, after the purchase of this investment.

XVI. Investment Policy Adoption

This policy and the attached Investment Strategy Statement, meeting the requirements of Texas Government Code § 2256.005(d), has been adopted by resolution of the board and signed by the board chairman. Moreover, by adoption of this policy, the board authorizes continued participation in investment pools that have been approved by the board and comply with this policy. A resolution shall be adopted annually certifying that the board has performed an annual review of this policy and the Investment Strategy Statement. The

resolution shall record any changes made to either this policy or the Investment Strategy Statement. Any changes or modifications in the interim shall also require board approval.



Eric J.R. Nichols, Chairman
Windham School District Board of Trustees

WINDHAM SCHOOL DISTRICT
INVESTOR CERTIFICATION OF
ETHICAL UNDERSTANDING

The *Public Funds Investment Act* (*Act*) includes a provision in Texas Government Code § 2256.005(i) that provides for any investment officer or person deemed to have the responsibility for investment transactions (investor) take certain steps to ensure possible conflicts of interest are disclosed. Below is an excerpt from the *Act*, with parenthetical comments for clarification:

§ 2256.005(i)

"An investment officer of an entity [WSD] who has a personal business relationship [as defined below] with a business organization offering to engage in an investment transaction with the entity [WSD] shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Texas Government Code §§ 573.001–.084 [as explained below], to an individual seeking to sell an investment to the investment officer's entity [WSD] shall file a statement disclosing that relationship."

A personal relationship exists if:

a. The investment officer owns 10% 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;

b. Funds received by the investment officer from the business organization exceed 10% of the investment officer's gross income for the previous year; or

c. 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.

A statement required under Texas Government Code § 2256.005(i) must be filed with the Texas Ethics Commission and the board.

Disclosure of a personal business relationship or a relationship by affinity or consanguinity does not shield the investment officer or investor from the application of the other state law or WSD policy that could prohibit, criminalize, or otherwise affect the activity that is the subject of the disclosure.

The investment officer or investor certifies understanding of the requirement outlined above by signing below.

INVESTOR _____

SIGNATURE _____

DATE _____

WINDHAM SCHOOL DISTRICT

QUALIFIED REPRESENTATIVE CERTIFICATION

I hereby certify that I have personally read, thoroughly reviewed, and understand WBP-11.12, "Investment Policy" and Investment Strategy Statement. I have also implemented reasonable procedures and controls in an effort to preclude investment transactions between this organization and the Windham School District (WSD) that are not authorized by WSD's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of WSD's entire portfolio or requires an interpretation of subjective investment standards. Transactions between this firm and WSD shall be directed towards precluding non-authorized investment activities and protecting WSD from credit and market risk.

All the sales personnel of this firm dealing with WSD's account have been informed and will continue to be routinely informed of WSD's investment horizons, limitations, and strategy and risk constraints. Whenever we are informed of modifications or additional information related to WSD's investment horizons, limitations, and strategy and risk constraints, we will inform all the sales personnel dealing with WSD at this firm of such modifications or additional information.

This firm pledges due diligence in informing WSD of foreseeable risks associated with financial transactions connected to this firm.

_____
(Firm)

Qualified Representative (Principal)

_____
(Signature)

_____
(Name)

_____
(Date)

_____
(Signature)

_____
(Name)

_____
(Date)

Brokers

_____
(Signature)

_____
(Name)

_____
(Date)

_____
(Signature)

_____
(Name)

_____
(Date)

WINDHAM SCHOOL DISTRICT
BROKER/DEALER QUESTIONNAIRE

Please provide the following information. Attach additional sheets if necessary.

1. Name of firm _____

2. Local address _____
_____

3. National address _____
_____

4. Local phone number ( ) _____
Fax number ( ) _____

National phone number ( ) _____
Fax number ( ) _____

5. Primary representative, manager, or partner-in-charge

Name _____
Title _____
Phone number ( ) _____

6. Secondary representative, manager, or partner-in-charge

Name _____
Title _____
Phone number ( ) _____

7. Which instruments are offered regularly by your local desk?

[ ] Treasury bills
[ ] Treasury notes or bonds
[ ] Agencies & Instrumentalities - specify
_____
_____
_____

[ ] Banker's acceptances - domestic
[ ] Banker's acceptances - foreign
[ ] Commercial paper
[ ] Bank certificates of deposit
[ ] Savings & Loan Association certificates of deposit
[ ] Other - specify
_____

8. Identify all employees who will be trading with or quoting securities to WSD cash or investment management staff.

Name	Title	Phone no.

(Attach brief resumes of all the above persons)

9. Which of the above employees have read our investment policies and procedures?

10. Please indicate which of the above employees and principal of your firm's local offices are currently licensed, certified, or registered, and by whom.

Agent	Licensed or registered by

11. Please identify three of your comparable public sector clients in Texas.

Entity	Contact person	Phone no.	Client since

12. Have any of your clients ever incurred a loss on a securities transaction because of a misunderstanding or misrepresentation of the risk involved? If yes, please explain.

13. Have any of your public sector clients ever notified a staff member of your firm that they had incurred a loss exceeding 10% of the original purchase price of an individual security purchased through your firm?

14. Has your firm or any of your employees ever been investigated by a regulatory or state agency for alleged improper, fraudulent, disreputable, or unfair business practices in the sale of securities or money market instruments? If yes, please explain.

15. Has a public sector client ever claimed in writing that your firm was responsible for investment losses?

16. Please describe your custody and delivery process. Who audits this fiduciary responsibility?

17. Please provide certified financial statements and other support documentation regarding your firm's capitalization.

18. (A) Has your firm consistently complied with the Federal Reserve Bank's capital adequacy guidelines?

    (B) Is your firm in compliance with these guidelines on the date of this questionnaire?

    (C) Has your capital position ever fallen short of these guidelines?

    (D) Does your firm presently exceed the capital adequacy guideline's measure of risk? If so, by what factor? Example: 1.5X, 2X, etc.

19. Do you participate in the SIPC Insurance program? If not, please explain.

20. What reports, transactions, confirmations, and documentation will we receive?

21. Please enclose a complete schedule of fees and charges for various services and transactions.

22. Describe the precautions taken by your firm to protect the interests of the public when dealing with public sector clients as investors.

Windham School District

Investment Strategy Statement

PREFACE

The Windham School District (WSD), giving due regard to the safety and risk of investment, shall invest all available funds in compliance with state and federal regulations, applicable Bond Resolution requirements, trust agreements, adopted WBP-11.12, "Investment Policy," and adopted Investment Strategy Statement.

In accordance with the *Public Funds Investment Act*, WSD investment strategies shall address the following priorities (in order of importance):

- Preservation and safety of principal
- Liquidity
- Understanding the suitability of the investment to the financial requirements of WSD
- Marketability of the investment if the need arises to liquidate the investment prior to maturity
- Diversification of the investment portfolio
- Yield

This strategy coordinates the primary objectives of WSD's investment policy and cash management procedures with investment security risk and return analysis to enhance interest earning and reduce investment risk. WSD's investment officer shall incorporate current and projected market information from reliable sources as well as current and anticipated WSD financial conditions and cash flow requirements when prudently implementing these strategies. WSD's portfolio shall be designed and managed in a manner responsive to the public trust as well as consistent with this policy and any trust agreement.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements. WSD funds shall be analyzed and invested according to the following major fund types:

- Operating funds and commingled pools containing operating funds
- Debt service fund
- Debt service reserve fund
- Special project or special purpose funds

INVESTMENT STRATEGY

In order to minimize risk of loss due to interest rate fluctuations, investment maturities shall not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund type are as follows:

A. Operating Funds and Commingled Pools Containing Operating Funds

Investment strategies for operating funds and commingled pools containing operating funds have as the primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure that will experience minimal volatility during economic cycles. This may be accomplished by purchasing quality, short- to medium-term securities that complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security.

B. Debt Service Funds

Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date that exceeds the debt service payment date.

C. Debt Service Reserve Funds

Investment strategies for debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, securities should be of high quality, with short- to intermediate-term maturities. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium if at all possible. Such securities will tend to hold their value during economic cycles.

D. Special Projects or Special Purpose Funds

Investment strategies for special projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date.

RESOLUTION ADOPTING THE INVESTMENT POLICY OF THE WINDHAM SCHOOL DISTRICT BOARD OF TRUSTEES, WBP-11.12

WHEREAS, Chapter 2256 of the Texas Government Code, the *Texas Public Funds Investment Act* (the "Act") was created in 1987 and modified in subsequent legislative sessions in order to protect public funds held by state agencies and institutions of higher learning; and

WHEREAS, Section 2256.005 (a) of the *Act* requires the governing body of an investing entity to adopt a written investment policy regarding the investment of its funds and funds under its control; and

WHEREAS, Section 2256.005 (e) of the *Act* requires the governing body of an investing entity to review its investment policy and investment strategies and adopt a resolution "stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy and investment strategies" not less than annually; and

WHEREAS, the Windham School District (WSD) Investment Policy WBP-11.12, rev. 17, was adopted by the WSD Board of Trustees (Board) on October 17, 2025; and

WHEREAS, on June 5, 2025, the Chief Financial Officer (WSD Investment Officer) attended an investment training course as required by Section 2256.007 of the *Act*, which included education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the *Act*; and

WHEREAS, there have been no substantive changes to the Policy since last adoption on October 17, 2025;

NOW THEREFORE BE IT RESOLVED by the Windham School District Board of Trustees (the "Board") that;

Section 1. The Board hereby adopts the Investment Policy of the WSD, as required by the *Act*.

Section 2. The Board hereby authorizes the officers of the WSD to take all actions in conformity with the Investment Policy for executing investment transactions for the WSD.

Section 3. If any part of this resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such portion shall not affect remaining portions of this resolution that can be given effect without the invalid portion, and to this end, the provisions of this resolution are severable.

Section 4. Notice of the time, place, and purpose of the meeting in which this resolution was discussed, considered, and acted upon was given as required by Chapter 551, Texas Government Code, and the meeting was open to the public during the discussion, consideration, and the action on this resolution.

ADOPTED, PASSED, AND APPROVED on this 6th day of November 2026, by the Windham School District Board of Trustees, State of Texas.

By: _____
Eric J.R. Nichols, Chairman

CERTIFICATE FOR RESOLUTION

I, the undersigned chairman of the Windham School District Board of Trustees (the "Board"), hereby certify as follows:

The Board convened in regular session, on November 6, 2026, at the meeting place designated in the notice (the "Meeting") and the roll was called of its members, to wit: ERIC J.R. NICHOLS, Chairman; BILL WELCH, Vice Chair; the Honorable FAITH JOHNSON, Member; Ambassador SICHAN SIV, Member; RODNEY BURROW, M.D., Member; NATE SPRINKLE, Member; SYDNEY ZUIKER, Member; and MARTIN GARZA, JR., Member. The following Members were absent: , thus constituting a quorum. Where upon among other business, the following was transacted at the Meeting, a written:

RESOLUTION ADOPTING THE INVESTMENT POLICY OF
THE WINDHAM SCHOOL DISTRICT, WBP-11.12

(the "Resolution") was duly introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, such motion, carrying with it the adoption of such Resolution prevailed and carried by the following vote:

YES: ✓
NO: _____

A true, full, and correct copy of the Resolution adopted at the Meeting is attached to and follows this Certificate; the Resolution has been duly recorded in the Board's Minutes of the Meeting pertaining to the adoption of the Resolution; the persons named in the above and foregoing paragraph are duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting, and that the Resolution would be introduced and considered for adoption at the Meeting and each of such officers and members consented, in advance, to the holding of the Meeting for such purpose; and the Meeting was open to the public, and public notice of the time, place, purpose of the Meeting was given, as required by Chapter 551, Texas Government Code.

SIGNED THIS 6th DAY OF NOVEMBER, 2026.

Eric J.R. Nichols, Chairman
Windham School District Board of Trustees