



## **Texas Local Government Investment Pool**

### **TexPool *Prime* Participation Agreement**

#### **PREAMBLE**

This participation agreement (the "Agreement") is made and entered into by and between the Comptroller of Public Accounts (the "Comptroller"), acting through the Texas Treasury Safekeeping Trust Company (the "Trust Company"), Trustee of **TexPool *Prime***, a Texas Local Government Investment Pool, and Williamson County Tax Assessor/Collector \_\_\_\_\_ (the "Participant").

**WHEREAS**, the Interlocal Cooperation Act, TEX. GOV'T CODE ANN, ch. 791 authorizes a local government to contract with a state agency to perform governmental functions, including investment of public funds;

**WHEREAS**, the Public Funds Investment Act, TEX. GOV'T CODE ANN. ch. 2256 (the "Investment Acts") provides for the creation of a public funds investment pool in which a governmental investing entity may invest its funds and to which the entity may delegate, by contract, the authority to hold legal title as custodian of investments purchased with its local funds;

**WHEREAS**, the Trust Company is a special purpose trust company authorized pursuant to TEX. GOV'T CODE ANN. § 404.103 to receive, transfer and disburse money and securities belonging to state agencies and local political subdivisions of the state and for which the Comptroller is the sole officer, director and shareholder;

**WHEREAS**, **TexPool *Prime*** is a public funds investment pool, which funds are invested in certain eligible investments as more fully described hereafter;

**WHEREAS**, the Participant has determined that it is authorized to invest in a public funds investment pool created under the Investment Acts and to enter into this Agreement;

**WHEREAS**, the Participant acknowledges that the Trust Company is not responsible for independently verifying the Participant's authority to invest under the Investment Acts or to enter this Agreement;

**WHEREAS**, the Participant acknowledges that the performance of **TexPool *Prime*** is not guaranteed by the State of Texas, the Comptroller, or the Trust Company and that there is no secondary source of payment for the pool; and

**WHEREAS**, in an effort to ensure the continued availability of an investment pool as a vehicle for investment of local government funds and simultaneously provide for enhancement in services and potential decreases in management and administrative fees, Participant and Trust Company desire to provide in this Agreement that the Trust Company may obtain private professional investment management and related services.

**NOW THEREFORE**, for and in consideration of the mutual promises, covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree with each other as follows:

## ARTICLE I. DEFINITIONS

**"Account"** shall mean any account or accounts, established by the Participant in **TexPool Prime** in accordance with this Agreement and the Operating Procedures (as defined herein), which Account represents an undivided beneficial ownership in **TexPool Prime**.

**"Authorized Investments"** shall mean those investments which are authorized by the Investment Act (as herein defined) for investment of public funds.

**"Authorized Representative(s) of the Participant"** shall mean any individual who is authorized to execute documents and take such other necessary actions under this Agreement as evidenced by the duly enacted Resolution of the Participant.

**"Authorized Representative(s) of the Trust Company"** shall mean any employee of the Comptroller or Trust Company who is designated in writing by the Comptroller or the Trust Company's Chief Executive Officer to act as the authorized Trust Company representative for purposes of this Agreement and shall include employees of any private entity performing the obligations of the Comptroller under this Agreement.

**"Board"** shall mean the advisory board provided for in the Investment Act (as defined below).

**"Fund"** shall mean the Texpool Prime Fund created and established pursuant to Section 4.01 hereof.

**"Investment Act"** shall mean the Public Funds Investment Act, TEX. GOV'T CODE ANN. ch. 2256, as amended from time to time.

**"Investment Policy"** shall mean the written **TexPool Prime** Investment Policy, as amended from time to time, relating to the investment and management of funds in TexPool as established by the Trust Company consistent with the Investment Act.

**"Letter of Instruction"** shall mean a written authorization and direction to the Trust Company signed by an Authorized Representative of the Participant.

**"Operating Procedures"** shall mean the written procedures established by the Trust Company describing the management and operation of **TexPool Prime**, and providing for the establishment of, deposits to and withdrawals from the Accounts, as amended from time to time.

**"Participant"** shall mean any entity authorized by the Acts to participate in a public funds investment pool that has executed this Agreement pursuant to a Resolution.

**"Resolution"** shall mean the resolution adopted by the governing body of a local governmental entity authorizing the entity's participation in **TexPool Prime** and designating persons to serve as Authorized Representatives of the Participant.

## ARTICLE II. GENERAL ADMINISTRATION

### Section 2.01. *TexPool Prime* Defined.

- (a) *TexPool Prime* is a public funds investment pool created pursuant to the Investment Acts.
- (b) Subject to Section 6.10, the Trust Company agrees to manage the Participant's Account in accordance with the Investment Act and the Investment Policy.

### Section 2.02. Board.

- (a) The Board is composed of members appointed pursuant to the requirements of the Investment Act.
- (b) The Board shall advise the Trust Company on the Investment Policy and on various other matters affecting *TexPool Prime*, and shall approve fee increases.

### Section 2.03. General Administration.

- (a) The Trust Company shall establish and maintain the Investment Policy specifically identifying the Authorized Investments consistent with the Investment Act and the general policy and investment goals for *TexPool Prime*.
- (b) The Trust Company shall establish and maintain the Operating Procedures, describing the management and operation of *TexPool Prime* and providing for procedures to be followed for the establishment of, deposits to, and withdrawals from the Accounts and such other matters as are necessary to carry out the intent of this Agreement.
- (c) The Trust Company shall have the power to take any action necessary to carry out the purposes of this Agreement, subject to applicable law and the terms of this Agreement.

**Section 2.04. Ownership Interest.** Each Participant shall own an undivided beneficial interest in the assets of *TexPool Prime* in an amount proportional to the total amount of such Participant's Accounts relative to the total amount of all Participant's Accounts in *TexPool Prime*, computed on a daily basis.

**Section 2.05. Independent Audit.** *TexPool Prime* is subject to annual review by an independent auditor consistent with Ch. 2256, TEX GOV'T CODE ANN. In addition, reviews of *TexPool Prime* may be conducted by the State Auditor's office and the Comptroller's office. The Trust Company may obtain such legal, accounting, financial or other professional services as it deems necessary or appropriate to assist *TexPool Prime* in meeting its goals and objectives.

**Section 2.06. Liability.** Any liability of the Comptroller, the Comptroller's office, the Trust Company, representatives or agents of the Trust Company, any Comptroller employee, Trust Company or any member of the Board for any loss, damage or claim, including losses from investments and transfers, to the Participant shall be limited to the full extent allowed by applicable laws. The Trust Company's responsibilities hereunder are limited to the management and investment of *TexPool Prime* and the providing of reports and information herein required.

### Section 2.07. Disclosure Statement.

- (a) *TexPool Prime* is created to function like a money market mutual fund and seeks to maintain a 1.00 net asset value. Performance fluctuates on a daily basis, largely because net earnings fluctuate daily. The performance of *TexPool Prime* depends on such variables as portfolio quality, average portfolio maturity, type and value of portfolio securities, and changes in interest rates. Primary risk factors include:

- Interest Rate Risk. Prices of fixed income securities generally fall when interest rates rise.

- Credit Risks. A decline in the credit quality of an issuer can cause the price of a security held by the pool to decrease.

(b) Both net earnings and offering price per share are factors in the computation of yield and total return.

(c) The assets of **TexPool Prime** are the only source of payment to Participants. There is no secondary source of payment for the pool, and investment in **TexPool Prime** is not a deposit or an obligation of any bank, is not endorsed or guaranteed by any bank and is not insured or guaranteed by the U.S. government, The Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency, including the State of Texas.

### ARTICLE III. PARTICIPATION REQUIREMENTS

**Section 3.01. The Participation Agreement.** The Participant must execute this Agreement and provide a Resolution authorizing participation in **TexPool Prime** and designating persons to serve as Authorized Representatives of the Participant and any other documents as are required under, and substantially in the form prescribed by, the Operating Procedures before depositing any funds into **TexPool Prime**.

#### **Section 3.02. Operating Procedures**

(a) The Participant acknowledges receipt of a copy of the Operating Procedures. The Operating Procedures describe in detail the procedures required for the establishment of accounts, deposits to and withdrawals from **TexPool Prime**, and related information.

(b) The Operating Procedures may be modified by the Trust Company as appropriate to remain consistent with established banking practices and capabilities and when such modification is deemed necessary to improve the operation of **TexPool Prime**.

(c) The Participant hereby concurs with and agrees to abide by the Operating Procedures.

### ARTICLE IV. INVESTMENTS

**Section 4.01. Investments.** All monies held in **TexPool Prime** shall be invested and reinvested by the Trust Company or Authorized Representatives of the Trust Company only in Authorized Investments in accordance with the Agreement, the Investment Policy and the Investment Act. Participant hereby concurs with any such investment so made by the Trust Company. Available funds of **TexPool Prime** that are uninvested may be held at the Trust Company's account at the Federal Reserve Bank of Dallas, or any designated custodian account, or with a custodian selected by the Trust Company. All investment assets and collateral will be in the possession of the Trust Company and held in its book-entry safekeeping account at the Federal Reserve Bank, any designated custodian account, or with a custodian selected by the Trust Company.

**Section 4.02. Failed Investment Transaction.** In the extraordinary event that a purchase of securities results in a failed settlement, any resulting uninvested funds shall remain in the Trust Company's Federal Bank of Dallas account, any designated custodian account or with a custodian selected by the Trust Company. If an alternative investment can be secured after the failure of the trade to settle, **TexPool Prime** will receive all the income earnings, including but not limited to, any compensation from the purchaser failing in the trade and the interest income from the alternative investment.

**Section 4.03. Investment Earnings and Losses Allocation.** All interest earnings in **TexPool Prime** will be valued daily and credited to the Participant's Accounts monthly, on a pro rata allocation basis. All losses, if any, resulting from the investment of monies in **TexPool Prime** shall also be allocated on a pro rata allocation basis. All earnings and losses will be allocated to the Participant's Accounts in accordance with generally accepted accounting procedures.

**Section 4.04. Commingling of Accounts.** Participant agrees that monies deposited in **TexPool Prime** may be commingled with all other monies held in **TexPool Prime** for purposes of common investment and operational efficiency. However, each Participant will have separate Accounts on the books and records of **TexPool Prime**, as further provided for in the Operating Procedures.

## **ARTICLE V. FEES, EXPENSES AND REPORTS**

**Section 5.01. Fees and Expenses.** The Participant agrees to pay the amount set forth in the fee schedule. Participant agrees that all fees shall be directly and automatically assessed and charged against the Participant's Accounts. The basic service fee shall be calculated as a reduction in the daily income earned, thus only the net income shall be credited to the Participant's Account. Fees for special services shall be charged to each Participant's account as they are incurred or performed. A schedule of fees shall be provided to the Participant annually. Each Participant will be notified thirty (30) days prior to the effective date of any change in the fee schedule.

**Section 5.02. Reports.** A monthly statement will be mailed to the Participant within the first five (5) business days of the succeeding month. The monthly statement shall include a detailed listing of the balance in the Participant's Accounts as of the date of the statement; all account activity, including deposits and withdrawals; the daily and monthly yield information; and any special fees and expenses charged. Additionally, copies of the Participant's reports in physical or computer form will be maintained for a minimum of three prior fiscal years. All records shall be available for inspection at all reasonable hours of the business day and under reasonable conditions.

**Section 5.03. Confidentiality.** The Trust Company and any private entity acting on behalf of the Trust Company for purposes of this Agreement will maintain the confidentiality of the Participant's Accounts, subject to the Public Information Act, TEX GOV'T CODE ANN. ch. 552, as amended.

## **ARTICLE VI. MISCELLANEOUS**

**Section 6.01. Notices.** Any notices, Letters of Instructions or other information required or permitted to be given hereunder shall be submitted in writing and shall be deemed duly given when deposited in the U.S. mail postage prepaid or successfully transmitted via facsimile addressed to the parties as follows:

To the **Participant**:

Participant Name	<u>Williamson County Tax Assessor/Collector</u>		
Address	<u>904 S. Main St.</u>		
City, State, Zip	<u>Georgetown, TX 78626</u>		
Telephone	<u>(512) 943-1601 EXT 7015</u>	Fax	<u>(512) 943-1547</u>

To **Trust Company** with respect to contractual matters or disputes under this Agreement:

Texas Treasury Safekeeping Trust Company  
Attn: TexPool Prime  
Rusk State Office Building  
208 East 10<sup>th</sup> Street, Suite 441  
Austin, TX 78701  
Telephone: (512) 463-5303  
FAX No.: (512) 463-0823



To **TexPool Prime** with respect to operational matters, including enrollment documents; changes to Authorized Representatives; Bank Information Sheets; initiation of deposits or withdrawals of funds; changes to addresses; audit confirmation requests; and account inquiry:

TexPool Participant Services  
C/O Federated Investors Inc  
1001 Texas Ave., Suite 1400  
Houston, TX 77002  
Telephone: 1-866-839-7665 (1-866-TEX-POOL)  
FAX No.: 1-866-839-3291 (1-866-TEX-FAX1)

The Participant and the Trust Company agree to notify the other of any change affecting this information and agree that unless and until so notified, the other party shall be entitled to rely on the last information provided.

**Section 6.02. Taxpayer Identification Number.** The Participant's taxpayer identification number assigned by the Internal Revenue Service is: 74-6000978. The Participant hereby agrees to notify the Trust Company of any change affecting this Taxpayer Identification number and agrees that unless and until so notified, the Trust Company shall be entitled to rely on same in providing any and all reports or other information necessary or required by the Federal tax laws as amended from time to time.

**Section 6.03. Severability.** If any provision of this Agreement shall be held or deemed to be in fact illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

**Section 6.04. Execution of Counterparts.** This Agreement may be simultaneously executed in several separate counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 6.05. Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. Venue for any dispute under this Agreement shall be in Travis County, Texas.

**Section 6.06. Captions.** The captions or headings in this Agreement are for convenience only and in no way defined, limit or describe the scope or intent of any provisions, articles or sections of this Agreement.

**Section 6.07. Amendments.**

- (a) The Trust Company shall advise the Participant in writing of any amendments to this Agreement no less than 45 days prior to the effective date of such amendment. The Participant may ratify the proposed amendment of this Agreement by letter to the Trust Company. If the Participant elects not to ratify the amendment, the Participant may terminate this Agreement in accordance with Section 6.08. In the event the Participant fails to respond in writing to a notice of amendment prior to the effective date of such amendment, this Agreement shall be deemed amended.
- (b) The Trust Company may revise the Operating Procedures from time to time as it deems necessary for the efficient operation of **TexPool Prime**. The Participant will be bound by any amendment to the Operating Procedures with respect to any transaction occurring subsequent to the time such amendment takes effect, provided, however, that no such amendment shall affect the Participant's right to cease to be a Participant.

**Section 6.08. Termination.** This Agreement may be terminated by either party hereto, with or without cause, by tendering 30 days prior written notice in the manner set forth in Section 6.01 hereof.

**Section 6.09. Term.** Unless terminated in accordance with Section 6.08, this Agreement shall be automatically renewed on each anniversary date hereof.

**Section 6.10. Limitation of Rights.** With the exception of the rights herein expressly conferred nothing in or to be implied from this Agreement is intended or shall be construed to give any person other than the parties hereto any legal or equitable right, remedy or claim under or in respect to this Agreement or in any of the covenants, conditions and provisions herein contained. Neither the Comptroller nor the Trust Company shall be liable for any losses from investments made and transfers made in accordance with the procedures set forth in this Agreement.

**Section 6.11. Assignment.** The Trust Company may enter into an agreement with a third party investment manager to perform its obligations and service under this Agreement, provided that such third party investment manager shall manage **TexPool Prime** according to the Investment Act, Investment Policy and in a manner consistent with that directed by the Trust Company. The Trust Company also shall have the right to assign its rights and obligations under the Agreement to a third party investment manager if the Trust Company determines that such assignment is in the best interest of the State and Participants. If a successor pool to **TexPool Prime** is deemed by the Trust Company to be in the best interest of the State and the Participant, the Trust Company may take any action it deems necessary to assign its rights and benefits under any third party agreements and transfer the assets from **TexPool Prime** to any successor pool.

**In Witness Whereof**, the parties hereto have caused this Agreement to be executed as of the dates set forth below, and the Agreement shall be effective as of the latest such date.

**PARTICIPANT**

**TEXAS TREASURY SAFEKEEPING TRUST  
COMPANY**

Comptroller of Public Accounts

Signature



Printed Name Dan Gattis

Title Williamson County Judge

Date 11-9-10

Signature \_\_\_\_\_

Printed Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

**CERTIFICATE OF INCUMBENCY**

The preceding signatory is a duly appointed, acting, and qualified officer of the Participant, who, in the capacity set forth above is authorized to execute this Agreement.

**IN WITNESS WHEREOF**, I have duly executed this certificate as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.



**OFFICIAL SEAL**

Signature



Printed Name

NANCY E. RISTER

Title

Williamson County Clerk

# TexPool Prime

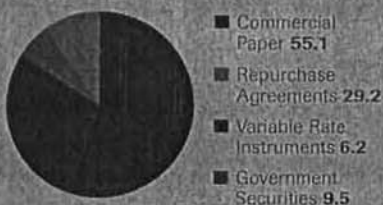
## PORTFOLIO OVERVIEW

as of 6/30/10

### Pool Assets

\$15 billion

### Portfolio Composition (%)



### Effective Maturity Schedule (%)



### Credit Quality Composition (%)



### Weighted Average Maturity

52 Days

### Credit Rating

AAAm Standard & Poor's

### Portfolio Managers

Paige Wilhelm  
Deborah Cunningham

## Investor Goal

Preservation and safety of principal, liquidity and yield.

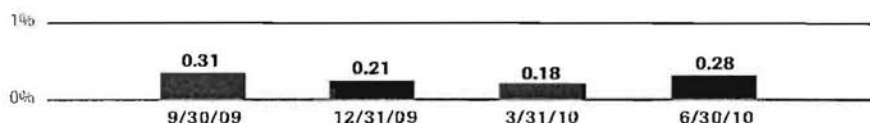
## Pool Features

- Administered by the Texas Comptroller of Public Accounts.
- Highest possible rating from Standard & Poor's underscores the portfolio's high credit quality, daily liquidity and relative safety.
- In addition to the securities in which TexPool invests, TexPool Prime also invests in commercial paper and certificates of deposit to potentially achieve higher yield.
- The 2 p.m. cut-off time for deposits and withdrawals gives participants more time to complete daily cash processing and initiate late-day deposit transactions.

## Pool Performance

### Annualized Yields (%)

7-Day



**1 Year Total Return: 0.28%**

*Performance data quoted represents past performance which is no guarantee of future results. Investment return will vary. The value of an investment, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than what is stated.*

## Portfolio Manager Commentary

Even though the Federal Reserve held tight to its "exceptionally low levels" for "an extended period" policy language – making it all but certain its benchmark funds target won't budge until late this year at the earliest – rates on the short end of the cash-yield curve rose during the second quarter. The movement wasn't much – June actually saw short rates slip back a bit. And the increases had less to do with the economic recovery whose early spring bounce went splat as summer approached than with sovereign debt jitters that spread through Europe. The nervousness pushed up overnight and other short credit rates, akin to what occurred during the global financial crisis though nowhere near the magnitude. Indeed, unlike credit rates, Treasury bill yields moved lower over the three months – 2-year notes hit new lows – as the risk-averse trade flocked to where it always does when unease prevails ... into the arms of Uncle Sam. The good news is that increases on the short end of the cash-yield curve have allowed for slightly higher yields without the interest-rate risk that would come from making investments further out on the cash-yield curve.

### Paige Wilhelm

Senior Portfolio Manager & Senior Vice President





**Resolution**  
**Authorizing Participation in TexPool/TexPool Prime**  
**And Designating Authorized Representatives**

**WHEREAS, Williamson County Tax Assessor/Collector**

("Participant") is a local government or state agency of the State of Texas and is empowered to delegate to the public funds investment pools the authority to invest funds and to act as custodian of investments purchased with local investment funds; and

**WHEREAS,** it is in the best interest of the Participant to invest local funds in investments that provide for the preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act; and

**WHEREAS,** the Texas Local Government Investment Pools ("**TexPool/TexPool Prime**"), public funds investment pools, were created on behalf of entities whose investment objectives in order of priority are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act.

**NOW THEREFORE,** be it resolved as follows:

- A. That Participant shall enter into a Participation Agreement to establish an account in it's name in **TexPool/TexPool Prime**, for the purpose of transmitting local funds for investment in **TexPool/TexPool Prime**.
- B. That the individuals, whose signatures appear in this Resolution, are authorized representatives of the Participant and are each hereby authorized to transmit funds for investment in **TexPool/TexPool Prime** and are each further authorized to withdraw funds from time to time, to issue letters of instruction, and to take all other actions deemed necessary or appropriate for the investment of local funds.

List of the authorized representatives of the Participant. These individuals will be issued P.I.N. numbers to transact business via the phone with a Participant Service Representative.

1. Name: Deborah M. Hunt Title: Tax Assessor/Collector  
Phone/Fax/Email: (512) 943-1601 EXT 7015 / (512) 943-3578 / dhunt@wilco.org  
Signature: 
2. Name: Larry Gaddes Title: Chief Deputy Tax Assessor/Collector  
Phone/Fax/Email: (512) 943-1641 / (512) 943-3578 / lgaddes@wilco.org  
Signature: 
3. Name: Cathy Atkinson Title: Accounting Manager  
Phone/Fax/Email: (512) 943-1544 / (512) 943-1547 / catkinson@wilco.org  
Signature: 
4. Name: Alma Russell Title: Director - Motor Vehicle  
Phone/Fax/Email: (512) 943-1642 / (512) 943-1618 / arussell@wilco.org  
Signature: 

List the name of the Authorized Representative provided above that will have primary responsibility for performing transactions and receiving confirmations and monthly statements under the Participation Agreement.

Name: Cathy Atkinson

In addition and at the option of the Participant, one additional authorized representative can be designated to perform inquiry only of selected information. This limited representative cannot make deposits or withdrawals. If the Participant desires to designate a representative with inquiry rights only, complete the following information.

5. Name Gretchen Doty Title Accounting Specialist  
Phone/Fax/Email: (512) 943-1543 / (512) 943-1547 / gdoty@wilco.org

C. That this resolution and its authorization shall continue in full force and effect until amended or revoked by the Participant, and until **TexPool/TexPool Prime** receives a copy of any such amendment or revocation.

This resolution is hereby introduced and adopted by the Participant at its regular/special meeting held on the \_\_\_\_ Day of \_\_\_\_\_, 20 \_\_\_\_.

NAME OF  
PARTICIPANT Williamson County Tax Assessor/Collector

BY: [Signature]  
Signature  
Dan Gattis  
Printed Name  
Williamson County Judge  
Title

ATTEST: [Signature]  
Signature  
NANCY E. RISTER  
Printed Name  
Williamson County Clerk  
Title

OFFICIAL SEAL

