

# U.S. FIXED INCOME TRUST<sup>1</sup>

## Investment Policy For Texas Pools

This Investment Policy (the “Policy”) is adopted by the Board of Trustees of U.S. Fixed Income Trust (“US FIT”), a Delaware statutory trust that currently offers two series designated for Texas participants referred to as Texas Fixed Income Trust (“Texas Pools, Texas Fixed Income Trust, Texas-FIT, or TX-FIT”), each a public funds investment pool established and created pursuant to Chapter 2256 of the Texas Government Code, as amended, and the Trust Agreement dated March 1, 2019, as amended (the “Trust Agreement”). For each Texas Pool as defined in the Trust Agreement, U.S. Bank National Association serves as Custodian (the “Custodian”), U.S. Bank Global Fund Services serves as the Administrator (the “Administrator”), and Wertz York Capital Management Group, LLC (d/b/a Water Walker Investments) serves as the investment adviser (the “Advisor”).

This policy incorporates by reference the disclosure in the Trust’s Information Statement, which is available at [www.tx-fit.com](http://www.tx-fit.com).

All investments made under this Policy will meet the standard of care required by Section 2256.006 of the Public Funds Investment Act (the “Investment Act”), as described herein. These investments will be governed by the following investment objectives, in order of priority:

1. Preservation and safety of principal
2. Liquidity
3. Yield

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<sup>1</sup> The Trust and its pooled investment vehicles are not affiliated with or endorsed by the U.S. government. The Trust’s investment pools are not guaranteed by the federal government.

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## **ARTICLE I. PURPOSE**

### **Section 1.01. Purpose.**

This Policy, with respect to investments of the Texas Pools, has been adopted to establish the principles and criteria by which the funds of the Texas Pools should be invested and secured and to comply with the provisions of the Trust Agreement and with various provisions of Texas law relating to the investment and security of funds of public funds investment pools. As of the date of the adoption of this Policy, the following laws are applicable to the investment of Texas Pools' funds: Chapter 2256, Texas Government Code; Chapter 791, Texas Government Code; Chapter 2257, Texas Government Code; and Chapter 404.101 et seq., Texas Government Code (the "Investment Laws"). The Investment Laws generally provide the minimum criteria for the authorized investment and security of funds of the Texas Pools and require the Texas Pools to adopt rules to ensure the investment of the funds is done in accordance with such laws. This Policy will specify the scope of authority of the Texas Pools Officials who are responsible for the investment of the funds. For more information on Trust's structure and its service providers, please see the Trust's Information Statement, which is available for free upon request by contacting (210) 888-0453.

### **Section 1.02. Policy Application to Sub-Accounts and Additional Pools or Portfolios.**

This Policy shall apply to all sub-accounts of the Texas Pools, including the Texas Fixed Income Trust Cash Pool ("TX-FIT Cash Pool"), and Texas Fixed Income Trust Government Pool ("TX-FIT Govt Pool"), and any other sub-accounts that are invested and managed separately from the Texas Pools, whether such sub-accounts contain one or multiple Participants. This Policy shall also apply to any additional Texas-related pools or portfolios established pursuant to the Trust Agreement. Except for their differences in investment strategies, the basic terms and conditions are the same for each Texas Pool.

## **ARTICLE II. DEFINITIONS**

### **Section 2.01. Definitions.**

Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

- a) The term "Authorized Collateral" means any means or method of securing the deposit of funds of the Texas Pools authorized by Chapter 2257, Texas Government Code.
- b) The term "Authorized Investment" means any security which a Texas Pool is authorized to invest in under Chapter 2256, Texas Government Code.
- c) The term "Board" means the Board of Trustees of the US FIT.

- d) The term “Advisory Board” means the Advisory Board of the Texas Pools.
- e) The term “Member” means a person elected or appointed to serve on the Advisory Board of the Texas Pools.
- f) The term “Collateral” means any means or method of securing the deposit of funds of the Texas Pools under Article V hereof.
- g) The term “Collateral Act” means Chapter 2257, Texas Government Code, as amended from time to time.
- h) The term “Trustee” means a person elected or appointed to serve on the US FIT Board.
- i) The term “Employee” means any person employed by the Texas Pools, but does not include independent contractors or professionals hired by US FIT or the Texas Pools as outside consultants, such as legal counsel, the Program Administrator, or the Custodian.
- j) The term “Investment Act” means Chapter 2256, Texas Government Code, as amended from time to time.
- k) The term “Investment Officer” means the Member designated by the Trust Agreement to invest and reinvest the funds of the Texas Pools held in its various accounts.
- l) The term “Participants” includes any municipality, county, school district or authority created under Section 52(b)(1) or (2), Article III or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, any office, department, commission, board, or other agency that is part of any branch of State government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities that has taken the actions required by Section 2256.016 of the Investment Act and that has executed a participation certificate, confirming their eligibility to participate in the Texas Pools.
- m) The term “Texas Pools”, for purposes of this Policy, means all pools or portfolios established pursuant to the Trust Indenture that are available to Participants in the State of Texas.
- n) The term “Texas Pools Officials” means the Investment Officer, Trustees, officers, employees, and persons and business entities engaged in handling the investment of funds of the Texas Pools, including, without limitation, the Program Administrator and the Custodian.

## **ARTICLE III. INVESTMENT OFFICER**

### **Section 3.01. Investment Officer.**

The Trust Agreement designates the Chairman of the Advisory Board, ex officio, or in the absence of the Chairman, the Vice Chairman of the Advisory Board, if any, to serve as Investment Officer to handle the investment of funds of the Texas Pools. The Investment Officer shall be responsible for investing funds of the Texas Pools in accordance with this Policy. The Investment Officer shall invest funds of the Texas Pools, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived, with all investment decisions to be governed by the following objectives in order of priority: (a) preservation and safety of principal; (b) liquidity; and (c) yield.

### **Section 3.02. Training.**

The Investment Officer shall complete all training sessions that may be required by law relating to his or her responsibilities under the Investment Act as the Investment Officer for the Participant.

### **Section 3.03. Reporting by the Program Administrator.**

Not less than quarterly and within a reasonable time after the end of the period reported, the Investment Officer and the Texas Pools Officials shall cause the Program Administrator to prepare and submit to the Board a written report of the investment transactions for all funds of the Texas Pools for the preceding reporting period. The report must (1) describe in detail the investment positions of the Texas Pools on the date of the report, (2) be signed by the Program Administrator, (3) state the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested and by pool or portfolio, (4) state the maturity date of each separately invested asset that has a maturity date, and (5) state the compliance of each investment portfolio as they relate to this Policy and the Investment Act.

### **Section 3.04. Assistance with Certain Duties of the Investment Officer.**

The Board hereby authorizes and directs the Program Administrator and any other Texas Pools Officials requested by the Investment Officer to assist the Investment Officer with any of his duties, including but not limited to the following:

1. Presenting a copy of the Policy to any person or business organization seeking to sell an investment to a Texas Pool, and obtaining the necessary written certification from such seller referred to in Section 4.03;
2. Handling investment transactions;

3. Preparing and submitting to the Board the written report of all investment transactions for the Texas Pools, as required by this Article;
4. Researching investment options and opportunities;
5. Obtaining written depository pledge agreements as required herein;
6. Obtaining safekeeping receipts from the Texas financial institution which serves as a depository for pledged Collateral; and
7. Reviewing the market value of investments of the Texas Pools, including each pool or portfolio established pursuant to the Trust Agreement and of the Collateral pledged to secure funds of the Texas Pools.

#### **ARTICLE IV. PROCEDURES FOR INVESTMENT OF THE TEXAS POOLS FUNDS**

##### Section 4.01. Qualified Broker-Dealers

Under Section 2256.025 of the Investment Act, “the governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.” The list of qualified broker-dealers with whom the Texas Pools may engage in investment transactions is listed in The Qualified Broker/Dealer List attached to this Policy as Exhibit B. The Board will annually review this list and revise it as needed. The Board may amend the Qualified Broker-Dealer List to the Policy at any time and may do so separate from or as a part of an amendment to this Policy.

##### Section 4.02. Disclosures of Relationships with Entities Offering to Enter into Investment Transactions with the Texas Pools.

The Investment Officer and the Texas Pools Officials shall disclose in writing (a) any “personal business relationship” with a business organization offering to engage in an investment transaction with the Texas Pools, and (b) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, to any individual seeking to sell an investment to the Texas Pools, as required by the Investment Act. The existence of a “personal business relationship” shall be determined in accordance with the Investment Act. Such disclosure statement shall be filed with the Board and the Texas Ethics Commission.

##### Section 4.03. Certifications from Sellers of Investments.

The Investment Officer or Texas Pools Officials shall present this Policy to any person or

business organization offering to engage in an investment transaction with the Texas Pools and obtain the certificate that such potential seller has reviewed the Policy as provided in the Investment Act. This certificate shall be in a form acceptable to the Texas Pools and shall state that the potential seller has received and reviewed the Policy and has acknowledged that the potential seller has implemented reasonable procedures and controls in an effort to preclude investment transactions with the Texas Pools that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entire portfolios of the Texas Pools or requires an interpretation of subjective investment standards. Neither the Investment Officer nor Texas Pools Officials shall purchase or make any investment from a potential seller that has not delivered to the Texas Pools this required certification. A form of certificate acceptable to the Texas Pools is attached hereto as Exhibit A.

#### Section 4.04. Solicitation of Bids for Certificates of Deposit.

Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.

#### Section 4.05. Settlement Basis.

All purchases of investments, except investment in mutual funds, shall be made on a delivery versus payment basis. The safekeeping entity for all the Texas Pools investments and for all Collateral pledged to secure funds of the Texas Pools shall be one approved by the Investment Officer or the Program Administrator.

#### Section 4.06. Monitoring of the Market Value of Investments and Collateral.

The Program Administrator, on behalf of the Investment Officer, with the help of such Texas Pools Officials as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of funds of Texas Pools at the times required and in the manner provided in the Trust Agreement and the Investment Act.

### **ARTICLE V. PROVISIONS APPLICABLE TO ALL TEXAS POOLS.**

#### Section 5.01. Provisions Applicable to All Pools.

- A. All funds of the Texas Pools shall be invested only in accordance with this Policy and shall comply with any additional requirements imposed by the Trust Agreement or by resolutions of the Board and applicable state law or federal tax law, including the Investment Laws.
- B. The Program Administrator may withdraw or transfer funds from and to accounts of the Texas Pools only in compliance with this Policy.

#### Section 5.02. Policy of Securing Deposits of Funds of the Texas Pools -- Applicable to All Deposited Funds of the Texas Pools.

A. Each Texas Pool recognizes that insurance from the Federal Deposit Insurance Corporation (“FDIC”) (or its successor) is available for each Participant’s funds deposited at any financial institution (including branch banks), through each Texas Pool, only up to a maximum set by the FDIC (currently \$250,000 including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders. It is the policy of the Texas Pools that all deposited funds that are not held at the Texas Pools’ custodian shall be insured by the FDIC, or its successor, and to the extent not insured, shall be secured by one of the following options: Collateral pledged on uninsured funds on a look-through basis to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act; third-party insurance that is intended to protect uninsured balances; or a reciprocal deposit relationship in which each of the balances allocated to each participant are fully insured through such a program.

B. Security of Funds beyond FDIC Insurance Limits

- (1) If it is necessary for depositories of the Texas Pools to pledge Collateral to secure the Texas Pools’ deposits, then (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository’s board of directors or loan committee, (3) the depository’s approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository’s board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide the Investment Officer or Texas Pools Officials with written proof of the depository’s approval of the pledge agreement as required herein in a form acceptable to Texas Pools. A signed or certified copy of the minutes of the meeting of the depository’s board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the Investment Officer will be accepted.
- (2) If the Texas Pools rely on third-party insurance or a reciprocal deposit relationship to secure the Texas Pools’ deposits, then the agreement permitting the insurance or reciprocal deposit relationship must be in writing and maintained by the depository, which must provide the Investment Officer or Texas Pools Officials with written proof of the written agreement.
- (3) The Board prefers all requirements of this section be met prior to the deposit of any funds of Texas Pools in such financial institution when such methods of securing funds is needed; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the Investment Officer and Texas Pools Officials to proceed diligently to have such agreement approved and documented to assure protection of funds of Texas Pools. If the decision is made to forego the protection with any

depository, the Program Administrator shall be responsible for maintaining the balance of deposit(s) in such depository plus any accrued but unpaid interest at or below FDIC insurance levels.

- (4) It is expected that the Texas Pools will place monies into deposits at banks (“Pool Banks”) that in turn will seek to fully insure your allocable portion of such deposits through an FDIC-insured bank network. Through the bank network, your portion of such deposits may be placed at other FDIC-insured banks (“Network Banks”) in increments of less than the FDIC insurance limit per bank of \$250,000. The \$250,000 limit includes your principal and accrued interest, when aggregated with all other deposits held by you directly, or through others, in the same recognized legal category of ownership at the same Pool Bank or Network Bank. Since the Pool, the Pool Banks the Network Banks and their service providers are unaware whether you have any money on deposit in a Pool Bank or Network Bank outside of the pool, that money will not be taken into account when your funds are allocated by a Pool Bank to a particular Network Bank or to itself for FDIC insurance reasons. Therefore, you are responsible for monitoring the list of Pool Banks and Network Banks that hold your deposits through the Pool and for notifying the Pool Advisor to exclude any particular Pool Banks or Network Banks from receiving your funds.

Your monthly account statement will reflect all deposits, withdrawals, name of each Pool Bank and Network Bank that holds your funds, deposit balance(s) and interest rate. You may also contact the Pool Advisor to obtain the most recent list of Pool Banks and Network Banks so that you can proactively opt-out of having specific banks receive your funds going forward.”

- C. Collateral pledged by a depository shall be held in safekeeping at an independent third-party institution, and the Program Administrator shall obtain safe-keeping receipts from the financial institution or the safekeeping institution that reflect that Collateral as allowed by this Policy and in the amount required was pledged to a Texas Pool. Principal and accrued interest on deposits in a financial institution shall not exceed the FDIC’s, or its successor’s, insurance limits, the market value of the Collateral pledged as security for a Texas Pool’s deposits, third-party insurance that is intended to protect uninsured balances; or a reciprocal deposit relationship in which each of the balances allocated to each participant are fully insured through such a program, or any combination of the above options. It shall be acceptable for the Program Administrator to periodically receive interest on deposits to be deposited to the credit of the Texas Pool if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of this Board that there be no sharing or splitting of Collateral with other secured parties or entities; however, in the event that a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the Investment Officer and the Texas Pools Officials to obtain appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated and the funds distributed appropriately to all parties with a security interest in such Collateral. The Program Administrator shall monitor: the pledged Collateral to assure that it is pledged

only to the applicable Texas Pool, review the fair market value of the Collateral, third-party insurance; or a reciprocal deposit relationship to ensure that the Texas Pool's funds are fully secured, and report periodically to the Investment Officer and the Board regarding the security of the funds.

- D. The Texas Pools' funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured in any manner authorized by applicable law as currently written or as amended in the future.

#### Section 5.03. Diversification.

Each Texas Pool that is rated by a nationally recognized statistical rating organization ("NRSRO") shall always diversify its assets in such a way as to maintain a AAA rating status with at least one NRSRO. The diversification criteria set by the rating organization shall be reviewed with the Advisory Board at least annually. The diversification criteria and the diversification of a Texas Pool's assets shall always comply with the Investment Act, Chapter 2256, Texas Government Code or its successor statute. If a Texas Pool is unrated, then the Program Administrator will determine the appropriate level of diversification.

### ARTICLE VI. AUTHORIZED INVESTMENTS.

Unless specifically prohibited by law or elsewhere by this Policy, monies of the Texas Pools may be invested and reinvested only in investments authorized by Chapter 2256, Texas Government Code, as amended or any successor statute thereto, including the following types of investments.

#### Section 6.01. Authorized Investments – Texas Fixed Income Trust Cash Pool ("TX-FIT Cash Pool").

1. **US Government Securities** (Section 2256.009 of the Investment Act). Obligations, including letters of credit, of the United States or its agencies and instrumentalities with a maximum maturity of 397 days, except that certain permitted variable rate securities may be purchased with final maturities greater than 397 days, as described below.
  - **Policy Guidelines:** Up to 100% of the TX-FIT Cash Pool assets may be invested in government obligations of the United States, its agencies or instrumentalities. However, no more than 75% of the portfolio may be invested in variable rate notes.
  - **Maturity Limits:** The maximum final stated maturity of a security may not exceed 397 days.
2. **TX Government Securities** (Section 2256.009 of the Investment Act). Direct obligations of the State of Texas or its agencies and instrumentalities

- Policy Guidelines: Up to 90% of TX-FIT Cash Pool assets may be invested in obligations of the State of Texas or its agencies.
  - Maturity Limits: The maximum final stated maturity of a security may be two years.
3. **Other Government Securities** (Section 2256.009 of the Investment Act). 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 the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States;
- Policy Guidelines: Up to 25% of TX-FIT Cash Pool assets may be invested in obligations of the described above or its agencies. These obligations must be either rated A or better by at least one NRSRO or insured by the FDIC.
  - Maturity Limits: The maximum final stated maturity of a security may be two years.
4. **Other State Government Securities** (Section 2256.010 of the Investment Act). 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;
- Policy Guidelines: Up to 15% of TX-FIT Cash Pool assets may be invested in obligations of the described above or its agencies. These securities must be rated A or better by at least one NRSRO.
  - Maturity Limits: The maximum final stated maturity of a security may be 2 years.
5. **Certificates of Deposit** (Section 2256.009 of the Investment Act). Certificates of deposit or share certificates if the certificate is issued by a depository institution that has its main office or a branch office in this state.
- Policy Guidelines: Up to 75% of TX-FIT Cash Pool assets may be invested in certificates of deposit. The certificates must be guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor; secured by obligations that are described by Section 2256.009(a) of Chapter 2256, Texas Government Code as amended, 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 2256.009(b), Texas Government Code, as amended; or secured in any other manner and amount provided by law for deposits of the investing entity. In addition, an investment in certificates of deposit are authorized if the funds are invested by an investing entity through a broker that has its main office or a branch office in Texas and is selected from a list adopted by the

investing entity, or a depository institution that has its main office or a branch office in Texas and that is selected by the investing entity, the broker or depository institution selected by the investing entity under above arrangements for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity, the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and the investing entity appoints the depository institution selected by the investing entity under above, an entity described by Section 2257.041(d) or a clearing broker-dealer registered with the Securities and Exchange Commission (“SEC”) and operating pursuant to SEC Rules 15c3-3 (17 C.F.W. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

- **Maturity Limits:** The maximum final stated maturity of a security may be two years.

**6. Repurchase Agreements** (Section 2256.011 of the Investment Act).

- **Policy Guidelines:** No more than 40% of the portfolio of TX-FIT Cash Pool shall be invested in term repurchase agreements and no more than 5% of the portfolio of TX-FIT Cash Pool may be invested in term repurchase agreements with maturities exceeding 90 days. Repurchase agreements must be fully collateralized (102%) as described in the Investment Act by (1) obligations of the United States or its agencies and instrumentalities, (2) commercial paper, or (3) corporate bonds, each in accordance with the provisions of the Public Securities Association Master Agreement on file with the Program Administrator pertaining to repurchase agreement operating procedures.
- **Maturity Limits:** Only 5% of the portfolio assets may exceed 90-day term for repurchase agreements. The remaining 35% of the portfolio assets may only be invested in repurchase agreements no longer than a 90-day term.

**7. Securities Lending Program** (Section 2256.0115). A securities lending program where:

- (1) the value of securities loaned under the program is not less than 100 percent collateralized, including accrued income;
- (2) a loan made under the program allows for termination at any time;
- (3) a loan made under the program is secured by:
  - (A) pledged securities described by Section 2256.009 of the Investment Act;
  - (B) pledged irrevocable letters of credit issued by a bank that is: (i) organized and existing under the laws of the United States or any other state; and (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
  - (C) cash invested in:
    - a. obligations, including letters of credit, of the United States or its agencies and instrumentalities;

- b. direct obligations of this state or its agencies and instrumentalities;
- c. 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;
- d. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities;
- e. 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;
- f. bonds issued, assumed, or guaranteed by the State of Israel;
- g. Commercial Paper; and
- h. Permitted Mutual Funds.

- (4) the terms of a loan made under the program must require that the securities being held as collateral be: (A) pledged to the investing entity; (B) held in the investing entity's name; and (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;
- (5) a loan made under the program must be placed through: (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or (B) a financial institution doing business in Texas; and
- (6) an agreement to lend securities must have a term of one year or less.

**8. Bankers' acceptances** (Section 2256.012 Of the Investment Act).

- Policy Guidelines: Up to 35% of TX-FIT Cash Pool assets may be invested in banks with not less than an equivalent rating of either A1 or P1 by at least one NRSROs.
- Maturity Limits: The maximum final stated maturity of a security may not exceed 270 days.

**Commercial paper** (Section 2256.003 of the Investment Act).

- Policy Guidelines: Up to 90% of TX-FIT Cash Pool assets may be invested in commercial paper that is rated either A1 or P1 by at least two NRSROs or rated not less than A-1 or P-1 or an equivalent by one nationally recognized rating agency plus fully secured by an irrevocable letter of credit issued by a domestic bank. No more than 35% of the assets of TXFIT Cash Pool shall be invested in commercial paper of any one industry, except that the 35% limitation shall not apply to commercial paper of banking and financial institutions.
- Maturity Limits: The maximum final stated maturity of a security may not exceed 365 days.

**9. No-load money market mutual funds** (Section 2256.014 of the Investment Act).

- **Policy Guidelines:** Up to 75% of TX-FIT Cash Pool assets may be invested in money market mutual funds with no more than 10% concentration risk in the money market mutual fund. The fund must be rated AAA or equivalent by at least one of the NRSROs. The fund must be registered with and regulated by the SEC provide a prospectus and other information required by the Securities Exchange Act of 1934 (the “1934 Act”) or the Investment Company Act of 1940 (the “1940 Act”), each as amended. It must include in its objectives maintenance of a stable net asset value of \$1 per share.
- **Maturity Limits:** The fund must have a dollar weighted average of 90 days or less.

**10. No-load mutual funds** (Section 2256.014 of the Investment Act).

- **Policy Guidelines:** Up to 25% of TX-FIT Cash Pool assets may be invested in registered investment companies with no more than 10% concentration risk in any RIC.
- The no-load mutual fund must meet the following criteria:
  - (1) is registered with the Securities and Exchange Commission;
  - (2) has an average weighted maturity of less than two years; and
  - (3) Either (A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or (B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.
- **Maturity Limits:** The fund must have a dollar weighted average of 2 years or less.

**11. Bonds issued, assumed, or guaranteed by the State of Israel** (Section 2256.009(a)(6) of the Investment Act).

- **Policy Guidelines:** Up to 10% of TX-FIT Cash Pool assets may be invested in bonds or securities assumed or guaranteed by the State of Israel.
- **Maturity Limits:** The maximum stated final maturity of these securities may not exceed 5 years.

**12. The following other requirements shall also be met:**

- a. No investments shall be made in securities denominated in a currency other than dollars of the United States of America.
- b. The weighted average maturity of the fund will not exceed the lesser of the triple- A

- guidelines of a nationally recognized rating agency, or 120 days.
- c. Securities with capped coupons are not permitted.
  - d. Variable rate instruments issued by United States agencies or instrumentalities with final maturities of greater than 397 days are allowed if the rate resets at least annually and is calculated with reference to a single, established money market index and the instrument can reasonably be expected to reset to or maintain its par value at all reset dates.

Section 6.02. Authorized Investments – Texas Fixed Income Trust Government Pool (“TX-FIT Govt Pool”).

1. **US Government Securities** (Section 2256.009 of the Investment Act). Obligations, including letters of credit, of the United States or its agencies and instrumentalities with a maximum maturity of 397 days, except that certain permitted variable rate securities may be purchased with final maturities greater than 397 days, as described below.
2. **Certificates of Deposit** (Section 2256.010 of the Investment Act). Certificates of deposit or share certificates if the certificate is issued by a depository institution that has its main office or a branch office in this state as amended.
  - **Policy Guidelines:** Up to 75% of TX-FIT Govt Pool assets may be invested in certificates of deposit. The certificates must be guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor; secured by obligations that are described by Section 2256.009(a) of Chapter 2256, Texas Government Code as amended, 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 2256.009(b), Texas Government Code, as amended; or secured in any other manner and amount provided by law for deposits of the investing entity. In addition, an investment in certificates of deposit are authorized if the funds are invested by an investing entity through a broker that has its main office or a branch office in Texas and is selected from a list adopted by the investing entity, or a depository institution that has its main office or a branch office in Texas and that is selected by the investing entity, the broker or depository institution selected by the investing entity under above arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity, the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and the investing entity appoints the depository institution selected by the investing entity under above, an entity described by Section 2257.041(d) or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rules 15c3-3 (17 C.F.W. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

- Maturity Limits: The maximum final stated maturity of a security may be two years.
3. **Repurchase Agreements** (Section 2256.011 of the Investment Act).
- Policy Guidelines: No more than 40% of the portfolio of TX-FIT Govt Pool shall be invested in term repurchase agreements and no more than 5% of the portfolio of TX-FIT Govt Pool may be invested in term repurchase agreements with maturities exceeding 90 days. Repurchase agreements must be fully collateralized (102%) as described in the Investment Act by (1) obligations of the United States or its agencies and instrumentalities, or (2) any other government securities, each in accordance with the provisions of the Public Securities Association Master Agreement on file with the Program Administrator pertaining to repurchase agreement operating procedures.
  - Maturity Limits: Only 5% of the portfolio assets may exceed 90-day term for repurchase agreements. The remaining 35% of the portfolio assets may only be
4. **Bank Deposits.** Bank deposits that are insured or guaranteed pursuant to Section 2257.009(7), Texas Government Code, or may invest in brokered deposits as defined by Section 2257.009(8), Texas Government Code, as amended.
- Policy Guidelines: Up to 100% of TX-FIT Govt Pool assets may be invested in bank deposits described above if these deposits are insured or guaranteed by either the FDIC or the National Credit Union Share Deposit Fund, or are otherwise secured by one of the following options: Collateral pledged on uninsured funds on a look-through basis to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act; third-party insurance that is intended to protect uninsured balances; or a reciprocal deposit relationship in which each of the balances allocated to each participant are fully insured through such a program.
  - Maturity Limits: Not applicable.
5. **Municipal Government Securities.** 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;
6. **Bonds issued, assumed, or guaranteed by the State of Israel** (Section 2256.009(a)(6) of the Investment Act)
- Policy Guidelines: Up to 10% of TX-FIT Govt Pool assets may be invested in bonds or securities assumed or guaranteed by the State of Israel.

- Maturity Limits: The maximum stated final maturity of these securities may not exceed 5 years.

7. **No-load money market mutual funds** (Section 2256.014 of the Investment Act).

- Policy Guidelines: Up to 75% of TX-FIT Govt Pool assets may be invested in money market mutual funds with no more than 10% concentration risk in the money market mutual fund. The fund must be rated AAAM or equivalent by at least one of the NRSROs. The fund must be registered with and regulated by the SEC provide a prospectus and other information required by the 1934 Act or the 1940 Act. It must include in its objectives the maintenance of a stable net asset value of \$1 per share.
- Maturity Limits: The fund must have a dollar weighted average of 60 days or less.

8. **No-load mutual funds** (Section 2256.014 of the Investment Act).

- Policy Guidelines: Up to 25% of TX-FIT Govt Pool assets may be invested in registered investments companies with no more than 10% concentration risk in any RIC.
- The no-load mutual fund must meet the following criteria:
  - (1) is registered with the Securities and Exchange Commission;
  - (2) has an average weighted maturity of less than two years; and
  - (3) Either (A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or (B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.
- Maturity Limits: The fund must have a dollar weighted average of 2 years or less.

Section 6.03. Prohibited Investments.

Notwithstanding anything to the contrary stated herein, no funds of Texas Pools may be invested in the following or in any other type of investment prohibited by the Investment Act or other applicable law:

- a. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IOs);

- b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (POs);
- c. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- d. Collateralized mortgage obligations the interest rate of which are determined by an index that adjusts opposite to the changes in the market index (inverse floaters).

## **ARTICLE VII. INVESTMENT STRATEGIES.**

### **Section 7.01. Strategy Applicable to Texas Pools.**

The general investment strategy for Texas Pools shall be to invest all monies to accomplish the following objectives, which are listed in the order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the Participants in Texas Pools;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio; and
6. Yield.

All monies shall be invested to meet the cash flow requirements of Texas Pools as determined by the needs of the Participants. Monies in TX-FIT Govt Pool shall not be invested for longer than 397 days for non-certificates of deposit (“CDs”) and 2 years for CDs, or as specified in Section 6.01(12)(d) and 6.01(3)(d). Monies in TX-FIT Cash Pool shall not be invested longer than two years.

## **ARTICLE VIII. INVESTING IN THE TRUST.**

### **Section 8.01. How to Open an Account.**

Any municipality, county, school district, or authority created under Section 52(b)(1) or (2) Article III or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, any office, department, commission, board, or other agency that is part of any branch of state government, institution of higher education, and any nonprofit corporation acting on behalf of any of those entities that has taken action required by Section 2256.016 of the Act (“Public Entity”) may invest in the Texas Pools.

To invest in the Texas Pools, the Trust receive a certification from the Public Entity stating

that it is permitted to invest in the investment pool. To obtain information on how to become a Participant in TX-FIT, please contact the Advisor at (210) 888-0452.

Upon receipt and acceptance of such forms and any other necessary documents, the Public Entity will be a Participant of a Texas Pool and may make its initial investment of funds.

#### Section 8.02. Purchases, Redemptions, Distributions, and Reports.

Information on the Trust's policies related to the purchase and redemption of interests in the Texas Pools, the distribution of income, and the delivery of reports to Participants in the Texas Pools can be found in the Trust's Information Statement, which is incorporated by reference into this document and is available at [www.tx-fit.com](http://www.tx-fit.com).

### **ARTICLE IX. MISCELLANEOUS.**

#### Section 9.01. Annual Review.

The Advisory Board and Board of Trustees shall review this Policy at least annually and adopt a resolution confirming the continuance of the Policy without amendment or adopt an Amended Policy. Additionally, per Section 2256.005(m) of the Investment Act, in conjunction with a Texas Pools annual financial audit, the Trust will conduct a compliance audit of management controls on investments and adherence to the established investment policies.

#### Section 9.02. Superseding Clause.

This Policy supersedes any prior policies adopted by the Board regarding investment in the Texas Pools.

#### Section 9.03. Advisory Board.

Pursuant to Section 2256.016(g)(2), the Board has appointed an Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust but are qualified to advise the Trust. The Advisory Board provides advice to the Board and the Advisor about the Investment Policy and Investment Strategy of the Portfolios and about other matters as requested by the Board and the Advisor. The current list of Advisory Board members is available at [www.tx-fit.com](http://www.tx-fit.com).

**Exhibit A**

**TEXAS CERTIFICATE OF COMPLIANCE FROM SELLERS OF INVESTMENTS AS  
REQUIRED BY THE PUBLIC FUNDS INVESTMENT ACT**

To: U.S. Fixed Income Trust, a public funds series trust with multiple investment pools in the state of Texas (“Texas Pools”)

From: \_\_\_\_\_

[Name of the person offering or the holds] “qualified representative of the business organization” offering to engage in an investment transaction with Texas Pools]

[Office such person]

of \_\_\_\_\_ (the “Business Organization”)  
[name of financial institution, business organization or investment pool]

Date: \_\_\_\_\_

In accordance with the provisions of Chapter 2256 of the Texas Government Code, I hereby certify that:

1. I am an individual offering to enter into an investment transaction with Texas Pools or any of its subaccounts, pools or portfolios, including TX-FIT Cash Pool, and TX-FIT Govt Pool (referred to herein collectively as “Texas Pools”), or I am a “qualified representative” of the Business Organization offering to enter an investment transaction with Texas Pools, as applicable, as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code, and that I meet all requirements under such act to sign this Certificate.
2. I or the Business Organization, as applicable, anticipate selling to Texas Pools investments that comply with Texas Pools’ Investment Policy and the Investment Act (collectively referred to herein as the “Investments”), as amended and effective as of the date hereof. (the “Investment Policy”).
3. I or a registered investment professional that services Texas Pools’ account, as applicable, have

received and reviewed the Investment Policy, which Texas Pools has represented is the complete Investment Policy of Texas Pools now in full force and effect. Texas Pools has further acknowledged that I or the Business Organization, as applicable, may rely upon the Investment Policy until Texas Pools provides me or the Business Organization, as applicable, with any amendments to or any newly adopted form of the Investment Policy.

4. I or the Business Organization, as applicable, have/has implemented reasonable procedures and controls to preclude investment transactions between Texas Pools and me or the Business Organization, as applicable, that are not authorized by the Investment Policy, except to the extent that this authorization is dependent upon an analysis of Texas Pools' entire portfolio or requires an interpretation of subjective investment standards.
5. I or the Business Organization, as applicable, have/has reviewed or will review prior to sale, the terms, conditions and characteristics of the investments to be sold to Texas Pools and determined (i) that each of the Investments is an authorized investment for local governments under the Investment Act and (ii) each of the Investments is an authorized investment under the Investment Policy. The Business Organization makes no representation as to whether any limits on the amount of Texas Pools' monies to be invested in the Investments exceeds or in any way violates the Investment Policy.
6. The Business Organization makes no representations or guarantees regarding the prudence, reasonableness or adequacy of the Investment Policy.
7. The Business Organization has attached hereto, for return to Texas Pools, or will provide a prospectus or disclosure document for each of the Investments other than certificates of deposit and direct obligations of the United States.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Investments other than certificates of deposit are not FDIC insured, are not deposits or other obligations of me, the Business Organization or any of its affiliates, and are subject to investment risks, including possible loss of the principal amount invested.

Return Receipt Acknowledged on \_\_\_\_\_, 2019.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**Exhibit B**

**QUALIFIED BROKER/DEALER LIST**

A list of the qualified broker/dealers with whom Texas Pools may engage in investment transactions is available from the Program Administrator and such list is approved periodically by resolution of the Board of Trustees. The current list detailed below is the most recent approved list and includes firm and relationship representatives, but transactions may occur with the firm and/or its designated representative.

**Approved Brokers**

<b>Name</b>	<b>Firm</b>
Jayson Virostek	Cantor Fitzgerald
Jacob Sammons	Piper Jaffray & Co.
Scott Lewis	Stifel, Nicolaus & Co.
David Brisson	Wells Fargo Securities
Alex Wachter	Wells Fargo Securities
David Lee	Capital Inst Services (CAPIS)
Ray Prisco	Capital Inst Services (CAPIS)
Jay Vanerstrom	Capital Inst Services (CAPIS)
Doug Boyer	Duncan Williams
Patrick Boyer	Duncan Williams
Tripp Boyd	BB&T Capital Mkts
Jenny Brindell	FTN Financial
Tina Cantwell	FTN Financial
Jim Canale	Raymond James & Assoc.
Alan Schnall	Oppenheimer & Co.
Andrew Carlough	RBC Capital Mkts
Stacy Rowland	Suntrust Robinson Humphrey
Travis Gleason	Fifth Third Securities
Mari McCain	Signature Securities Corp