

INVESTMENT ADVISORY AGREEMENT

This Agreement, effective as of the ____ day of March, 2019 (this "Agreement"), is by and between Insight North America LLC (the "Adviser") and the City of Pompano Beach, Florida (the "Client"). The parties agree as follows:

1. APPOINTMENT

The Client hereby appoints the Adviser as the investment adviser of those assets designated by the Client (the "Advisory Account"), and by execution of this Agreement, the Adviser accepts appointment as investment adviser for the Advisory Account.

2. SCOPE OF SERVICES

The Adviser agrees to supervise and direct the Investment of the Advisory Account in accordance with the written investment objectives, policies and restrictions applicable to the Advisory Account, which is attached hereto and made a part hereof as Exhibit B (as amended by the Client from time to time, the "Investment Guidelines"). The Client shall provide the Adviser with its Investment Guidelines and agrees to notify the Adviser promptly in writing of any modifications to the Investment Guidelines. The Adviser, with full discretionary authority, and consistent with the Client's Investment Guidelines, may buy or sell securities and place orders for the execution of transactions for the Advisory Account. Other services to be provided by Adviser are more fully outlined at Exhibit B.

The Client agrees that the Adviser assumes no responsibility or liability, for any Client investments for which the Adviser has not been appointed as Investment Adviser. The Client understands that this Agreement does not require or obligate the Adviser to provide legal or tax advice services to the Client and that the Adviser is not providing such services to the Client.

The Client is required to notify the Adviser promptly in writing of any modifications to the Investment objectives, policies or restrictions applicable to the Advisory Account. The Client agrees to notify the Adviser promptly of any withdrawal of securities from the Advisory Account initiated by the Client.

3. CLIENT REPORTING

The Adviser will make available to the Client no less than quarterly a report of the investment transactions executed, statement of investment holdings, fair value, market commentary and portfolio performance. The Adviser does not assume responsibility for the accuracy of information or data furnished by the Client or any other person relating to assets not managed by the Adviser.

The Client agrees to provide the Adviser and the Adviser's service provider with read-only electronic access to the Client's Custodian account records and it will authorize its Custodian(s) to provide such access. Such Client authorization is required in order to permit the aggregation of

data necessary to compile and generate accurate client portfolio reports. All Information In such client portfolio reports will be reconciled with the Client's Custodian(s) account records.

4. ALLOCATION OF BROKERAGE

The Adviser will have complete discretion, subject to its policy of seeking best execution, to select broker-dealers and place orders for securities transactions with such broker-dealers. When placing orders for the execution of transactions for the Advisory Account, the Adviser will take into consideration available prices and other relevant factors such as, without limitation, execution and settlement capabilities. The Adviser shall exercise good faith in obtaining the best price and execution for each transaction for the Advisory Account; provided, however, that the Client acknowledges that transactions may not always be executed at the lowest available price. The Adviser shall not be liable to the Client for any act or omission of any broker or dealer selected by the Adviser in good faith.

The Adviser may aggregate sale and purchase orders of securities or contracts with respect to the Advisory Account with other orders being placed simultaneously for other accounts on behalf of the Adviser or any of its affiliates. Neither the Adviser nor its affiliates, however, shall be required to so aggregate orders. When account decisions are made on an aggregate basis, the Adviser may, in its discretion, place one or more orders to purchase or sell a particular security for the Advisory Account and the accounts of one or more other clients or one or more clients of its affiliates. The Client understands and acknowledges that, because of the prevailing trading activity and the requirements of this Agreement, it may not be possible to receive the same price or execution on the entire volume of securities purchased or sold on behalf of accounts managed by the Adviser or its affiliates, and the Adviser shall have no obligation to provide for the execution of trades allocated to the Client and trades allocated to other accounts managed by the Adviser or its affiliates in any specific order. The accounting for such aggregated order, price commission and other expenses shall be averaged on a per share, per bond or per contract basis, or in a manner that is reasonably deemed by the Adviser to be fair and equitable over time, so that no client included in the aggregation is systematically advantaged relative to the Client.

The Adviser may give a copy of this Agreement to any broker-dealer or other party to a transaction for the Advisory Account, or the Custodian, as evidence of the Adviser's authority to act for the Advisory Account.

5. VALUATION

The Adviser will value the securities In the Advisory Account based upon prices obtained from an independent pricing source(s). Where prices cannot be obtained from such an Independent source, the Adviser will obtain prices from dealers which make a market in the specified securities. Any other security or asset shall be valued in a manner determined in good faith by the Adviser to reflect its fair market value.

6. SAFEKEEPING AND CUSTODY

The Client shall select a custodian (the "Custodian") to hold the Advisory Account assets in safekeeping for the Client and to take all necessary steps to settle purchases, sales and other transactions under this Agreement made by the Adviser, including delivery of certificates, payment of funds, collection of income, dividends, and other distributions, and such other acts as may be necessary to fulfill such custodial responsibilities. The Adviser shall not have custody, possession or responsibility for the custody of the Advisory Account assets (including for purposes of the 'custody rule' under Rule 206(4)-2 of the Investment Advisers Act of 1940 (as amended, the "Advisers Act")), and shall not be liable for any act or omission of the Custodian. The Client authorizes the Adviser to give the Custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment or investment activity for the Advisory Account and as part of any reconciliation of the Advisory Account as set forth in this Agreement. The Adviser shall give notice and proper instructions with respect to transactions in such reasonable manner as shall be agreed upon with the Custodian and the Client. The Client confirms and agrees to instruct the Custodian, and the Adviser acknowledges and agrees, that the Adviser shall have no authority whatsoever, nor any authority to direct the Custodian, to withdraw or transfer funds or securities from the Advisory Account otherwise than in connection with effecting or settling trades for the Advisory Account as contemplated in this Agreement. In the event that the custody agreement between the Custodian and the Client provides the Adviser with additional authorities than what is set forth in this Agreement, the Adviser's authorities will nevertheless be limited to this agreement. The Client shall notify the Adviser prior to making any changes to the Custodian. The Client shall be solely responsible for all fees involved with any custodial arrangements.

7. FUNDING POLICY

The Client shall inform the Adviser in writing of the funding and disbursement policy applicable to the Client. The Adviser shall make its investment decisions for the Advisory Account in accordance with such funding and disbursement policy. The Client understands that it bears the market risk associated with changes to such funding and disbursement policy.

The Client will provide the Adviser with no less than five (5) business day notice of a substantial contribution or withdrawal (i.e. an amount equal to or greater than 10% of the portfolio assets) to or from the Advisory Account to permit the Adviser to affect an orderly execution of the Advisory Account's holdings. In the absence of such notice, the Adviser shall use its best efforts to minimize adverse effects of such contributions or withdrawals on the Advisory Account.

8. LEGAL ACTIONS

The Client agrees that the Adviser shall not be responsible for, and shall incur no liability, in connection with the handling of any legal proceedings, including class actions and bankruptcies (each, a "Legal Action"), with respect to any Advisory Account assets. The Client and/or its Custodian will handle matters relating to any Legal Action and the Adviser shall not have any obligations relating thereto.

9. DELEGATION AND THIRD PARTIES

The Adviser may delegate to an affiliate(s) any of its functions, responsibilities or authorities under this Agreement, including any investment services or any operational function which is critical or important for the performance of any investment services to be provided by the Adviser, and may provide information about the Client and the Advisory Account to any person to whom functions have been delegated. The Client agrees that any representations and warranties made by the Client to the Adviser in this Agreement shall also be deemed to be made by the Client to any affiliate of the Adviser in the event that the delegation contemplated under this Section occurs, as if such representations and warranties were made directly by the Client to such affiliate. The Adviser shall notify the Client of any delegation of a function which involves the exercise of the whole or substantially the whole of its discretionary investment management power and authority. The Adviser acknowledges that it shall be responsible for the actions of any such affiliate delegates to the same extent that it would be liable to the Client under the terms of this Agreement as if such actions were taken by the Adviser.

The Adviser may outsource to third parties certain investment support services that are required to enable the Adviser to perform its services under this Agreement. With regard to such third parties, the Adviser will act in good faith and with the skill, care and diligence expected of a professional investment manager in their selection, and shall be liable to the Client for any actions or omissions by such third parties in connection with the investment support services provided on behalf of the Adviser.

10. FEES

The compensation of the Adviser for its services under this Agreement shall be calculated and paid in accordance with the Fee Schedule in Exhibit A, as the same may be amended from time to time by mutual agreement of the Client and the Adviser.

11. LIMITATION OF LIABILITY

The Adviser shall not be liable for any error in judgment or any acts or omissions to act except those resulting from the Adviser's negligence, willful misconduct or reckless disregard/malfeasance of its duties and obligations under this Agreement. Nothing herein shall in any way constitute a waiver or limitation of any right of any person under the federal and state securities laws.

The Adviser shall not be liable for any indirect, special or consequential loss, any loss of profit or business opportunity, or any loss of goodwill, whether or not within the knowledge or contemplation of the Adviser. Furthermore, and for the avoidance of doubt, the Adviser gives no guarantee, warranty or undertaking as to the performance or profitability of the Advisory Account or any part of it, or that any performance, cash flow, liability-matching or other investment objective, set out in the Investment Guidelines or otherwise, will be achieved. The Client understands that investments made for the Advisory Account pursuant to Section 2 herein are subject to various market, currency, economic, political or business risks, and that those investments will not always be profitable.

The Adviser shall not be liable for the suitability of any investment made at the instruction of the Client, or any losses that the Advisory Account may incur as a result of such instruction.

The provisions of this Section 11 shall survive termination of this Agreement.

12. INSURANCE

Adviser agrees to provide the Client with thirty (30) days' notice of cancellation, reduction or non-renewal of insurance for each required coverage to the extent notification has been received from the insurance carrier.

The following insurance coverage shall be required:

- a. Errors & Omissions and Fiduciary Liability Insurance coverage of at least \$10 million.
- b. Worker's Compensation Insurance covering all employees and providing benefits as required by Florida Statute, Chapter 440, regardless of the size of the company (number of employees). The Adviser further agrees to be responsible for employment, control and conduct of its employees and for any Injury sustained by such employees in the course of their employment.
- c. Liability Insurance
 - 1) Such Liability insurance shall include the following checked types of insurance and indicated minimum policy limits.

Type of Insurance	Limits of Liability
GENERAL LIABILITY:	Minimum \$1,000,000 per Occurrence and \$2,000,000.00 Per Aggregate
* Policy to be written on a claims incurred basis	
XX comprehensive form	bodily injury and property damage
XX premises - operations	bodily injury and property damage
XX products/completed operations hazard	bodily injury and property damage combined
XX contractual insurance	bodily injury and property damage combined
XX independent CONTRACTORS	personal injury
XX personal injury	
AUTOMOBILE LIABILITY:	Minimum \$1,000,000 Per Occurrence and Aggregate. Bodily injury (each person) bodily injury (each accident), property damage, bodily injury and property damage combined.

XX comprehensive form

XX owned
XX hired
XX non-owned

PROFESSIONAL LIABILITY

Per Occurrence Aggregate

XX * Policy to be written on a claims made basis \$10,000,000 \$10,000,000

13. SERVICES TO OTHER CLIENTS

It is understood that the Adviser performs investment advisory services for other clients, including certain of its affiliates. The Client agrees that the Adviser may give advice and take action with respect to any of its other clients, including proprietary accounts, which may differ from advice given, or the timing, or nature of action taken, with respect to the Advisory Account.

Nothing in this Agreement shall be construed to prevent Adviser or any affiliate of the Adviser or any of its directors, officers, employees, or affiliates ("Affiliated Persons") in any way from purchasing or selling any assets that are the same or similar to Advisory Account assets for its or their own accounts prior to, simultaneously with, or subsequent to any recommendation or action taken with respect to the Advisory Account, or to impose upon the Adviser any obligation to purchase or sell for the Advisory Account any security which the Adviser or any of its Affiliated Persons may purchase or sell for its or their own accounts or for the account of any advisory, brokerage or other type of client.

14. REPRESENTATIONS BY THE CLIENT

The Client represents that the terms of this Agreement do not violate any obligation by which the Client is bound, whether arising by contract, operation of law, or otherwise, and that this Agreement has been duly authorized by appropriate action and is binding upon the Client in accordance with its terms.

The Client agrees that the Adviser may add Client's name to the Adviser's Representative Client List and may provide the Client's name and contact details in response to certain RFP requests for client contact information.

None of the Advisory Account assets are subject to Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, or Section 4975 of the Internal Revenue Code of 1986 (the "Code"), as amended, or any law, regulation, rule, policy or procedure which is similar to Title I of ERISA or Section 4975 of the Code.

15. REPRESENTATIONS BY THE ADVISER

The Adviser represents that it is a registered Investment adviser under the provisions of the Investment Advisers Act of 1940 ("the Act"). This Agreement has been duly authorized by appropriate action and is binding upon the Adviser in accordance with its terms.

16. ACKNOWLEDGMENT OF RECEIPT OF BROCHURE (FORM ADV PART 2A)

The Client hereby acknowledges receipt of the Adviser's Brochure (Form ADV Part 2A) at least 48 hours prior to the date of execution of this Agreement in compliance with Rule 204-3 of the Act. The Client hereby consents to the Adviser's use of electronic mail to satisfy its disclosure delivery requirements under the federal securities laws (Including the Adviser's obligation to deliver its Form ADV), and to deliver any other reports and documents. Such consent shall be effective for the duration of this Agreement, unless the Client revokes such consent in writing.

17. NOTICE

All notices and other communications shall be deemed effective when received, in writing, at the addresses appearing below. Receipt of written notice shall be presumed if mailed postpaid by registered or certified mail, return receipt requested. Each party shall be entitled to presume the correctness of such address until notified in writing to the contrary.

Client: Andrew Jean-Pierre, Finance Director
City of Pompano Beach
100 West Atlantic Boulevard, Suite 480
Pompano Beach, FL 33060
(954) 786-4680

Adviser: Jason Celente
Insight North America LLC
200 Park Ave.
New York, NY 10166
(212) 365-3127

18. TERMINATION; ASSIGNMENT; AMENDMENT

Upon thirty (30) business day's written notice delivered by certified mail, return receipt requested, to Adviser, the Client may without cause and without prejudice to any other right or remedy, terminate this Agreement for Client's convenience whenever Client determines that such termination is in the best interest of Client. Upon receipt of the notice of termination for convenience, Adviser shall promptly discontinue all work at the time and to the extent that they relate to any and/or all portions of this Agreement which have been terminated and shall refrain from providing any additional services except as may be necessary to complete work already undertaken. If Adviser continues the work beyond the time specified in the notice, it does so at its own risk and for its own account. Notwithstanding, should the Client request, the Adviser may continue to provide services to the account at the contract fee until such time a substitute investment adviser has been appointed. Adviser shall be paid for all work properly performed prior to the effective date of termination and for all services which cannot be cancelled and

which were placed prior to the effective date of the termination. The Adviser may terminate this Agreement by giving the Client at least ninety (90) business day's prior written notice of termination.

Upon termination, or upon receipt of instructions from Client relating to the withdrawal of certain assets, the property to which such termination or instructions pertain shall be delivered to the Client in a reasonable time. If any fees have been paid In advance, the Adviser will refund to the Client a prorate share of the fee.

Adviser shall not assign (as that term is defined in the Advisers Act) all or any portion of this Agreement without the prior written consent of the Client, and it is agreed that said consent must be sought in writing by the Adviser not less than fifteen (15) days prior to the date of any proposed assignment. This Agreement may be amended or modified at any time by mutual agreement in writing.

19. INVOICES

Invoices from Adviser shall be submitted to the Client quarterly. All payments by the Client will be issued within forty-five (45) days of submittal.

20. SURVIVAL OF OBLIGATIONS

All representations, Indemnifications, warranties and guarantees made in, required by, or given in accordance with the Agreement, as well as all continuing obligations shall survive for a period of three years after final payment, completion and acceptance of the work and termination or completion of the Agreement.

21. NON-DISCRIMINATION AND EQUAL OPPORTUNITY EMPLOYMENT

During the performance of the Agreement, the Adviser shall not discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin. The Adviser will take affirmative action to ensure that employees are treated during employment, without regard to their race, creed, color or national origin. Such action must include, but not be limited to, the following: employment, upgrading; demotion or transfer; recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Adviser shall agree to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of its nondiscrimination policy.

22. COUNTERPARTS

This Agreement may be executed in two or more counterparts, each one of which shall be deemed to be an original.

23. GOVERNING LAW

To the extent federal law does not apply, this Agreement has been and shall be construed as having been made and delivered within the State of Florida, and it is agreed by each party hereto that this Agreement shall be governed by the laws of the State of Florida, both as to Interpretation and performance. Any action at law, or in equity, shall be Instituted and maintained only in courts of competent jurisdiction In Broward County, Florida.

24. SEVERABILITY

Should any provision of this Agreement or the applications of such provisions be rendered or declared invalid by a court action or by reason of any existing or subsequently enacted legislation, the remaining parts of provisions of this Agreement shall remain in full force and effect.

The Client for himself and for his successors and assigns, does hereby agree to the full performance of all the covenants herein contained upon the part of the Client.

It is further provided that no liability shall be attached to the Client by reason of entering Into this contract, except as expressly provided herein.

25. AUDIT AND INSPECTION RECORDS

The Adviser shall permit the authorized representatives of the Client to Inspect and audit all data and records of the Adviser, if any, relating to performance under the contract until the expiration of three years after final payment under this contract.

The Adviser further agrees to include In all his subcontracts hereunder a provision to the effect that the subcontractor agrees that Client of any of their duly authorized representatives shall, until the expiration of three years after final payment under the subcontractor, have access to and the right to examine any directly pertinent books, documents, papers and records of such subcontractor, involving transactions related to the subcontractor.

26. PUBLIC RECORDS

A. The City of Pompano Beach is a public agency subject to Chapter 119, Florida Statutes. The Contractor shall comply with Florida's Public Records Law, as amended. Specifically, the Contractor shall:

1. Keep and maintain public records required by the City in order to perform the service.
2. Upon request from the City's Custodian of public records, provide the City with a copy of requested records or allow the records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in Chapter 119, Florida Statutes or as otherwise provided by law.

3. Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the contract term and following completion of the contract if the Contractor does not transfer the records to the City.

4. Upon completion of the contract, transfer, at no cost to the City, all public records in possession of the Contractor, or keep and maintain public records required by the City to perform the service. If the Contractor transfers all public records to the City upon completion of the contract, the Contractor shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. If the Contractor keeps and maintains public records upon completion of the contract, the Contractor shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to the City, upon request from the City's Custodian of public records in a format that is compatible with the information technology systems of the City.

B. Failure of the Contractor to provide the above described public records to the City within a reasonable time may subject Contractor to penalties under 119.10, Florida Statutes, as amended.

PUBLIC RECORDS CUSTODIAN

IF THE CONTRACTOR HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO THE CONTRACTOR'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS CONTRACT, CONTACT THE CUSTODIAN OF PUBLIC RECORDS AT:

CITY CLERK

100 W. Atlantic Blvd., Suite 253

Pompano Beach, Florida 33060

(954) 786-4611

RecordsCustodian@copbfl.com

27. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the parties with respect to the management of the Advisory Account. The Exhibits referenced herein are incorporated into this Agreement. Client and Adviser acknowledge that Adviser submitted a response to the Request for Proposal (RFP P-52-18) Investment Management Services, hereinafter referred to as "Proposal". Said Proposal and response documents are hereby incorporated and made a part of this agreement

by reference as Exhibit "C". In the event of conflict between the provisions of this Agreement and the Proposal, response documents and the provisions of this Agreement, the provisions of this agreement shall control.

28. TERM OF THE AGREEMENT

The term of this Agreement shall be a five (5) year term and shall be effective as of March 1, 2019.

29. FORCE MAJEURE

Notwithstanding anything in this Agreement to the contrary, the Adviser shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Advisory Account resulting from any event beyond the reasonable control of the Adviser, or its agents, including but not limited to: (a) nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure, or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Advisory Account's property; (b) the breakdown, failure or malfunction of any utilities or telecommunications systems or any order or regulation of any banking or securities industry, including changes in market rules and conditions affecting the execution or settlement of transactions; (c) acts of war, terrorism, insurrection or revolution; or (d) acts of God or any other similar event. The Adviser shall use commercially reasonable efforts to mitigate any losses resulting from such events and shall maintain a commercially reasonable business recovery plan. This Section shall survive the termination of this Agreement.

THE REMAINDER OF THE PAGE IS INTENTIONALLY LEFT BLANK

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year hereinabove written.

Witnesses:

CITY OF POMPANO BEACH (CLIENT)

By: _____
REX HARDIN, MAYOR

By: _____
GREGORY P. HARRISON, CITY MANAGER

Attest:

ASCELETA HAMMOND, CITY CLERK

(SEAL)

APPROVED AS TO DEPARTMENT HEAD:

By: _____

STATE OF FLORIDA
COUNTY OF BROWARD

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by **REX HARDIN** as Mayor, **GREGORY P. HARRISON** as City Manager, and **ASCELETA HAMMOND** as City Clerk of the City of Pompano Beach, Florida, a municipal corporation, on behalf of the municipal corporation, who is personally known to me.

NOTARY'S SEAL:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Acknowledger Typed, Printed or Stamped)

Commission Number

"ADVISER"

Insight North America LLC

Witnesses:

Vivek Nayar
(Print or Type Name)

Jayon Cefente
(Print or Type Name)

By: [Signature]
Name: Jack Boyce
Title: Authorized Signatory

STATE OF New York

COUNTY OF New York

The foregoing instrument was acknowledged before me this 21st day of February, 2019, by Jack Boyce, as an authorized signatory of Insight North America LLC, a New York limited liability company, authorized to do business in Florida on behalf of the company. He/she is personally known to me or who has produced _____
_____ (type of identification) as identification.

NOTARY'S SEAL:

Jennifer A. Bell
NOTARY PUBLIC, STATE OF NEW YORK

Jennifer A. Bell
(Name of Acknowledger Typed, Printed or Stamped)

01BE6365082
Commission Number

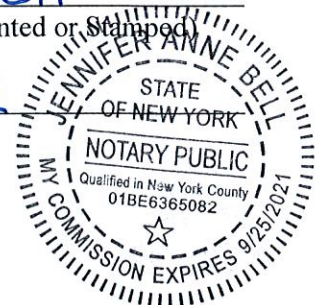


EXHIBIT A

Fee Schedule

The Management Fee applicable to the Advisory Account is as follows:

3.5 basis points (.035%) per annum on all assets under management

The Fees for investment management services will be charged quarterly in arrears based on the average Market Value (as defined below) of the cash and securities comprising the Advisory Account assets (an average of the ending Market Value of the Advisory Account for each month during the quarter). A pro rata portion of the annual fee (1/4) is billed each quarter for which this Agreement is in effect. For purposes of this Fee Schedule, the "Market Value" of a security held in the Advisory Account means the par value marked to market of such security, plus any accrued interest or other income.

EXHIBIT B

Investment Guidelines

Investment Policy City of Pompano Beach, Florida



September 25, 2018

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ATTACHMENT: Glossary of Cash and Investment Management Term

**Investment Policy
City of Pompano Beach, Florida**

I. PURPOSE

The purpose of this Investment Policy (hereinafter "Policy") is to set forth the investment objectives and parameters for the management of public funds of City of Pompano Beach, Florida (hereinafter "City"). This Policy is designed to safeguard the City's funds, ensure the availability of operating and capital funds when needed, and provide for an investment return competitive with comparable funds and financial market indices.

II. SCOPE

In accordance with Section 218.415, Florida Statutes, this Policy applies to all cash and investments held or controlled by the City with the exception of the City's funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds. Additionally, this policy does not apply to funds not under investment control of the City, such as, the Police, Firefighters and the General Employees Pension Funds. Cash and investment balances as defined in this Section are entirely known as "Available Funds".

III. INVESTMENT OBJECTIVES

Safety of Principal

The foremost objective of this investment program is the safety of the principal of those funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

From time to time, securities may be traded for other similar securities to improve yield, maturity or credit risk. For these transactions, a loss may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security:

- A. Yield has been increased, or
- B. Maturity has been adjusted in anticipation of interest rate changes
- C. Quality of the investment has been improved.

Maintenance of Liquidity

The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

Return on Investment

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

IV. DELEGATION OF AUTHORITY

As designated by the City Commission, the responsibility for providing oversight in regards to the management of the investment program resides with the Finance Director, under the direction of the City Manager. The day to day management responsibility for all City funds in the long-term core investment program and investment transactions is delegated to the City's Investment Manager, who has been afforded discretionary authority in executing investment transactions, in accordance with the terms of this investment policy. However, in no way does this delegation of authority diminish the responsibility of the Finance Director to provide oversight for the City's investment program and report any deviations from the provisions of the investment policy to the City Manager, Internal Auditor, and City Commission. The City's Finance Director or designee will further be responsible for the transferring of appropriate funds to affect investment transactions as recommended by the City's Investment Manager or for the long-term core investment program. The City Finance Department will be responsible for the investment of operating funds, operating reserves funds, and bond proceeds. In employing an Investment Manager to manage the City's investment long-term portfolio, such Investment Manager or firm must be registered under the Investment Advisors Act of 1940.

V. STANDARDS OF PRUDENCE

The standard of prudence to be used by investment officials shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. Investment officers acting in accordance with written procedures and this investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported to the City Commission in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy. The "Prudent Person" rule states the following:

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 from the investment.

While the standard of prudence to be used by investment officials who are officers or employees is the Prudent Person standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert". The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

VI. ETHICS AND CONFLICTS OF INTEREST

Employees or contractors involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees or contractors involved in the investment process shall disclose to the City Commission and Investment

Committee (if applicable) any material financial interests in financial institutions that conduct business with the City, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the City's investment program.

VII. INTERNAL CONTROLS AND INVESTMENT PROCEDURES

The Finance Director or designee shall establish a system of internal controls and operational procedures that are in writing and made a part of the City's finances operational procedures. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping/custodial, repurchase agreements, separation of transaction authority from accounting and recordkeeping, wire transfer agreements, banking service contracts, collateral/depository agreements, and "delivery-vs-payment" procedures. No person may engage in an investment transaction except as authorized under the terms of this Policy.

Independent auditors as a normal part of the annual financial audit to the City shall conduct a review of the system of internal controls to ensure compliance with policies and procedures.

VIII. CONTINUING EDUCATION

The Finance Director or designee shall annually complete 8 hours of continuing education in subjects or course of study related to investment practices and products.

IX. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

The Finance Director or designee and/or the City's Investment Manager shall only purchase securities from Qualified Financial Institutions and investment institutions that are designated as Primary Securities Dealers by the Federal Reserve Bank of New York. The Finance Director or designee and/or the City's Investment Manager shall only enter into repurchase agreements with financial institutions that are Qualified Institutions and Primary Securities Dealers as designated by the Federal Reserve Bank of New York. The Finance Director or designee and/or the City's Investment Manager shall maintain a list of financial institutions and broker/dealers that are approved for investment purposes and only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- 1) Regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
- 2) Capital of no less than \$10,000,000;
- 3) Registered as a dealer under the Securities Exchange Act of 1934;
- 4) Member of the National Association of Dealers (NASD);
- 5) Registered to sell securities in Florida;
- 6) The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.
- 7) Public Depositories qualified by the Treasurer of the State of Florida, in accordance with Chapter 280, Florida Statutes.

All brokers, dealers and other financial institutions deemed to be Qualified Institutions shall be provided with current copies of the City's Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the

City transacts business.

X. MATURITY AND LIQUIDITY REQUIREMENTS

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements.

A. Maturity Guidelines

Securities purchased by or on behalf of the City shall have a final maturity of seven (7) years or less from the date of purchase. The overall weighted average duration of principal return for the entire portfolio shall be less than three (3) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

B. Liquidity Requirements

The Finance Director or designee shall determine the approximate amount of funds required to meet the day-to-day expenditure needs of the City. All funds in the depository bank will be "swept" each night into a fully collateralized repurchase agreement or money market fund. In order to have an available source of funds to meet unexpected cash requirements, the City will ensure sufficient liquidity by ensuring that funds equating to 60 days of operating expenses for the City will be invested in highly liquid investments and/or readily marketable securities. The balance of the City's funds will be available for investment according to the guidelines incorporated within this Policy.

XI. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

After the Finance Director or designee and/or the City's Investment Manager has determined the approximate maturity date based on cash flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) qualified banks and/or approved broker/dealers must be contacted and asked to provide bids/offers on securities in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected.

However, if obtaining bids/offers are not feasible and appropriate, securities may be purchased/sold utilizing the comparison to current market price method on an exception basis. Acceptable current market price providers include, but are not limited to:

- A. Telerate Information System
- B. Bloomberg Information Systems
- C. Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing
- D. Daily market pricing provided by the City's custodian or their correspondent institutions

Examples of when this method may be used include:

- A. When time constraints due to unusual circumstances preclude the use of the competitive bidding process
- B. When no active market exists for the issue being traded due to the age or depth of the issue
- C. When a security is unique to a single dealer, for example, a private placement
- D. When the transaction involves new issues or issues in the “when issued” market

Overnight sweep investment instruments will not be bid, but may be placed with the City’s depository bank relating to the demand account for which the investment instrument was purchased.

XII. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION

Investments should be made subject to the cash flow needs and such cash flows are subject to revisions as market conditions and the City’s needs change. The City’s Finance Director is responsible for updating cash flow projections and expenditure projections over and for providing this information to the Investment Manager to ensure sufficient liquidity as obligations come due. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Finance Director or designee and/or the City’s Investment Manager may sell the investment at the then-prevailing market price and place the proceeds into the proper account with the City’s custodian.

The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the City. Diversification strategies within the established guidelines shall be reviewed and revised periodically as necessary by the Finance Director or designee and/or the City’s Investment Manager. The City shall have the option to further restrict investment percentages from time to time based on market conditions, risk and diversification investment strategies. The percentage allocations requirements for investment types and issuers are calculated based on the fair market value of each investment. Investments not listed in this Policy are prohibited. The following requirements do not apply to funds derived from the sale of debt.

A. THE FLORIDA LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND (“FLORIDA PRIME ”)

- 1. Purchase Authorization
Florida Local Government Surplus Funds Trust Fund (“Florida PRIME ”)
- 2. Portfolio Composition
A maximum of 25% of available funds may be invested in Florida PRIME .

B. UNITED STATES GOVERNMENT SECURITIES

- 1. Purchase Authorization
Negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. Such securities will include, but not be limited to the following:
Cash Management Bills
Treasury Securities – State and Local Government Series (“SLGS”)

Treasury Bills
Treasury Notes
Treasury Bonds
Treasury Strips

2. Portfolio Composition

A maximum of 100% of available funds may be invested in the United States Government Securities with the exception of Treasury Strips which are limited to 10% of available funds.

3. Maturity Limitations

The maximum length to maturity of any direct investment in the United States Government Securities is seven (7) years from the date of purchase.

C. UNITED STATES GOVERNMENT AGENCIES

1. Purchase Authorization

Bonds, debentures, notes or callables issued or guaranteed by the United States Government's agencies, provided such obligations are backed by the full faith and credit of the United States Government. This includes adjustable and fixed rate mortgage-backed securities. The adjustable interest rate securities are to only adjust to the US treasury indices. Such securities will include, but not be limited to the following:

United States Export -- Import Bank

-Direct obligations or fully guaranteed certificates of beneficial ownership

Farmer Home Administration

-Certificates of beneficial ownership

Federal Financing Bank

-Discount notes, notes and bonds

Federal Housing Administration Debentures

Government National Mortgage Association (GNMA)

-GNMA guaranteed mortgage-backed bonds

-GNMA guaranteed pass-through obligations

General Services Administration

United States Maritime Administration Guaranteed

-Title XI Financing

New Communities Debentures

-United States Government guaranteed debentures

United States Public Housing Notes and Bonds

-United States Government guaranteed public housing notes and bonds

United States Department of Housing and Urban Development

-Project notes and local authority bonds

2. Portfolio Composition

A maximum of 50% of available funds may be invested in United States Government agencies.

3. Limits on Individual Issuers

A maximum of 10% of available funds may be invested in individual United

States Government agencies.

4. Maturity Limitations

The maximum length to maturity for an investment in any United States Government agency security is five (5) years from the date of purchase.

D. FEDERAL INSTRUMENTALITIES (UNITED STATES SPONSORED AGENCIES)

1. Purchase Authorization

Bonds, debentures, notes or callables issued or guaranteed by United States Government sponsored agencies (Federal Instrumentalities), which are non-full faith and credit agencies. This includes adjustable and fixed rate mortgage-backed securities. Sub-prime, Alt-A and other non-first lien mortgage securities are prohibited. Permitted adjustable interest rate securities are to only adjust to the US treasury indices. These are limited to the following:

Federal Farm Credit Bank (FFCB)
Federal Home Loan Bank or its City banks (FHLB)
Federal National Mortgage Association (FNMA)
Federal Home Loan Mortgage Corporation (Freddie-Macs) including
Federal Home Loan Mortgage Corporation participation certificates

2. Portfolio Composition

A maximum of 80% of available funds may be invested in Federal Instrumentalities.

3. Limits on Individual Issuers

A maximum of 25% of available funds may be invested in any one issuer.

4. Maturity Limitations

The maximum length to maturity for an investment in any Federal Instrumentality security is seven (7) years from the date of purchase. Mortgage backed securities will have average duration not greater than five (5) years.

E. INTEREST BEARING TIME DEPOSIT OR SAVING ACCOUNTS

1. Purchase Authorization

Non-negotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes. Additionally, the bank shall not be listed with any recognized credit watch information service.

2. Portfolio Composition

A maximum of 10% of available funds may be invested in non-negotiable interest bearing time certificates of deposit.

3. Limits on Individual Issuers

A maximum of 10% of available funds may be deposited with any one issuer.

4. Limits on Maturities

The maximum maturity on any certificate shall be no greater than two (2) year from the date of purchase.

F. **REPURCHASE AGREEMENTS**

1. Purchase Authorization

- a. Repurchase agreements composed of only those investments authorized in Section XII. B, C, and D. All firms are required to sign the City's Master Repurchase Agreement prior to the execution of a repurchase agreement transaction.
- b. A third party custodian with whom the City has a current custodial agreement shall hold the collateral for all repurchase agreements with a term longer than one (1) business day. A clearly marked receipt that shows evidence of ownership must be supplied to the Finance Director or designee and retained.
- c. Securities authorized for collateral must have maturities under five (5) years and with market value for the principal and accrued interest of 102 percent of the value and for the term of the repurchase agreement. Immaterial short-term deviations from 102 percent requirement are permissible only upon the approval of the Finance Director or designee and/or the City's Investment Manager.
- d. The overnight sweep arrangement shall adhere to the agreement between the City and the City's depository bank.

2. Portfolio Composition

A maximum of 20% of available funds may be invested in repurchase agreements excluding one (1)-business day agreements and overnight sweep agreements.

3. Limits on Individual Issuers

A maximum of 5% of available funds may be invested with any one institution excluding one (1)-business day agreements and overnight sweep agreements.

4. Limits on Maturities

The maximum length to maturity of any repurchase agreement is 90 days from the date of purchase.

G. **COMMERCIAL PAPER**

1. Purchase Authorization

Commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). If the commercial paper is backed by a letter of credit ("LOC"), the long-term debt of the LOC provider must be rated "A" or better by at least two nationally recognized rating agencies.

2. Portfolio Composition

A maximum of 25% of available funds may be directly invested in prime commercial paper.

3. Limits on Individual Sectors
A maximum of 10% of available funds may be invested with any one sector.
4. Limits on Individual Issuers
A maximum of 2% of available funds may be invested with any one issuer.
5. Maturity Limitations
The maximum length to maturity for prime commercial paper shall be 270 days from the date of purchase.

H. CORPORATE NOTES

1. Purchase Authorization
Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, from at least two of the following rating agencies with minimum ratings as follows: Moody's – "A", Standard & Poor's – "A", or Fitch – "A".
2. Portfolio Composition
A maximum of 25% of available funds may be directly invested in corporate notes.
3. Limits on Individual Sectors
A maximum of 10% of available funds may be invested with any one sector.
4. Limits on Individual Issuers
A maximum of 2% of available funds may be invested with any one issuer.
5. Maturity Limitations
The maximum length to maturity for corporate notes shall be (5) five years from the date of purchase.

I. ASSET BACKED SECURITIES (ABS)

1. Purchase Authorization
Invest in Asset Backed Securities (ABS) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, AAA or the equivalent by two NRSRO's.
2. Portfolio Composition
A maximum of 10% of available funds may be directly invested in ABS.
3. Limits on Individual Sectors
A maximum of 5% of available funds may be directly invested in ABS of any one industry sub-sector as defined by Bloomberg Industry Groups.
4. Limits on Individual Issuers
A maximum of 2% of available funds may be invested with any one issuer.
5. Maturity Limitations
The maximum length to maturity for ABS shall be (5) five years from the date of

purchase.

J. BANKERS' ACCEPTANCES

1. Purchase Authorization

Bankers' acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's Investors Services and "A-1" Standard & Poor's.

2. Portfolio Composition

A maximum of 15% of available funds may be directly invested in Bankers' acceptances

3. Limits on Individual Issuers

A maximum of 5% of available funds may be invested with any one issuer.

4. Maturity Limitations

The maximum length to maturity for Bankers' acceptances shall be 180 days from the date of purchase.

K. STATE AND/OR LOCAL GOVERNMENT TAXABLE AND/OR TAX-EXEMPT DEBT

1. Purchase Authorization

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "A" by Moody's and "A" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's and "SP-2" by Standard & Poor's for short-term debt.

2. Portfolio Composition

A maximum of 25% of available funds may be invested in taxable and tax-exempt General Obligation bonds.

A maximum of 10% of available funds may be invested in taxable and tax-exempt Revenue and Excise tax bonds of the various municipalities of the State of Florida, provided none of such securities have been in default within five (5) years prior to the date of purchase.

3. Maturity Limitations

A maximum length to maturity for an investment in any state or local government debt security is five (5) years from the date of purchase.

L. REGISTERED INVESTMENT COMPANIES (MONEY MARKET MUTUAL FUNDS)

1. Investment Authorization

Shares in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. § 270.2a-7, which stipulates that money market funds must have an average weighted maturity of 90 days or less. In addition, the share value of the money market funds must equal to \$1.00.

2. Portfolio Composition

A maximum of 35% of available funds may be invested in money market funds.

3. Limits of Individual Issuers

A maximum of 15% of available funds may be invested with any one money market fund.

4. Rating Requirements

The money market funds shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's, or the equivalent by another rating agency.

5. Due Diligence Requirements

A thorough review of any money market fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Finance Director or designee and/or the City's Investment Advisor/s that will contain a list of questions that covers the major aspects of any investment pool/fund.

M. INTERGOVERNMENTAL INVESTMENT POOL

1. Investment Authorization

Intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives.

2. Portfolio Composition

A maximum of 25% of available funds may be invested in intergovernmental investment pools.

3. Due Diligence Requirements

A thorough review of any investment pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed by the Finance Director or designee and/or the City's Investment Manager that will contain a list of questions that covers the major aspects of any investment pool/fund.

Although the Investment Manager is granted discretionary authority to make investment decisions within the parameters of the investment policy, the following guidelines should be applied regarding sector allocation percentages:

Nature of change to current asset allocation

Less than 10%, does not exceed policy maximums

Approval required

Investment Manager only

Greater than 10%, does not exceed policy maximums

Any change which would exceed policy maximums
City Commission

Finance Director

Finance Director, City Manager,

If anything occurs which causes an investment in the portfolio to fall outside the standards described above, the applicable Investment Manager must notify Pompano investment personnel in writing via e-mail within five days of the occurrence of such event. The Investment Manager must also prepare a written plan of action for the affected security and any such security should

be liquidated in a timely fashion as market conditions warrant; however immediate sale in a temporarily depressed market is not mandated by this policy.

The Finance Director and the Investment Manager also recognizes that the City's investment policy should be a document that is reviewed periodically to coincide with current financial market conditions. As such, it is the responsibility of the Investment Manager in conjunction with the Finance Director, upon the review of quarterly and annual investment reports, as well as knowledge of current financial market conditions to periodically recommend changes in investment strategies (i.e. percentage allocations-sector, subsector, issuer), as deemed necessary. Such recommendations will be communicated to the City Commission, by way of the City Manager, for formal approval.

XIII. AUTHORIZED INVESTMENTS CONCERNING DEBT PROCEEDS

This section of the investment policy is a restricted subset of the policy for the general operating funds of the city. This section is specifically to be used for the investment of assets derived from the issuance of debt. In addition to this section, all other provisions of the existing investment policy apply to the investment of these assets.

A. YIELD RESTRICTION

No assets purchased for the investment of funds derived from the sale of any debt shall be invested in assets that have a yield that is higher than the "Yield Restriction" percentage amount for each bond issue as outlined in the attached Schedule A.

B. MAXIMUM MATURITY

No investment of funds derived from the sale of any debt shall be invested in assets with maturities that are longer than those specified for each bond issue as outlined in the attached Schedule A.

C. BENCHMARK

There is no benchmark for these bond proceeds.

XIV. DERIVATIVES AND REVERSE REPURCHASE AGREEMENTS

The City may not invest in investment products that include the use of derivatives. A "derivative" is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values. Reverse repurchase agreements are not permitted by this Policy.

XV. PERFORMANCE MEASUREMENTS

In order to assist in the evaluation of the portfolios' performance, the City will use performance benchmarks for short-term and long-term portfolios. The use of benchmarks will allow the City to measure its returns against other investors in the same markets.

- A. The short-term investment portfolio shall be designed with the annual objective of exceeding the return of the Standard & Poor's AAA Money Fund Government Index.

- B. The long-term investment portfolio shall be designed with the annual objective of exceeding the return of the BofA Merrill Lynch 1-3 Year AAA-A US Corporate & Government Index compared to the portfolio's total rate of return. The BofA Merrill Lynch 1-3 Year AAA-A US Corporate & Government Index represents all qualifying U.S. Treasury/Agency and corporate securities maturing over one year, but less than three years. This maturity range is an appropriate benchmark based on the objectives of the City.

XVI. REPORTING

- A. The City's Investment Manager shall provide quarterly investment reports on the City's short-term and long-term core investments to the Finance Director, Internal Auditor, City Commission and Investment Committee (as applicable). Schedules in the quarterly report should include the following:

1. A listing of individual securities held at the end of the reporting period
2. Percentage of available funds represented by each investment type
3. Coupon, discount or earning rate
4. Average life or duration and final maturity of all investments
5. Par value and market value

- C. Annual Investment Report

On an annual basis, the City's Investment Manager shall submit to the Finance Director, Internal Auditor, City Commission and Investment Committee (as applicable) a written report on the long-term core investment funds. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment. The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmarks. All investments shall be reported at fair value per Government Accounting Standards Board (GASB) standards. In addition, the annual report shall provide all disclosures as required by GASB Statement 40, *Deposit and Investment Risk Disclosures*. Investment reports shall be available to the public.

- C. Review of Quarterly and Annual Investment Reports

It is primarily the responsibility of the Finance Director to perform a thorough review of all investment reports provided by the Investment Manager to ensure compliance with the

terms of this investment policy, as well as evaluate performance of the investment manager against the established performance benchmark. The Finance Director, through the City Manager, must communicate in writing, any violations of said policy provisions or failure of the investment manager to meet the minimum performance benchmark, to the City Commission and Internal Auditor.

Should such a review result in proposed strategic changes to the existing terms of this investment policy (i.e. asset allocation percentages-sector, subsector, issuer), based on existing financial market conditions, such proposed revisions will be presented to the City Commission, by way of the City Manager, for formal approval.

XVII. THIRD-PARTY CUSTODIAL AGREEMENTS

Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Finance Director and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless by such a duly authorized person.

Monthly, the custodian shall provide the Finance Director or designee and/or the City's Investment Manager with detail information on the securities held by the custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Only after receiving written authorization from the Finance Director shall authorized securities be delivered "free". Securities held as collateral shall be held free and clear of any liens.

XVIII. RESERVATION OF AUTHORITY

The authority to issue and/or revise this Policy is reserved for the City Commission.

SCHEDULE A

LIMITATIONS ON YIELD AND MATURITY OF EACH BOND ISSUE

BOND ISSUE NAME	YIELD RESTRICTION	MATURITY RESTRICTION
Bond Series 2018	3.523632%	4 Years

Attachment
Glossary of Cash and Investment Management Terms

Agency - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Asked - The price at which securities are offered

Asset Backed Securities (ABS) – A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities. Some examples are autos, credit cards and royalties.

Average Life - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Bankers' Acceptance (BA) - A draft, bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Basis Point - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Broker - A broker brings buyer and sellers together for a commission.

Certificate of Deposit (CD) - A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for securing the repayment of a loan and/or security.

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

Current Yield (Current Return) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Dealer - A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Attachment
Glossary of Cash and Investment Management Terms

Derivatives - For hedging purposes, common derivatives are options, futures, swaps and swaptions. All Collateralized Mortgage Obligations ("CMOs") are derivatives. (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Derivative Security - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Federal Home Loan Banks (FHLB) - Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal National Mortgage Association (FNMA) - FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Government National Mortgage Association (GNMA OR GINNIE MAE) - Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. The security holder is protected by full faith and credit of the U. S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHM mortgages. The term "passthroughs" is often used to describe Ginnie Maes.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, Bonds, and SLGS."

Attachment
Glossary of Cash and Investment Management Terms

Internal Controls - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Investment Company Act of 1940- Federal legislation that sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Liquidity - An asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) - An investment by local governments in which their money is pooled as a method for managing local funds, (i.e., Florida State Board of Administration

“Florida PRIME”).

Long-Term Core Investment Program – Funds that are not needed within a one year period.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Value - Current market price of a security.

Master Repurchase Agreement - A written contract covering all future transactions between parties to repurchase—reverse repurchase agreement that establishes each party’s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity".

Money Market - The market in which short-term debt instruments (bills, commercial paper, bankers' acceptance, etc.) are issued and traded.

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

$$[(\text{Total assets}) - (\text{Liabilities})]/(\text{Number of shares outstanding})$$

Par - Face value or principal value of a bond, typically \$1,000 per bond.

Portfolio - Collection of securities held by an investor.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Qualified Public Depository - Per Florida Statute 280, means any bank, saving bank or savings association that:

- (a) Is organized and exists under the laws of the United States, the laws of this state or any other state or territory of the United States;
- (b) Has its principal place of business in this state or has a branch office in this state that is authorized under the laws of this state or of the United States to receive deposits in this state.
- (c) Has deposit insurance under the provision of the Federal Deposit Insurance Act, as amended,

12 U.S.C. ss.1811 seq.

(d) Meets all requirements of F.S. 280

(e) Has been designed by the Treasurer as a qualified public depository.

Rate of Return - For fixed income securities (bonds and preferred stock), current yield that is, the coupon or contractual dividend rate divided by the purchase price. For common stock, dividend yield, which is the annual dividend divided by the purchase price.

Repurchase Agreement (repo or RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Structured Notes - Notes issued by government sponsored enterprises (FHLB, FNMA, SLMA, etc.) and corporations which have imbedded options (e.g. call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by fluctuation of interest rates, the volatility of the imbedded options, and shifts in the shape of the yield curve.

Swap - Trading one asset for another.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. $(\text{Price Appreciation}) + (\text{Dividends paid}) + (\text{Capital gains}) = \text{Total Return}$

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield Curve - A graph showing the relationship at a single point in time between the available maturities of a security or similar securities with essentially identical credit risk and the yields that can be earned for

each of those available maturities. A graphical depiction of the term structure of interest rates at any given point in time. Yield curves may be constructed for different instruments.

Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date. **Yield Curve** - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.
