Governor Steve Sisolak Chairman



Members
Treasurer Zach Conine
Controller Catherine Byrne
Teresa J. Courrier
Brian A. Sagert

Revised PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE Monday, August 19, 2019 1:00 P.M.

Locations:

Via videoconference at the following locations:

Old Assembly Chambers Capitol Building, Second Floor 101 N. Carson Street Carson City, NV 89701

Grant Sawyer State Office Building 555 E. Washington Avenue, Suite 5100 Las Vegas, NV 89101

Agenda Items:

- 1. Roll Call
- 2. Public Comment

Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

3. **For discussion and possible action:** on the Board of Finance minutes from the meeting held on June 13, 2019.

Presenter: Tara Hagan, Chief Deputy Treasurer

101 N. Carson Street, Suite 4 Carson City, Nevada 89701 775-684-5600

Website: NevadaTreasurer.gov/BoF

4. **For discussion and possible action:** on the request by the Director of the State of Nevada Department of Business and Industry to approve the Findings of Fact pertaining to the issuance of industrial development revenue bonds in one or more issues in an aggregate amount not to exceed \$50,000,000 for the purpose of assisting in the financing or refinancing of a portion of the costs of (i) constructing, improving, and equipping a facility to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site to be located in the Tahoe-Reno Industrial Center, Storey County, Nevada and/or (ii) the improvements to and equipping of the facility used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site in Mustang, Storey County, Nevada. The project will be owned by Fulcrum Sierra Holdings, LLC, and operated by Fulcrum BioEnergy, Inc. Approval of the Board of Finance is required pursuant to NRS 349.580(2).

Presenter: Michael Brown, Director, Department of Business and Industry

5. **For discussion and possible action:** on the request from the Nevada Division of State Parks to enter into an agreement with Viply and Braintree Payment Services to accept credit cards. The agreement will require all fees to be paid by customers who choose to use the application. Approval of the Board of Finance is required pursuant to NRS 353.1465.

Presenter: Tara Hagan, Chief Deputy Treasurer

6. **For discussion and possible action:** on the approval of the amended State Treasurer's investment policy statement for the State General Fund Portfolio pursuant to NRS 355.045.

Presenter: Tara Hagan, Chief Deputy Treasurer

7. **For discussion and possible action**: on the approval of the amended State Treasurer's investment policy statement for the Local Investment Pool (LGIP) Portfolio pursuant to NRS 355.045.

Presenter: Tara Hagan, Chief Deputy Treasurer

8. **For discussion and possible action:** on the approval of to the State Treasurer's quarterly investment report for the quarter ended June 30, 2019 pursuant to NRS 355.045.

Presenter: Tara Hagan, Chief Deputy Treasurer

9. Public Comment.

Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 3 minutes the time for an individual to speak and reserves the right to impose other reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

ADJOURNMENT

Notes:

Items may be taken out of order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time.

Prior to the commencement and conclusion of a quasi judicial proceeding that may affect the due process rights of an individual, the Board may refuse to consider public comment. See NRS 233B.126.

The State Board of Finance is pleased to make reasonable accommodations for persons with physical disabilities. Please call (775) 684-7109 if assistance is needed.

Tara Hagan, Secretary to the Board may be contacted at (775) 684-5600 to obtain copies of supporting materials, which are available to the public at 101 N. Carson St., Carson City, NV 89701.

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- Capitol Building, 1st & 2nd Floors, Carson City, Nevada
- Legislative Building, Carson City, Nevada
- Nevada State Library, Carson City, Nevada
- Blasdel Building, Carson City, Nevada
- Grant Sawyer Building, Las Vegas, Nevada
- City Halls in Reno, Elko and Henderson, Nevada

Also online at: http://www.nevadatreasurer.gov/Finances/Board/BOF_Home/ and https://notice.nv.gov/

STATE BOARD OF FINANCE June 13, 2019 – 1:00 PM

Summary Minutes

Location:

Via videoconference at the following locations:

Old Assembly Chambers Capitol Building, Second Floor 101 N. Carson Street Carson City, NV 89701 Governor's Office Conference Room 555 E Washington Avenue, Suite 5100

Las Vegas, NV 89101

Governor Sisolak called the meeting to order at 1:00 P.M.

Board members present:

Governor Steve Sisolak – Carson City Treasurer Zach Conine – Carson City Controller Catherine Byrne – Carson City Teresa Courrier – Carson City Brian Sagert – Las Vegas

Others present:

Tara Hagan – Chief Deputy Treasurer
Miles Dickson – Chief of Staff to Treasurer
Dennis Belcourt – Deputy Attorney General
Stephen Aichroth – Nevada Housing Division
Michael Holliday – Nevada Housing Division
Fred Eoff – Public Financial Management

Agenda Item 2 – Public Comment.

No public comment in Carson City or Las Vegas.

<u>Agenda Item 3</u> – For discussion and possible action – Approval of the Board of Finance minutes from the meeting held on March 12, 2019.

Brian Sagert moved to approve the minutes. Motion passed unanimously.

<u>Agenda Item 4</u> – For discussion and possible action: on the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of Single-Family Mortgage Revenue Bonds, in an amount not to exceed \$122,500,000, to be issued in one or more series. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Aichroth presented the Nevada Housing Division's request to approve the administrator's findings of fact pertaining to the issuance in an amount not to exceed \$122,500,000 for single-family mortgage revenue bonds. He noted the bonds will have an expected bond rating of AA+ by Standard & Poor's and will be issued in multiple series to provide mortgage financing assistance for single family residential housing for qualified homebuyers. He stated that for more than thirty

years the Nevada Housing Division has operated a mortgage assistance program for first time homebuyers and over that period of time, the division has issued and retired over two (2) billion dollars of single-family mortgage bonds. J.P. Morgan will serve as the underwriter with bond and tax opinions provided by Kutak Rock LLP.

Michael Holliday with the Nevada Housing Division stated the division has recently issued over \$50,000,000 worth of bonds, approved by the Board in March 2019, and as of June 3, 2019, lenders have originated \$38,527,038 of new loans and the Division expects to fully expend all bond proceeds by July 15, 2019. He noted the average FICO credit score for these homebuyers is 710 while the national average is 695. He stated this program provides these first-time home buyers with down payment assistance and noted the approval of the Board of Finance on the additional \$122.5MM will allow the Division to assist many more Nevada residents with first-time home purchases.

Mr. Fred Eoff with PFM Financial Advisors noted that JP Morgan is the underwriter and anticipated the issuance to be in the market by the early July and closed by late August or early September. He noted that the issue is a combination of serial maturities through the first 20 years with term-bond maturities at 15, 20, 25, 29 ½ and 30 ½ years.

Governor Sisolak asked about the 2014 series and questioned if it differed from the 2016 issuance.

Mr. Eoff noted that the last time the Division issued single-family mortgage revenue bonds was in 2014.

Treasurer Conine questioned if the 2016 is in reference to the bond cap and asked Mr. Holliday to clarify. Mr. Holliday explained that the bond cap in 2016 is the amount that reverted to the Division from local jurisdictions and the portion used to generate the \$122.5 million plus the \$50 million from the March 2019 meeting.

Governor Sisolak asked if these were the last two tranches.

Mr. Holliday stated that yes, these last two tranches will use up the \$122.5 million they're asking the Board to approve.

Brian Sagert moved to approve Agenda Item 4. Motion passed unanimously.

<u>Agenda Item 5</u> – For discussion and possible action: on the request from the Nevada Division of State Parks to enter into an agreement with Viply and Braintree Payment Services to accept credit cards. Approval of the Board of Finance is required pursuant to NRS 353.1465.

Tara Hagan stated that staff is seeking the Board's approval for the Nevada Division of Parks to enter into an agreement with Viply and Braintree Payment Services to accept credit cards. Pursuant to statute, the Board must approve any contract for credit card processors when an agency is not using the the state's master contract. Currently, the state's master contract is with Wells Fargo Merchant Services. The Treasurer's Office, in conjunction with the Division of Parks, worked with Wells Fargo Merchant Services to attempt to find a solution; however, due to the unique needs of the Division, staff is seeking the ability to use another vendor. This contract will allow park visitors to pay for entrance fees, by choice, with an application on their mobile phone at no cost to the state. The consumer will pay additional fees to use the mobile application for park entry fees

(\$5.00). This is a pilot program with the Division of Parks and it will track to see if this solution meets consumer demand and satisfaction. Viply is used by the National Park Service and many other State parks across the nation. The State Treasurer's Office is recommending the Board's approval of this contract.

Brian Sagert asked what the term of the contract is. Ms. Hagan stated it's an evergreen contract so any party at any time can provide notice for termination of the contract. She didn't know the exact notice period but would estimate it is around 30 days.

Brian Sagert asked if there are any projections on an anticipated volume/usage.

Jennifer Idema with Nevada State Parks explained that since this is a new pilot program all the technology is very new so there are currently no projections for usage. She noted the Division is starting the program at Washoe State Park as well as Lahontan State Recreation Area and are hoping consumers will use the mobile payment option.

Brian Sagert asked about the procurement process and if it was procured within the guidelines of the procurement policy.

Ms. Hagan stated that when the state's master contract cannot be used then it is required to get Board of Finance approval; therefore, the procurement process is being followed.

Brian Sagert stated that the fees seem to be pretty high, about a 30% fee to the consumer, and asked if the fee was negotiable.

Ms. Idem stated that the fee was not negotiable with the vendor but that it would offset some of the staff costs.

Governor Sisolak wanted clarification on what staff costs would be offset.

Ms. Idem stated that currently, Parks only accepts cash and credit cards. She noted it takes two staff members to make the cash deposits which can be timely; therefore, the goal is to steer away from taking cash and have monies directly deposited into the bank via credit cards or the application.

Governor Sisolak asked if the fees were added on top of the admission.

Ms. Idem stated that no, the fees come out of the admission price.

Governor Sisolak stated he was made to believe that if the fee is \$8 than this application would increase the fee by \$2 for example and the customer would pay the \$10 total fee, if he or she chose to use the application.

Ms. Hagan stated it is also her understanding that within this application, the customer will pay both the \$5 park fee plus the \$1.38 for Viply but that the \$5 would be directly deposited in the State's bank account with the additional amount going to the vendor.

Governor Sisolak asked the Division of Parks representative to please clarify the process and who pays the mobile application fees. He asked if the Division will receive its \$5 when a customer uses the application.

Mr. Idem noted that the Division has had conversations with the vendor which would allow it to offset a portion of the \$5 fee to help pay a portion of the customers' fees.

Teresa Courrier asked if it is mandatory for customers to use this mobile application.

Ms. Idem stated that it is a pilot program and will not be mandatory.

The Governor asked to table this item for the next meeting to receive clarification regarding the payment of fees and revenue for the State versus the customer.

<u>Agenda Item 6</u> – For discussion and possible action: (a) to receive the State Treasurer's quarterly investment report for the quarter ended March 31, 2019 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Tara Hagan provided the Board with the investment report for period ending March 31, 2019 for both the State's General Portfolio and the LGIP portfolio. She noted the performance of both portfolios is in line with market expectations and is pleased to report that the interest distributed to state agencies via the General Portfolio through the third quarter of fiscal year 2019 is \$44 million. Finally, she noted to the Board that the two outside manager contracts for the General Portfolio will expire on June 30, 2019 and staff will conduct a request for proposal to hire two or more managers. She noted that the procurement process will include the search for specialty managers which includes those with experience in credit or securitized fixed income strategies.

No comments or questions from Board members.

Controller Bryne moved to approve Agenda Item 6. Motion passed unanimously.

Agenda Item 7 – **Public Comment**

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:33pm.

STATE OF NEVADA



DEPARTMENT OF BUSINESS AND INDUSTRY OFFICE OF THE DIRECTOR

MEMORANDUM OF FINDINGS

TO: Nevada State Board of Finance and Storey County Board of County

Commissioners

FROM: Terry J. Reynolds, Deputy Director, State of Nevada Department of Business

and Industry

DATE: July 26, 2019

RE: Memorandum of the Director Substantiating Findings Pursuant to Nevada

Revised Statutes 349.580(2) and 349.590 relating to the issuance of industrial revenue bonds for the Fulcrum Biorefinery and Feedstock Processing Facility

Project

BACKGROUND

Nevada Revised Statutes (NRS) 349.400 through 349.670, inclusive, (the "Act") authorize the Director of the State of Nevada Department of Business and Industry (the "Director") to issue industrial development revenue bonds for financing projects owned, operated, or used by one or more obligors for industrial uses, including assembling, fabricating, manufacturing, processing or warehousing.

The Nevada State Board of Finance (the "Board of Finance") and the Board of County Commissioners of Storey County, Nevada (the "County Commissioners") are being asked to approve findings of the Director in connection with a proposed issuance of approximately \$50,000,000 Director of the State of Nevada Department of Business and Industry Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project), Series 2019 (Green Bonds) in one or more series or issues (the "Bonds"). Currently the Director expects to issue the Bonds in August or September 2019, contingent upon its receipt of 2019 volume cap and an opinion of bond counsel. Fulcrum Sierra Holdings, LLC, a Delaware limited liability company, validly authorized to do business under the laws of the State of Nevada ("Fulcrum") has requested that the Director issue the Bonds on its behalf. Proceeds from the sale of the Bonds will be used for the

purpose of assisting in the financing or refinancing of a portion of the costs of (i) constructing, improving and equipping a facility owned by Fulcrum Sierra BioFuels, LLC (the "Project Company") and operated by Fulcrum BioEnergy, Inc. (the "Operator") to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the "Biorefinery") and/or (ii) the improvements to and equipping of the facility owned by the Project Company and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada (the "Feedstock Processing Facility" and, together with the Biorefinery, the "Project").

The additional improvements to the Project being financed or refinanced with the proceeds of the Bonds and other moneys are expected to include (i) the construction of an expansion of the Feedstock Processing Facility to increase and enhance the quality of the Feedstock Processing Facility's production, (ii) the acquisition and installation of feedstock drying equipment at the Biorefinery to increase the Biorefinery's efficiency, (iii) the installation of an oxygen supply facility at the Biorefinery to improve the Biorefinery's gasification process, (iv) the acquisition and installation of electrical equipment at the Biorefinery to enable the Biorefinery to purchase solar energy, and (v) the acquisition and installation of fuel upgrading equipment at the Biorefinery to allow the Biorefinery to produce a finished fuel product. Proceeds of the Bonds will be used to finance the improvements to the Project, pay capitalized interest on the Bonds, fund certain reserves relating to the Bonds, and pay certain issuance expenses of the Bonds. The Operator will also make an equity contribution of approximately \$5.9 million for the costs of the Project. Bonds in the aggregate principal amount of up to \$50,000,000 (excluding any original issue premium or discount) may be issued with respect to either component of the Project identified herein; however, the aggregate amount of Bonds to be issued for the Project will not be greater than \$50,000,000.

The Board of Finance and the County Commissioners previously approved certain findings of the Director, dated July 14, 2017, relating to the Director's \$150,000,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra BioFuels, LLC Project), Series 2017 (Green Bonds) issued on October 27, 2017, and certain findings of the Director, dated November 27, 2017, relating to the Director's \$21,960,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra BioFuels, LLC Project), Series 2017A (Green Bonds) issued on December 21, 2017 and the Director's \$3,040,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra BioFuels, LLC Project), Series 2018 (Green Bonds) issued on March 6, 2018 (collectively, the "Project Bonds"). The proceeds of the Project Bonds were loaned to the Project Company to finance a portion of the costs of the acquisition, construction, and equipping of the Project. Fulcrum is the sole member of Fulcrum Sierra Finance Company, LLC, a Delaware limited liability company ("Sierra Finance"), which is the sole member of the Project Company.

The Board of Finance and the County Commissioners also previously approved certain findings of the Director, dated July 25, 2018, relating to the Director's \$44,000,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project), Series 2018 (Green Bonds)

issued on September 6, 2018 (the "Initial Holdings Bonds"). The proceeds of the Initial Holdings Bonds were loaned to Fulcrum to finance a portion of the additional costs of certain upgrades to the Project. Such upgrades included (i) the construction of a water treatment facility that will enable the Project Company to recycle water and reduce its water consumption by approximately 48 million gallons per year (or approximately 50% of its expected water consumption per year), which will address the growing concern with respect to the increased burden on local groundwater wells and the Truckee River and decrease the burden on local sewage and treatment facilities and (ii) the acquisition and installation of additional trommel screens and dryers that will enhance the processing of the feedstock.

Fulcrum submitted its application for this industrial development bond financing to the Director on May 17, 2019 (the "Application"). A summary memorandum of the Application and proposed financing prepared by the financial advisor to the Director is attached hereto as Exhibit A. The Director and Fulcrum signed a Letter Agreement dated July 10, 2019, setting forth certain requirements and fees to be paid by Fulcrum for the bond financing. Pursuant to NRS 349.585 the Director expects to receive approval of the Office of Economic Development to finance or refinance the Project in the form attached hereto as Exhibit B. A public hearing to receive public comment regarding the issuance of the Bonds and necessary to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "TEFRA Hearing") was held on June 28, 2019. Upon approval of the Findings, the Director expects to issue a certificate of private activity bond volume cap allocation for the Project. The Director also expects to receive a resolution in support of the Project from the County adopted in the form attached hereto as Exhibit C prior to the final approval of the Board of Finance. Subject to final approval from the Board of Finance and the County Commissioners, the Bonds will be sold in a negotiated, limited public offering and are expected to be issued in August or September 2019, subject to market conditions.

As a further condition to the issuance of the Bonds, Fulcrum must obtain the consent from the beneficial owners of at least a majority of the principal amount of the Initial Holdings Bonds (the "Majority Holders") and Indian Harbor Insurance Company (the "Performance Insurer") to amend the definition of "Additional Obligations" contained in the Financing Agreement, dated as of September 1, 2018 (the "Original Financing Agreement"), which was entered into in connection with the issuance of the Initial Holdings Bonds, to allow Fulcrum to incur Additional Obligations up to an amount of \$50,000,000 prior to substantial completion of the Project provided that Fulcrum and Leidos Engineering, LLC, the engineer for the Project, deliver certificates (based on reasonable projections known at the time of the delivery of such certificates of revenues and operating expenses of Fulcrum) stating that for each fiscal year during which the Bonds will be outstanding, the Project's debt service coverage ratio is projected to exceed 3.00:1.00. Fulcrum has projected that the Project's debt service coverage ratio will exceed 3:00:1:00 due to (i) the proposed upgrades to the Project including a reduction in the Biorefinery's carbon intensity score relating to the ability to purchase solar energy after the proposed installation of electrical equipment at the Biorefinery and (ii) an approximately \$3.2 million equity contribution from the Operator to Fulcrum that will be used to defease a portion of the outstanding Initial Holdings

Bonds to reduce debt service in 2020 and 2021 by approximately \$44,600 and \$3.15 million, respectively. See Exhibit A for a copy of the projections of the Company and a summary of the status of the Project. As of the date hereof, the Majority Holders have consented to amend the definition of Additional Obligations contained in the Original Financing Agreement as described above, and the Director and Fulcrum intend to enter into a First Amendment to Financing Agreement, to be dated on or prior to the date of issuance of the Bonds (the "First Amendment to Financing Agreement"), a form of which is on file with the Ex-Officio Secretary of the Board of Finance and the County Manager of Storey County as described herein.

The Bonds and the interest due thereon will not be an obligation, debt or liability of the State of Nevada or the Director and will not constitute or give rise to any pecuniary liability or charge against the credit of the Director or the credit or taxing power of the State of Nevada, but will be a limited obligation payable solely from loan payments made by Fulcrum, the guaranty of the Operator and other revenues derived from the financing. Unlike the Project Bonds, which are secured by a mortgage covering the Project, the Bonds cannot be secured by a mortgage on the Project due to certain restrictions required by the owners of the Project Bonds and, pursuant to NRS 349.620(1)(a), the Director has not required that a mortgage be delivered to cover the Project. However, in order to provide additional security for the Bonds, Fulcrum will deliver a technology performance insurance policy with respect to the Bonds from the Performance Insurer and a pledge of the membership interests of the Operator in Fulcrum and Fulcrum in Sierra Finance.

As a prerequisite to the issuance of the Bonds, attached are findings of the Director as required by NRS 349.580(2) (the "Findings") for approval by the Board of Finance and the County Commissioners. Additional considerations of the Director as set forth in NRS 349.590 (the "Additional Considerations") are also attached.

Additional documents relevant to the Findings and Additional Considerations have been placed on file with the Ex-Officio Secretary of the Board of Finance and the County Manager of Storey County and are available for review by the Board of Finance and the County Commissioners. A list of such additional documents is attached to the Findings. The Findings are based on the totality of the record, and the Director has not attempted to list each element of the record which has led to each of the determinations made in the Findings. The Director, in consultation with financial professionals, legal counsel and bond counsel, represents that the Findings comply with NRS 349.580(2) and recommends approval of the Findings by the Board of Finance and the County Commissioners for the issuance of the Bonds.

If the Board of Finance and the County Commissioners approve the Findings as required by law, the financing may proceed. Issuance of the Bonds as tax-exempt obligations is contingent upon the satisfaction of the following conditions:

1. Receipt of a Certificate of the Governor of the State of Nevada approving the issuance of the Bonds in the form attached to the Findings as Exhibit E and necessary to satisfy the TEFRA Hearing requirements.

- 2. Receipt of the approval of the Office of Economic Development to finance or refinance the Project in the form attached to the Findings as Exhibit B and necessary to satisfy NRS 349.585.
- 3. Receipt of a resolution in support of the Project from Storey County in the form attached to the Findings as Exhibit C.
- 4. Receipt of an unqualified opinion from Gilmore & Bell, P.C., bond counsel to the State of Nevada Department of Business and Industry, that interest on the Bonds will be tax-exempt for federal tax purposes. This opinion will be in a standard form acceptable to the financial market. The financing will not go forward unless such opinion is delivered.
- 5. The issuance by the Director of a certificate of private activity bond volume cap allocation.
- 6. Receipt of the consent of the Majority Holders and the Performance Insurer to the execution and delivery of the First Amendment to Financing Agreement.
- 7. The final agreements related to the Bonds will be in forms acceptable to the Director and its legal counsel.

FINDINGS OF THE DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY PURSUANT TO NEVADA REVISED STATUTES 349.580(2) RELATING TO THE FINANCING OF AN INDUSTRIAL DEVELOPMENT PROJECT TO BE LOCATED IN STOREY COUNTY, NEVADA

WHEREAS, Fulcrum Sierra Holdings, LLC, a Delaware limited liability company validly authorized to do business under the laws of the State of Nevada ("Fulcrum") has submitted its application dated May 17, 2019, as amended (the "Application"), to the Director of the State of Nevada Department of Business and Industry (the "Director") for the issuance of industrial development revenue bonds in an amount not to exceed \$50,000,000 (excluding any original issue premium or discount) (the "Bonds"); and

WHEREAS, proceeds from the sale of the Bonds will be used for the purpose of assisting in the financing or refinancing of a portion of the costs of (i) constructing, improving and equipping a facility owned by Fulcrum Sierra Biofuels, LLC (the "Project Company") and operated by Fulcrum BioEnergy, Inc. (the "Operator") to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the "Biorefinery") and/or (ii) the improvements to and equipping of the facility owned by Fulcrum and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada (the "Feedstock Processing Facility" and, together with the Biorefinery, the "Project"). improvements to the Project being financed or refinanced with the proceeds of the Bonds and other moneys are expected to include the construction of an expansion of the Feedstock Processing Facility to increase and enhance the quality of the Feedstock Processing Facility's production, the acquisition and installation of feedstock drying equipment at the Biorefinery to increase the Biorefinery's efficiency, the installation of an oxygen supply facility at the Biorefinery to improve the Biorefinery's gasification process, the acquisition and installation of electrical equipment at the Biorefinery to enable the Biorefinery to purchase solar energy, and the acquisition and installation of fuel upgrading equipment at the Biorefinery to allow the Biorefinery to produce a finished fuel product. Bonds in the aggregate principal amount of up to \$50,000,000 (excluding any original issue premium or discount) may be issued with respect to either component of the Project identified herein; however, the aggregate amount of Bonds to be issued for the Project will not be greater than \$50,000,000; and

WHEREAS, the Director has authority to issue the Bonds pursuant to the Nevada Revised Statues, including Sections 349.400 through 349.670, inclusive, thereof (the "Act"); and

WHEREAS, Fulcrum, the Project Company, the Operator, and other interested parties have prepared and submitted to the Director certain reports, records and other information related to the Project, and the Director has reviewed such reports, records and other information and has otherwise investigated the facts concerning the Project to enable the Director to make the following findings in accordance with the Act;

NOW, THEREFORE, pursuant to Section 349.580(2) of the Act, the Director hereby finds and determines as follows (the "Findings"):

- 1. Pursuant to Section 349.580(2)(a) of the Act, based on the Application and other documents on file with the Director, the Project consists of land, buildings and other improvements and all real and personal property necessary in connection therewith (excluding inventories, raw materials, and working capital) which is suitable for construction, improvement, preservation, restoration, rehabilitation or redevelopment of an industrial or other commercial enterprise.
- 2. Pursuant to Section 349.580(2)(b) of the Act, based on the Application, and other documents on file with the Director, the Project will provide significant public benefits. The public benefits include an approximately \$470.3 million investment in the Project (\$50.5 million of which is attributable to the proposed financing) located in Storey County, Nevada (the "County") which is expected to add approximately (a) 695 construction jobs (140 of which are attributable to the proposed financing); (b) 123 permanent, direct jobs (three of which are attributable to the proposed financing); and (c) more than 1,150 indirect jobs (50 of which are attributable to the proposed financing) and provide other economic benefits to the County. In addition, a portion of the Bonds will be used to acquire and install electrical equipment that is necessary to utilize renewable solar power from a solar project located in the Tahoe-Reno Industrial Center that will enable the Biorefinery and the Feedstock Processing Facility to source 100% of its electricity requirements from clean, renewable solar power. See Exhibit A for a summary of estimated economic benefits.
- 3. Pursuant to Section 349.580(2)(c) of the Act, based on the Application, financial statements of Fulcrum, the Project Company, and the Operator, a technology performance insurance policy to be entered into by Indian Harbor Insurance Company, The Bank of New York Mellon Trust Company, N.A., as collateral agent (the "Collateral Agent"), and the Borrower in connection with the issuance of the Bonds, and other documents on file with the Director, Fulcrum, the Project Company and the Operator have sufficient financial resources to place the Project in operation, continue or cause the operations conducted at the Project to be continued, and meet the obligations of (a) Fulcrum under the Financing Agreement, dated as of September 1, 2018, which was entered into in connection with the issuance of the Initial Holdings Bonds, as amended by a First Amendment to Financing Agreement to be entered into prior to the issuance of the Bonds, and as further amended by a Second Amendment to Financing Agreement to be entered into in connection with the issuance of the Bonds (the "Financing Agreement"), and (b) the Operator under the Guaranty Agreement to be entered into in connection with the issuance of the Bonds (the "Guaranty").
- 4. Pursuant to Section 349.580(2)(d) of the Act, based on the Financing Agreement, the Trust Indenture, dated as of September 1, 2018, as supplemented by a First Supplement to Trust Indenture to be entered into by the Director and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") in connection with the issuance of the Bonds (together, the "Indenture"), and other financing documents on file with the Director, there are sufficient safeguards to assure that all money provided by or through the State of Nevada Department of

Business and Industry will be expended solely for the purposes of the Project, including (a) certain provisions in the Financing Agreement and other financing documents that have been or will be entered into in connection with the issuance of the Bonds which set forth procedures ensuring that such moneys shall only be used to pay for certain costs relating to the acquisition, construction, improvement and equipping of the Project, and (b) the appointment of The Bank of New York Mellon Trust Company, N.A., as the Trustee and the Collateral Agent with respect to the Bonds to ensure such procedures are correctly followed. See Exhibit F hereto for related document extracts.

- 5. Pursuant to Section 349.580(2)(e) of the Act, based on the Application, a special use permit issued by the County and other documents on file with the Director, the Project will be compatible with the existing facilities in the area adjacent to the location of the Project.
- 6. Pursuant to Section 349.580(2)(f) of the Act, based upon the Application, including the table of governmental approvals and opinions of counsel to Fulcrum attached thereto, the certificate of Fulcrum attached hereto as Exhibit G and other documents on file with the Director, the Project has received all approvals by local, state and federal governments which may be necessary at this time to proceed with the construction, improvement, rehabilitation or redevelopment of the Project.
- 7. Pursuant to Section 349.580(2)(g) of the Act, by submission of the Application for financing, Fulcrum has requested the Director to issue the Bonds to assist in the financing or refinancing of the Project.

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ADDITIONAL CONSIDERATIONS OF THE DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY PURSUANT TO NEVADA REVISED STATUTES 349.590 RELATING TO THE FINANCING OF AN INDUSTRIAL DEVELOPMENT PROJECT TO BE LOCATED IN STOREY COUNTY, NEVADA

Pursuant to NRS 349.590, as additional considerations required for the approval and issuance of the Bonds, the Director has determined the following (the "Additional Considerations"). The Director hereby requests the Board of Finance to make the same determinations.

- 1. Pursuant to Section 349.590(1) of the Act, based upon the Application, and other documents on file with the Director, the total amount of funds necessary to be provided by the Director through the issuance of the Bonds shall not exceed \$50,000,000 (exclusive of any original issuance premium or discount).
- 2. Pursuant to Section 349.590(2)(a) of the Act, the Director has received a 5-year operating history from each of Fulcrum, the Project Company, and the Operator, either on an individual or consolidated basis. Further the Director has received assurances based on covenants in the Indenture that all the Bonds will be sold only to qualified institutional buyers as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act") and/or accredited investors as defined in Rule 501(a)(1), (2), (3) or (7) promulgated under the Securities Act in minimum denominations of \$100,000.
- 3. Pursuant to Section 349.590(3) of the Act, based upon the Application and other documents on file with the Director, Fulcrum, the Project Company, and the Operator are not currently rated by Moody's Investors Service, S&P Global Ratings, or Fitch Ratings, Inc.
- 4. Pursuant to Section 349.590(4) of the Act, based upon the Application and other documents on file with the Director, there are no existing facilities of a like nature within the County. The Director is not prohibited from financing the Project as provided in NRS 349.565.
- 5. Pursuant to Section 349.590(5) of the Act, the Director has considered the extent to which the Project is affected by various federal, state and local governmental action, activities, programs and development and has determined to issue the Bonds, including the consideration that the U.S. Department of Defense is providing a grant of up to \$70 million for the Project and that the Project is deemed a National Security Program.
- 6. Pursuant to Section 349.590(6) of the Act, none of Fulcrum, the Project Company, or the Operator have maintained facilities appropriate to the community in Nevada for longer than ten years, but have maintained facilities since 2016.

These Findings and Additional Considerations are made only for the purposes of Sections 349.580 and 349.590, respectively, of the Act and do not constitute a guarantee of financial results

with respect to the Project or otherwise with respect to the business prospects of Fulcrum, the Project Company, or the Operator. These Findings are not intended as an analysis of the Bonds as investments or intended to be relied upon by investors.

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NOW, THEREFORE, the Director hereby requests, pursuant to Sections 349.580 and 349.590 of the Act, that the Nevada State Board of Finance and the Board of County Commissioners of Storey County, Nevada approve the Findings as set forth above and evidence such approval by execution of the certificate and adoption of the resolution, respectively, each in the respective form attached hereto as Exhibit H.

DIRECTOR OF THE STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY

Terry J. Reynolds
Deputy Director

LIST OF EXHIBITS

Financial Advisor Memorandum
Form of Office of Economic Development Approval
Form of County Support Resolution
Reserved
Form of Governor's Certificate regarding the issuance of the Bonds for TEFRA
Hearing Purposes
Document Extracts Regarding Use of Funds
Certificate of Fulcrum Regarding Federal, State & Local Approvals
Form of Certificate of Approval by the State Board of Finance and Resolution of
Approval by the County Commissioners

ADDITIONAL DOCUMENTS ON FILE

- 1. Revenue Bonds for Industrial Development Act (NRS 349.400 349.670)
- 2. Regulations Pertaining to the Act (NAC 349.010-349.080)
- 3. Fulcrum Application
- 4. Trust Indenture, dated as of September 1, 2018, between the Director and the Trustee
- 5. First Supplement to Trust Indenture (draft), between the Director and the Trustee
- 6. Financing Agreement, dated as of September 1, 2018, between the Director and Fulcrum
- 7. First Amendment to Financing Agreement (draft), between the Director and Fulcrum
- 8. Second Amendment to Financing Agreement (draft), between the Director and Fulcrum
- 9. Amended and Restated Collateral Agency and Account Agreement (draft), between Fulcrum and the Collateral Agent
- 10. Preliminary Limited Offering Memorandum (draft), relating to the Bonds
- 11. Bond Purchase Agreement (draft), among the Director, Fulcrum and the underwriters named therein
- 12. Guaranty Agreement, dated as of September 1, 2018, of the Operator
- 13. First Amendment to Guaranty Agreement (draft), of the Operator

EXHIBIT A

FINANCIAL ADVISOR MEMORANDUM

(Attached)



AN INDEPENDENT MUNICIPAL FINANCIAL ADVISORY
AND CONSULTING FIRM

July 25, 2019

Terry J. Reynolds
Deputy Director
Nevada Department of Business & Industry
1830 College Pkwy Ste# 100
Carson City, NV 89706

Re:

Fulcrum Sierra Holdings, LLC (Fulcrum BioEnergy, Inc.)

Environmental Improvement Revenue Bonds

Deputy Director Reynolds:

Acting in its capacity as Financial Advisor ("FA") to the Nevada Department of Business & Industry ("B&I"), Lewis Young Robertson & Burningham, Inc. ("LYRB") is providing this letter to complement your Findings to be submitted to the Board of Finance addressing the Fulcrum Sierra Holdings, LLC ("Fulcrum Holdings") financing application and the proposed issuance by the Director of the B&I of approximately \$50,000,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project), Series 2019 ("Series 2019 Bonds") (industrial development revenue bonds) to finance the Project, as more fully described below.

The proposed financing of the Series 2019 Bonds is in concert with the previous four financings completed since 2017 totaling \$219,000,000 of Environmental Improvement Revenue Bonds. As Fulcrum continues to discover efficiencies in engineering and operations of the plant, along with reducing dependency on outside services and vendors, Fulcrum Holdings is seeking additional funding to fund construction of capital improvements required to access renewable power from a nearby solar project along with project enhancements, including the Feedstock Processing Facility ("FPF"), construction of the Air Separation Unit, as well as provide additional contingency. These enhancements will continue to make the plant more efficient through reduced operating costs which increases the cash flow and security for all bondholders while streamlining the processing of materials onsite. These additional improvements will also provide more opportunity to distribute biofuels within the Nevada market.

Fulcrum Holding's assets consist of its ownership interest in its subsidiaries and the realized revenues from those projects. As such, Fulcrum Holdings is limited in its ability to secure additional bonds. The Series 2019 Bonds will be secured as described below. LYRB is tasked, along with Gilmore & Bell, P.C., with reviewing Fulcrum Holding's application and supplemental materials with respect to the validity of the application in concert with your Findings. This letter highlights segments of the review process.

Original Project Introduction

Fulcrum Sierra BioFuels, LLC (the "Project Company") is a single-purpose Delaware limited liability company formed in 2008, to develop, construct, install, equip, commission, own and operate the Sierra





BioFuels Plant which is composed of the Feedstock Processing Faiclity ("FPF") and the Biorefinery (each as defined below) ("Sierra"), in Storey County, Nevada.

Sierra will convert approximately 175,000 tons per year of processed municipal solid waste ("MSW"), or household garbage, into approximately 11.0 million gallons per year of syncrude utilizing gasification and Fischer-Tropsch ("FT") technologies. The syncrude can then be processed into low-carbon transportation fuel products by standard refining subsystems. Sierra will be constructed in two phases.

<u>Phase 1</u> of Sierra is the feedstock processing facility (the "FPF") where MSW delivered by the Project Company's



Processing System

waste services partners will be sized, sorted and processed into a prepared MSW feedstock. The FPF is being constructed in two stages, the first of which has been in operation since 2016 and achieved FPF Substantial Completion on January 1, 2018. Construction of the first stage of the FPF ("Stage 1") was financed through equity contributions by Fulcrum and refinanced in part with proceeds of the DoD Award. Stage 2 began in the second quarter of 2018 and included improvements to the FPF and the acquisition and installation of additional equipment at the FPF to prepare MSW feedstock for the Biorefinery.

Phase 2 of Sierra is the biorefinery (the "Biorefinery") where the prepared MSW feedstock produced at the FPF will be converted into a low-carbon, renewable synthetic crude oil ("syncrude"). The syncrude product will then be sold to Tesoro Refining and Marketing Company, LLC ("Andeavor Offtaker"), a subsidiary of Andeavor ("Andeavor"), and transported to an Andeavor refinery to be further processed into transportation fuels, including gasoline and diesel fuel. In October 2018, Marathon Petroleum Corp. ("Marathon") acquired Andeavor, which included the acquisition of Andeavor Offtaker. The acquisition created the largest refining company in the United States in terms of capacity. Marathon is now the leading refining, midstream, and marketing company in the U.S.. This merger expanded Marathon's operations across key markets nationwide, combining the strong position it has historically enjoyed east of the Mississippi with the western United States presence that Andeavor has built over time. In refining, Andeavor's facilities in California, the Mid-Continent and the Pacific Northwest complement Marathon's existing Gulf Coast and Midwest footprint, and will make the combined company the No. 1 U.S. refiner by capacity and a top five refiner globally with throughput capacity of more than 3 million barrels per day.

Fulcrum entered into an Engineering, Procurement and Construction ("EPC") Contract with Aquatech International, LLC as the EPC Contractor for the construction of the Biorefinery and a full notice to proceed was delivered to the EPC Contractor on October 31, 2017. The Biorefinery is expected to begin operations in February 2020. A more detailed timeline summary is outline below.

Sierra Project Costs

The total estimated cost for Sierra remains at approximately \$406 million, \$229 million of which has already been spent as scheduled. Costs remaining to be spent through start-up operations and performance testing are approximately \$177 million, with more than \$177 million of funds available to the project. The issuance of the Series 2019 Bonds will allow the Project Company to free up cash-on-hand to allow it to fund additional equity contributions to Sierra to fund construction of certain enhancements. Total costs to be spent are reviewed by the Holder's independent engineer, Leidos Engineering, LLC ("Leidos") prior to expenditure. Sierra's current project pro forma financial projections



remain consistent with the projections in the Limited Offering Memorandum and continue to project a debt service coverage ratio ("DSCR") of more than three times.

In addition to the description of the construction of Sierra, as discussed herein, the status of construction of Sierra has been the subject of, and is consistent with, the monthly Construction Report and the monthly Progress Report prepared by Fulcrum.

Project Status

Biorefinery Construction Progress by EPC Contractor (as of May 31, 2019)

Discipline	Actual Cumulative Progress (%)
Engineering	90.3
Procurement	98.1
Fabrication and Offsite Construction	68.1
Onsite Construction	10.4

Major milestones achieved to date or targeted by the EPC Contractor for the construction of the Biorefinery are shown in the table below:

Milestone Description	Actual or Targeted Date
EPC Notice to Proceed	October 31, 2017
Scheduled Mechanical Completion	January 29, 2020
Start Acceptance Testing	April 26, 2020
Scheduled Substantial Completion	June 5, 2020

Past Bond Financing Summary

Fulcrum has investigated a variety of funding sources for improvements to the Project. Upon initial feedback from various lending sources and its underwriter, along with experience in selling the previous Bonds (outline below), Fulcrum is requesting the B&I to issue additional bonds to achieve the lowest cost of capital which will enable Fulcrum to maximize cash flow and maintain overall financial strength.

The B&I has successfully facilitated the issuance of four prior series of bonds in the aggregate amount of \$219,000,000 as follows:

Borrower	Project Reference	Date	Amount	Purpose
Fulcrum Sierra BioFuels, LLC (subsidiary or Fulcrum Holdings)	1	10/26/2017	\$150,000,000	Original Project Costs to finance a biorefinery facility that disposes of solid waste and converts it to renewable fuel products that can be further refined into to gas, diesel fuel or jet fuel.

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Fulcrum Sierra	11	12/21/2017	\$21,960,000	ujj
BioFuels, LLC				Due to the original financing in 2017 being so
(subsidiary or Fulcrum Holdings)				successful, additional bonds were issued to continue to fund the Original Project scope. Project Financings II & III were split into 2 series
Fulcrum Sierra BioFuels, LLC	111	2/27/2018	\$3,040,000	due to availability of private activity bond allocation
(subsidiary or Fulcrum Holdings)				See above description above
Fulcrum Sierra Holdings, LLC	IV	9/5/2018	\$44,000,000	Fulcrum sought additional funding to integrate an onsite water treatment facility along with incorporating strategic trommels and dryers into the process. These enhancements resulted in enhanced plant efficiency, reduced operating costs and streamlined processing of materials onsite.
Fulcrum Sierra Holdings, LLC	V	(Sept 2019)	\$50,000,000	Seeking funding for construction of certain enhancements, including capital improvements required to access the renewable power from the nearby solar project, Sierra project enhancements, including to the FPF, construction of the Air Separation Unit, as well as provide Sierra with additional contingency

Use of Proceeds from the Series 2019 Bonds

Fulcrum Holdings will contribute the net proceeds from the issuance of the Series 2019 Bonds to the Project Company as equity, significantly strengthening the capital position of the Project Company. The expected Sources & Uses of Bonds are shown in the table below:

Sources	
Bonds	\$ 50.0
Interest Income	\$ 0.5
Total Sources of Funds	\$ 50.5
Uses	
EPC Costs	
Fixed-Price Biorefinery EPC Contract	\$ 9.2
Feedstock Processing Facility EPC Costs	\$ 7.9
Subtotal - EPC Costs	\$ 17.1
Non-EPC Costs	
Development	\$ 1.7
Other Costs	\$ 12.7
Technology Performance Insurance Premium	\$ 1.2
Commission, Start-up and Taxes	\$ 0.6
Subtotal - Non-EPC Costs	\$ 16.2



Financing Costs		
Capitalized Interest	\$	10.4
Debt Service Reserve Account	\$	5.0
Issuance Costs	\$	1.8
Subtotal - Non-EPC Costs	\$	17.2
Total Uses of Funds	Ś	50.5

Summary of the 2019 Project:

The Series 2019 Bonds proceeds will be used to finance capital improvements required for the Sierra Project to access renewable power from a nearby solar project with other enhancements such as construction of the Air Separation Unit, as well as provide Sierra with additional contingency. Remaining contingency funds will be contributed to Sierra for the engineering and construction of the on-site upgrading systems which will enable the fuel produced at Sierra to be upgraded to 100% jet fuel. Such upgrades will also potentially allow Fulcrum to distribute this fuel within the State of Nevada.

Renewable Power Contract and Improved Sierra Cash Flows

To further enhance the operations of the Project, Fulcrum has begun to proceed with several project enhancements to improve cash flows and economies of the Project, including a goal of operating Sierra with 100% renewable power. Fulcrum is currently negotiating with a Nevada company that will provide Sierra with renewable power from a solar project located in the Tahoe-Reno Industrial Center. Under the proposed terms of the eighteen-year power purchase agreement ("PPA"), 100% of the electricity requirements of the Biorefinery and FPF will be met with clean, renewable solar power.

Purchasing renewable power under this PPA will dramatically reduce the environmental footprint of the Project. Currently, Fulcrum is expected to reduce carbon emissions on a lifecycle basis by more than 80% when compared to traditional petroleum-based fuel production. Utilizing the renewable power purchased under the PPA, Sierra's carbon emissions reduction will be more than 100%. Stated differently, fuel produced at Sierra will have less than zero carbon emissions on a lifecycle basis. It is possible to achieve a carbon intensity score of less than zero because the Project avoids landfill emissions by processing plastics and other materials that would otherwise off gas. With the help of using solar power as opposed to more traditional power, Sierra's process produces less CO2 than it avoids, resulting in net negative carbon emissions.

As a result of the improvement in Sierra's carbon footprint, which further improves Sierra's GHG Carbon Intensity ("CI") score under California's Low Carbon Fuel Standard ("CS LCFS"), annual cash flows of Sierra will increase significantly due to higher revenue received under the CA LCFS program.

Improved Project Economies for the Series 2018 Bonds and the 2019 Bonds

The increased cash flows will enable Sierra to maintain the existing three-times debt service coverage ratio ("DSCR") after the issuance of the Additional Bonds, which is consistent with the DSCR provided to the Holders of the Series 2018 Bonds. With the relatively fixed nature of the CA LCFS revenue, the quality of the cash flows generated by Sierra are also enhanced.

By maintaining the same DSCR following the issuance of the Additional Bonds and improving the quality of Sierra's cash flows, the position of the Holders of the Series 2018 Bonds is enhanced. In addition, the



position of the Holders of the Project Company's first lien bonds is also significantly enhanced with the increased cash flow and DSCR.

The Borrower's increased cash flow projections will be reviewed by Leidos and Argus Consulting Services, the revenue consultant. The issuance of the Additional Bonds will be contingent upon a certification by Leidos as to such cash flow projections and satisfaction of the DSCR.

Construction & Permits

Fulcrum has confirmed that site preparation and construction-related activities have commenced as appropriate to the overall construction schedule. Construction of various infrastructure facilities at the Biorefinery and enhancement of the FPF continue to proceed as planned and are all expected to be completed prior to Mechanical Completion of the Biorefinery. Engineering activities are nearing completion. Orders for all major equipment have been placed and fabrication is either completed or in progress. As an example, the following major equipment and vessels have already been delivered to the site: the steam reformer, carbon trim cell, syngas compressor, POx vessel, deaerator, and auxiliary boiler.

As for the new 2019 Project components, Fulcrum and its related parties have confirmed that all pertinent permits and approvals are in place. Considering the 2019 Project components, the Nevada Division of Environmental Protection ("NDEP") has confirmed that no other water pollution control permits from the NDEP will be required for the construction or operation of the Biorefinery with the exception of, the storm water permits already in process.

Economic Impact to Nevada

Fulcrum anticipates that overall, the Project will have a significant economic impact by creating skilled, high-paying jobs in both the initial construction phase and from full-time permanent jobs which will generate new property and sales tax revenues. These jobs and revenues will generate additional economic value within the community with its employees utilizing local services. In summary, Fulcrum anticipates the following benefits to the local economy:

Tonstruction

- o \$406 million to fund construction of the Feedstock and Biorefinery projects
- Subsequently, Fulcrum expects to spend approximately \$20-30 million to install a jet fuel upgrading system
- o Future plans include a 30-million gallon per year expansion totaling \$450 million

罗 Job Creation

- Fulcrum projects it will create approximately 690 construction jobs and more than 1,150 indirect jobs in the area.
- Fulcrum projects it will create approximately 120 non-construction permanent jobs, all
 of which will be filled by local residents but for one person being transferred

Construction			Permanent Operation	n	
Biorefinery		426	Biorefinery		46
Civil	36		Managers	5	+
Mechanics	50		Operators	20	+
Piping	168		Maintenance	21	+
Electricians	96				1-
Instrumentation	76				+
FPF		44	FPF		44



Managers	4		Managers	2	T
Electricians	6		Operators	18	
Iron Workers	15		Maintenance	13	1
Equipment Operators	6	\top	Other	11	
Laborers	12			1	1-
Planner	1			 	
Water Treatment Plant		49	Water Treatment Plant		10
Civil Work	14		Manager	1	
Mechanics	20		Operators	7	1
Electricians	10		Mechanic	1	\top
Other	5		E-1&C Tech.	1	
Air Separation Unit		20		 	+
Civil Work	12				
Mechanics/Electricians	8			+	1
Solar Power Project		140	Solar Power Project	 	3
Electrical Substation		6	Trucking	+	20
Natural Gas Lines		10			
Total Expected Jobs		695	Total Expected Jobs		123

Fulcrum is committed to spending more than \$330 million to fund construction of Sierra. The project is, and remains, fully funded. The issuance of the Additional Bonds will fund \$54 million more in construction which will lead to additional jobs as included in the numbers above. Hourly wages will average between \$30 and \$46 for these skilled roles, before overtime rates and benefits. Abengoa, the largest EPC contactor working on Sierra, has estimated that approximately \$50 million dollars of their contract will be for labor working locally. In addition to providing a living wage to laborers, this infusion of money into the local and regional economy will indirectly benefit restaurants, hotels, gas stations, grocery stores and other local service-oriented businesses which Fulcrum believes equates to an additional 1,150 indirect jobs. Fulcrum has estimated permanent jobs relating to Sierra will earn at least \$7 million annually.

〒 Taxes

o Property taxes are estimated at \$13 million over a 10-year tax abatement period

(\$ In Milfions)	Amount Paid 10-Yr Total	Amount Abated 10-Yr Total	Amount Paid Annual Average	Amount Abated Annual Average
Biorefinery	\$11.50	\$11.50	\$1.15	\$1.15
Feedstock Facility	1.50	1.50	0.15	0.15
Total	\$13.00	\$13.00	\$1.30	\$1.30

- Sales taxes of approximately \$11 million generated during construction and over the 10year tax abatement period
 - Additional sales tax will be generated through normal operations of the Project and from employees living within the community

(\$ In Millions)	Amount Paid	Amount Abated
During Construction		
Biorefinery	\$3.90	\$10.90
Feedstock Facility	0.34	0.95



10 Yrs. of Operations		:
Biorefinery	\$6.20	\$0.00
Feedstock Facility	0.60	0.00
Total	\$11.04	\$11.85

75 Benefit to the Local Utility District

- With the Water Treatment Facility, the District will retain valuable resources that can be applied to other growth and development in TRIC.
- Additionally, the Water Treatment Facility will enable Fulcrum to not use local resources to deliver or treat water and sewer. It will not be creating a new demand on the District which could impact its operations and/or capital improvement plan

Original Appraisal and Market Study

Fuicrum originally engaged Duff & Phelps, LLC (D&P) to provide an estimate of the fair market value of the Project, a plant located in the Tahoe-Reno Industrial Center, Storey County, Nevada, as if complete, as of May 31, 2017 (Valuation Date). Based on D&P's analysis as detailed in its report and exhibits, the Fair Market Value of the Plant is reasonably estimated at \$340 million as of the Valuation Date. It would be expected that the 2018 Project will only increase the estimated value of the Plant and its assets.

Fulcrum engaged Argus Consulting Services and Nexant, Inc. to prepare market study reports. The reports' findings are as follows:

T Quality:

"In summary, the Project's FT Syncrude's primary qualities overall are superior for production of transportation fuels when compared to conventional crude oils being processed at Tesoro's Martinez refinery. Secondary characteristics, including poor cold-flow properties, a highly paraffinic naphtha fraction, and oxygen content, make the FT Syncrude somewhat more challenging to refine to finished products. However, the plan to blend Fulcrum's FT Syncrude in small percentages with conventional crude oils will mitigate these issues and, based on a review of FT Syncrude's characteristics, Nexant concludes that the Project's FT Syncrude overall is an easier and less costly refinery feedstock to process than the types of conventional crude oils typically processed at Tesoro's Martinez refinery and, in the quantities being considered, will not require any modifications to the existing Martinez refinery."

តី Competition:

- "The Project is one-of-a-kind facility processing municipal solid waste into FT syncrude product that will be sold to Tesoro's Martinez refinery located in the San Francisco Bay area. Nexant evaluated the competitiveness of the Project against U.S. competitive facilities and international imports."
- National: Nexant reviewed the potential competitiveness of the Project versus the ongoing U.S. projects and concluded that there is almost no competition to the Project. California refiners, especially in the targeted San Francisco area, are an attractive market for the Project's FT syncrude since the Project will have advantages due to superior logistics, attractive costs for refiners, and limited competition from other FT-based facilities.

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 International: All the worldwide FT syncrudes produced today are captively processed into intermediate or finished products on site. None of the synthesis activities suggest that there is a potential for them to supply FT syncrude to the United States. As such, Nexant does not foresee any international competition for the Project's FT syncrude.

〒 Price Sensitivity:

Since the Cellulosic Waiver Credit ("CWC") price is inversely correlated to gasoline prices, the CWC creates an effective hedge against gasoline and oil prices. Even in a low oil price environment of \$35 per barrel, the effective floor for Fulcrum's Cellulosic RIN will exceed \$3.50 per gallon. This Renewable Fuel Standard mechanism that is established under law provides Fulcrum with price stability in any oil price environment. Because the CWC is inversely correlated to gasoline prices, the CWC creates an effective hedge against gasoline and oil prices (see the "Market Overview—Renewable Fuel Standard" section in the Preliminary Limited Offering Memorandum). As oil prices go down, cellulosic RIN prices go up.

While the information in this section pertains more to the Original Project scope, I include this reference to allow the reader to understand the dynamics and thought invested into the creation of the Project.

Revenues & Expenditures Summary

Fulcrum anticipates generation of meaningful revenues from the Project in FY 2020 with full operations commencing in 2023. Fulcrum will increase production over a 3-year period beginning with 3.6 million gallons in 2020 increasing to approximately 11.1 million gallons in 2023. Approximately 80-85% of the revenues will be derived from generating the syncrude with the balance coming from tipping fees, portfolio energy credits and recyclables being the largest revenue component. As for expenditures, approximately 80% are comprised of plant labor & maintenance, purchased natural gas & power and other operating and General & Administrative expenses. Other expenditures include catalyst and chemicals, an operating cost contingency, property taxes, insurance and transportation.

Fulcrum has engaged third-party consultants to determine the feasibility and integrity of the model by stressing the variables and inputs. Conservative inflators were incorporated accordingly.

Fulcrum has worked closely with its engineering and industry professionals to optimize the operations of the Project, i.e. water treatment plant and solar energy concepts amongst others. As such, incorporating these enhancements has delayed the Project construction and output which subsequently delayed revenue generation. As a biproduct, this has reduced the debt service coverage in the initial 2 years from original projections. However, these enhancements have improved the overall operations and cash flow of the Project which has increased the long-term viability and strengthened the debt service coverage over the life of the bonds. As such, Fulcrum has taken a slight reduction in early year's debt service coverage to enhance long-term cash flow and debt service coverage. This was a cognizant decision for the long-term sustainability of the Project. Fulcrum has received feedback from its professionals and investment partners that these decisions by Management have been prudent and properly implemented.

In servicing the debt, Fulcrum Sierra BioFuels, LLC projects 1.2x, 1.3x and 2.0x coverage respectively in the first three years of operation, with an average of 2.96x coverage for the subsequent 5-year period. This is conservative in nature with contingencies incorporated into the model which allow flexibility in managing future cash-flows. The excess revenues will be available for the repayment of the Series 2019 Bonds.

The projected debt service coverage for the Fulcrum Holdings' Series 2018 & 2019 Bonds is 3.0x in 2022, increasing to 3.2x, 3.8x and 4.0x in subsequent years.



Financing Security:

As alluded to above, Fulcrum Holdings has limited assets that could be pledged to secure the Series 2019 Bonds in its ownership interest in its subsidiaries. Accordingly, the following items have been pledged the security for the Series 2018 & 2019 Bonds:

 All revenues and funds of Fulcrum Holdings under the Trust Indenture and Collateral Agreement which include the following:

Fund	Series 2018	Series 2019
Debt service reserve fund	\$4,400,000	\$5,000,000
Capitalized interest fund	~\$15,000,000	~\$10,400,000

- Fulcrum provides a Parent Guaranty on the timely repayment of the Series 2019 Bonds of all principal, interest and other payments due under the Financing Agreement.
- O Although the EPC Contract is with Fulcrum BioFuels, it contains specific Project performance security measures, including a guarantee of cost, schedule and performance, a standby letter-ofcredit, and a guarantee by the EPC Contractor's parent company, Abengoa, for the Project each as more particularly described below:
 - That the Biorefinery will meet all the performance guarantees set forth in the EPC Contract, satisfy all other conditions set forth in the EPC Contract, and cause the Biorefinery to achieve Final Completion
 - An unconditional, irrevocable (subject to the terms thereof) standby letter-of-credit in the amount of approximately \$18.2 million has been issued by Wells Fargo Bank, N.A.
 - On October 27, 2017, the EPC Contractor furnished to Fulcrum BioFuels a parent guarantee from Abengoa which guarantees the payment and performance of EPC Contractor's obligations under the EPC Contract.
- As for the Water Treatment Facility, there is a separate EPC contract with Aquatech International, LLC that will guarantee specific performance measures, including necessary costs, schedule and general Facility performance. This EPC is still being finalized as of the date of this letter but will be in place prior to the marketing and sale of the Series 2019 Bonds.
- The trommels are being purchased under a fixed-price agreement that guarantees price, schedule and performance. The contract for the dryers has yet to be finalized but will also include such guarantees.
- o In addition to the EPC Contractor's guarantees, Fulcrum has provided \$10 million of contingent equity capital and has committed up to an additional \$12.2 million of contingent equity capital pursuant to the Fulcrum Project Support Agreement to cover additional costs of the Project.
- o Fulcrum Holdings secured a technology performance insurance policy from Indian Harbor Insurance Company (the "Performance Insurer") that insures against losses resulting from defective, faulty or incomplete performance of the Biorefinery at Mechanical Completion. The Performance Insurance Policy will provide funds for the mandatory redemption of the Series 2019 Bonds (up to the lesser of (A) the maximum principal amount of the Series 2019 Bonds outstanding as of the Mechanical Completion Date, together with capitalized interest accrued but not paid prior to the Mechanical Completion Date or (B) the par amount of Series 2019 Bonds



should, among other required loss triggers, projected cash flows not meet the minimum loan-life coverage ratio of 1.20 as calculated in the Performance Insurance Policy prior to the Mechanical Completion Date due to defective, faulty or incomplete performance of the Biorefinery. The Performance Insurance Policy does not guarantee payment on the Series 2019 Bonds and is NOT a municipal bond insurance policy.

- o The Series 2019 Bonds are exclusive obligations of Fulcrum Holdings and are not guaranteed by any of its subsidiaries. Because Fulcrum Holdings is a holding company with no material assets other than its ownership interests in its subsidiaries, and all of its operations are conducted by its subsidiaries, the Series 2019 Bonds are structurally subordinated to all existing and future debt, trade credit and other liabilities of those subsidiaries including Fulcrum BioFuels and Fulcrum Holdings' rights, and hence the rights of the Series 2019 Bondholders, to participate in any distribution of assets of the Fulcrum BioFuels upon liquidation or reorganization or might otherwise be subject to the prior claims of such subsidiary's creditors, except to the extent that Fulcrum Holdings' claims as a creditor of such subsidiary may be recognized.
- o In addition to the EPC Contractor's guarantees, Fulcrum has committed \$10 million in equity capital as contingency to cover costs incurred in excess of the EPC Contractor's \$18.2 million liability during performance testing of the Biorefinery.
- As discussed above, integrating solar power will reduce expenses which will enhance cash flow.

Series 2019 Bond Sale Summary

With approval of the Board of Finance, Fulcrum Holdings expects to release the preliminary limited offering memorandum to investors shortly after the August Board meeting. Upon such release, the underwriter will immediately market the bonds with an anticipated closing date within a few weeks of approval.

In speaking with the underwriter, due to the unique structure and credit quality of the Series 2019 Bonds, it is likely that existing bond holders of the Fulcrum BioFuels Project Financings would be prime candidates to invest in the Series 2019 Bonds.

Summary

Fulcrum continues to make significant progress with the construction of the Project, which remains on schedule to achieve Mechanical Completion of the Biorefinery by January 29, 2020.

With the completion of the renewable power purchase agreement ("PPA"), the cash flows generated by the Project are significantly increased allowing the Fulcrum to maintain the same three times DSCR.

The net proceeds from the issuance of the Series 2019 Bonds will be contributed as equity to the Project, further strengthening the financial position of Fulcrum and providing additional contingency and capital to fund enhancements to the Project.

The position of the holders of the Bonds will be significantly enhanced with additional fixed cash flows, greater collateral and an improved DSCR.

The economic impact of the Project will lead to over 800 construction and permanent jobs and infuse over \$145 million into the local economy over the next ten years.



Conclusion

The Fulcrum group has created a unique project that, if successful, will bring great economic and environmental benefits to the region. The Project is creating new jobs while reducing landfill waste all to produce renewable energies. The anticipated Project enhancements funded with the Series 2019 Bonds will further reduce the carbon footprint thus making the Project "greener" and more efficient. Moreover, there is now a greater likelihood that the biofuels could stay within the State of Nevada. There are structural components to this financing that are less secure than the original Fulcrum BioFuels financings however, Fulcrum Holdings has sought additional measures to counter the unique nature of the financing. Namely that these enhancements improve the operations and cash flow that will increase the long-term viability of the Project. This is all supported by the strong, diverse partnerships Fulcrum has cultivated to make success realistic.

Since the Series 2019 Bonds have a variety of security features creating operational enhancements to increase cash flow while reducing the impact on local service providers, particularly water, sewer and electrical, I concur with you and Bond Counsel that this Financing Application is appropriate for your consideration and should be allocated private activity bond resources.

LYRB also concurs with the B&I and Bond Counsel that the Fulcrum Project meets the requisite Nevada Revised Statutes and should be presented to the Board of Finance for its approval.

We welcome the opportunity to discuss the Fulcrum financing application. Please contact me at (801) 456-3903 or by cell (801) 647-4823 or by e-mail david@lewisyoung.com.

Sincerely,

David Robertson Vice President

D.D. Best



APPENDIX A - PROJECT PHOTOS AND LAYOUT WITH CONSTRUCTION UPDATES

FEEDSTOCK AND BIOREFINERY PHOTOS

Biorefinery site (current)



Tipping floor



Post-Shredded MSW Moving into the Processing System



MSW Shredder and Conveyor Moving MSW into the Processing System



Waste tipper

Steam Reformer lift in progress at the Sierra Biorefinery site on May 6, 2019

Construction of various infrastructure facilities at the Biorefinery and enhancement of the FPF continue to proceed as planned and are expected to be completed prior to Mechanical Completion of the Biorefinery.



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Water Treatment Plant

The civil contractor by the Project Company continues to pour foundations, install balance of underground piping and electrical and erect numerous tanks. Construction of the Water Treatment Plant, located at the Biorefinery, is expected to be completed in December 2019.

Air Separation Unit

The EPC Contractor was retained by the Project Company to perform the civil work associated with the Air Separation Unit and began excavation in May 2019 for the foundations and trenching for the underground electrical conduits. Construction of the Air Separation Unit, located at the Biorefinery, is expected to be completed in January 2020.



Feedstock Processing Facility

Van Dyk Baler Corporation was retained by the Project Company for the engineering, design, installation and commissioning of additional MSW equipment and systems at the FPF. All equipment has been delivered to the site and is in the process of being installed. Work continues at the FPF on the "balance of plant" work including the construction of a larger tipping floor, a residual material building, new tipper, new scale and associated civil work.

Mechanical Completion of the balance of plant work and installation of the additional MSW equipment and systems is scheduled for August 23, 2019 at which time acceptance testing will begin with Substantial Completion targeted for September 19, 2019.







FPF site enhancements; construction of new residual load-out building (left) and construction of new, larger MSW tip floor (right)

EXHIBIT B

FORM OF OFFICE OF ECONOMIC DEVELOPMENT APPROVAL

(Attached)

DETERMINATION AND APPROVAL OF THE STATE OF NEVADA OFFICE OF ECONOMIC DEVELOPMENT PURSUANT TO NEVADA REVISED STATUTES 349.585 RELATING TO THE FINANCING OR REFINANCING OF A PROJECT LOCATED IN STOREY COUNTY, NEVADA

WHEREAS, Fulcrum Sierra Holdings, LLC, a Delaware limited liability company ("Fulcrum"), a wholly owned subsidiary of Fulcrum Bioenergy, Inc. (the "Operator") has submitted the attached application dated May 17, 2019 (the "Application") to the Director of the State of Nevada Department of Business and Industry (the "Director") for the issuance of industrial development revenue bonds in an amount not to exceed \$70,000,000 (the "Bonds") for the purpose of assisting in the financing or refinancing of a portion of the additional costs of (i) constructing, improving and equipping a facility to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada and (ii) the improvements to and equipping of the facility owned by the Project Company and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site at 350 Saddle Court in Mustang, Storey County, Nevada (collectively, the "Project"); and

WHEREAS, the Director has authority to issue the Bonds pursuant to the Nevada Revised Statues, including Sections 349.400 through 349.670 thereof (the "Act"); and

WHEREAS, Fulcrum, the Operator, and other interested parties have prepared and submitted to the Director certain reports, records and other information related to the Project, and the Director has reviewed such reports, records and other information and has otherwise investigated the facts concerning the Project so as to enable the Director to make certain findings in accordance with the Act; and

WHEREAS, pursuant to Section 349.585 of the Act, the State of Nevada Office of Economic Development (the "Office") must, prior to the issuance of the Bonds, determine that the Project is consistent with the State Plan for Economic Development and must approve the financing of the Project;

NOW, THEREFORE, pursuant to Section 349.585 of the Act, the Office hereby determines and approves as follows:

The Project is consistent with the State Plan for Economic Development developed by the Executive Director of the Office pursuant to Subsection 2 of Section 231.053 Nevada Revised Statutes.

Based upon the foregoing, the Project is hereby approved by the Office.

This determination and approval is made only for the purposes of Section 349.585 of the Act and does not constitute a guarantee of financial results with respect to the Project or otherwise with respect to the business prospects of Fulcrum, the Project Company, or the Operator. This

to be relied upon by investors.			
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IN WITNESS DEVELOPMENT has, 2019.	WHEREOF, the STATE OF NEVADA OFFICE OF ECONOMIC caused this determination and approval to be made this day of the state of the st
	THE STATE OF NEVADA OFFICE OF ECONOMIC DEVELOPMENT
	By: Executive Director

EXHIBIT C

FORM OF COUNTY SUPPORT RESOLUTION

(Attached)

RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF STOREY, NEVADA PROVIDING FOR THE TRANSFER OF THE COUNTY'S 2019 PRIVATE ACTIVITY BOND VOLUME CAP TO THE DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY OF THE STATE OF NEVADA AND SUPPORT FOR A FACILITY TO BE USED FOR FINANCING OF A SOLID WASTE DISPOSAL FACILITY PROJECT LOCATED IN THE COUNTY OF STOREY, STATE OF NEVADA

WHEREAS, pursuant to the provisions of Chapter 348A of the Nevada Revised Statutes ("NRS") and Chapter 348A of the Nevada Administrative Code ("NAC"), there has been allocated to the County of Storey, Nevada (the "County" and "State," respectively), tax-exempt private activity bond volume cap for year 2019 (the "2019 Bond Cap"); and

WHEREAS, the Director of the State of Nevada Department of Business and Industry (the "Director"), has requested that the County transfer the 2019 Bond Cap to the Director for the purpose of assisting in the financing or refinancing of a portion of the costs of constructing, improving and equipping of a facility (i) to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the "Biorefinery") and/or (ii) the improvements to and equipping of a facility used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada (the "Feedstock Processing Facility" and, together with the Biorefinery, the "Project"); and

WHEREAS, the additional improvements to the Project being financed or refinanced with the proceeds of bonds and other moneys are expected to include the construction of an expansion of the Feedstock Processing Facility to increase and enhance the quality of the Feedstock Processing Facility's production, the acquisition and installation of feedstock drying equipment at the Biorefinery to increase the Biorefinery's efficiency, the installation of an oxygen supply facility at the Biorefinery to improve the Biorefinery's gasification process, the acquisition and installation of electrical equipment at the Biorefinery to enable the Biorefinery to purchase solar energy, and the acquisition and installation of fuel upgrading equipment at the Biorefinery to allow the Biorefinery to produce a finished fuel product; and

WHEREAS, the County is a "local government" as defined by NAC 348A.070; and

WHEREAS, Section 348A.180 of the NAC provides a procedure whereby the County may, by resolution, transfer to the Director, the 2019 Bond Cap to assist in the financing of an eligible project; and

WHEREAS, the Board of County Commissioners of the County has the responsibility for allocating private activity bond volume cap available to the County, including the 2019 Bond Cap.

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- NOW, THEREFORE, the Board of County Commissioners of the County do hereby find, resolve, determine and order as follows:
 - Section 1. Recitals. The recitals set forth herein above are true and correct in all respects.
- Section 2. Transfer of Private Activity Bond Volume Cap. Pursuant to NAC 348A.180, the County hereby transfers the 2019 Bond Cap to the Director for the Project, to be undertaken by Fulcrum Sierra Holdings, LLC ("Fulcrum Holdings").
- Section 3. Use of 2019 Bond Cap. The Director will use the 2019 Bond Cap for the Project in calendar year 2019, or carry forward any remaining amount according to the Internal Revenue Code of 1986, as amended, for such purposes.
- Section 4. Support of County. The Board of County Commissioners of the County do hereby endorse and support Fulcrum Holdings' efforts to obtain bonding and funding support for the Project through the Nevada Department of Business and Industry.
- Section 5. Representative of County. Pursuant to NAC 348A.180(1), the Director may contact Marshall McBride regarding this Resolution at (775) 847-0968 or in writing at 26 S. B Street, P.O. Box 176, Virginia City, Nevada 89440.
- Section 6. Additional Action. The Board of County Commissioners of the County are hereby authorized and directed to take all actions as necessary to effectuate the transfer of the 2019 Bond Cap, and carry out the duties of the County hereunder, including the execution of all certificates pertaining to the transfer as required by NAC Ch. 348A. The Clerk-Treasurer of the Board of County Commissioners is hereby authorized and directed to mail a certified copy of this Resolution to the Director.
- Section 7. Obligation of the County: This Resolution is not to be construed as a pledge of the faith and credit of or by the County, or of any agency, instrumentality, or subdivision of the County. Nothing in this Resolution obligates or authorizes the County to issue bonds for any project or to grant approvals for a project or constitutes a representation that such bonds will be issued.
- Section 8. Enforceability. If any section, paragraph. clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution. This Resolution shall go into effect immediately upon its passage.

ADOPTED, SIGNED AND APPRO	OVED this day of, 2019.
	COUNTY OF STOREY, NEVADA
	By:
ATTEST:	
By:	

EXHIBIT D

RESERVED

EXHIBIT E

FORM OF GOVERNOR'S CERTIFICATE REGARDING THE ISSUANCE OF THE BONDS FOR TEFRA HEARING PURPOSES

(Attached)

CERTIFICATE BY THE GOVERNOR REGARDING DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY'S ISSUANCE OF ENVIRONMENTAL IMPROVEMENT REVENUE **BONDS**

I, Steve Sisolak, Governor of the State of Nevada, DO HEREBY CERTIFY:

A public hearing was held on June 28, 2019, at the principal office of the Nevada Department of Business and Industry Director's office located at 1830 E. College Parkway, Suite 200, Carson City, Nevada 89706 to hear public comment on plans for the issuance and sale of up to \$70,000,000 Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project) to be issued in one or more series or issues (the "Bonds") to assist in the financing or refinancing of a portion of the costs of constructing, improving and equipping a facility to be used for converting municipal solid waste into renewable fuel products (the "Biorefinery") and/or the improvements to and equipping of the facility used for preliminary sorting and processing of municipal solid waste (the "Feedstock Processing Facility"), each located in Storey County, Nevada (collectively, the "Project"). The additional improvements to the Project being financed or refinanced with the proceeds of the Bonds and other moneys are expected to include the construction of an expansion of the Feedstock Processing Facility to increase and enhance the quality of the Feedstock Processing Facility's production, the acquisition and installation of feedstock drying equipment at the Biorefinery to increase the Biorefinery's efficiency, the installation of an oxygen supply facility at the Biorefinery to improve the Biorefinery's gasification process, the acquisition and installation of electrical equipment at the Biorefinery to enable the Biorefinery to purchase solar energy, and the acquisition and installation of fuel upgrading equipment at the Biorefinery to allow the Biorefinery to produce a finished fuel product.

Notice for the hearing was given and the hearing was conducted in accordance with the Report of Hearing. Such Notice and Report of Hearing are attached hereto as Exhibit A. Solely for the purpose of satisfying the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, and for no other purpose, I hereby approve the plan of financing for the issuance of the Bonds. This approval is not to be construed as a pledge of the faith and credit of or by the State of Nevada, or of any agency, instrumentality, municipality, or subdivision of the State of Nevada.

IN WITNESS	WHEREOF, I have set my hand this _	day of	_, 2019.
		STEVE SISOI Governor, State of	

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Exhibit A

NOTICE AND REPORT OF HEARING

EXHIBIT F

DOCUMENT EXTRACTS REGARDING USE OF FUNDS

(Attached)

Extracts from the Indenture

Section 4.03. Delivery of Series 2019 Bonds and Other Moneys.

(a) On the Series 2019 Bonds Closing Date, the Trustee shall deposit the proceeds of the Series 2019 Bonds, in the aggregate amount of \$ (representing \$50,000,000 of proceeds of the Series 2019 Bonds less the underwriting fee and expenses of \$), as follows:
(i) \$, allocable to the proceeds of the Series 2019 Bonds, to the Series 2019 Capitalized Interest Account held by the Trustee;
(ii) \$, allocable to the proceeds of the Series 2019 Bonds, to the Series 2019 Equity Capitalized Interest Account held by the Trustee;
(iii) \$, allocable to the proceeds of the Series 2019 Bonds, to the Series 2019 Costs of Issuance Account held by the Trustee;
(iv) \$, allocable to the proceeds of the Series 2019 Bonds, to the Series 2019 Construction Collateral Account within the Construction Collateral Fund held by the Collateral Agent; and
(v) \$, allocable to the proceeds of the Series 2019 Bonds, to the Series 2019 Debt Service Reserve Account of the Debt Service Reserve Fund held by the Trustee.
(b) On the Series 2019 Bonds Closing Date, the Trustee shall deposit \$ received from the Company as an equity contribution, to the Series 2019 Costs of Issuance Account held by the Trustee.
Section 4.04. Project Fund.
(a) Series 2019 Capitalized Interest Account; Series 2019 Equity Capitalized Interest Account. Amounts on deposit in the Series 2019 Capitalized Interest Account and the Series 2019 Equity Capitalized Interest Account shall be used to pay capitalized interest related to the Series 2019 Bonds through, 20 or to reimburse any affiliate of the Company for capitalized interest actually paid by or on behalf of the Company and eligible for reimbursement pursuant to the Tax Certificate. On any date upon which capitalized interest is due and payable, and prior to any payments under Section 5.05(a) of the Original Indenture, in accordance with the schedule attached as Exhibit C hereto, the Trustee shall, without further authorization, instruction or delivery by the Company of a Requisition, withdraw sufficient funds to make such payments first from the Series 2019 Capitalized Interest Account until such account is depleted and then from the Series 2019 Equity Capitalized Interest Account. Upon receipt of interest earnings, the Trustee shall, without further authorization, instruction or delivery by the Company of a Requisition, transfer any interest earned on the Series 2019 Capitalized Interest Account and the Series 2019 Equity Capitalized Interest Account to the applicable subaccount of the Construction Collateral Account held by the Collateral Agent for the payment or reimbursement of Tax-Exempt Project

Costs pursuant to the Collateral Agency Agreement. Upon the acceleration of the Series 2019 Bonds pursuant to Section 7.03 of the Original Indenture, the amounts on deposit in the Series 2019 Capitalized Interest Account and the Series 2019 Equity Capitalized Interest Account shall be applied in accordance with Section 7.06 of the Original Indenture, provided that if such acceleration shall be rescinded before such application date, any unapplied amounts on deposit in such Series 2019 Capitalized Interest Account or the Series 2019 Equity Capitalized Interest Account shall continue to be applied as provided herein.

Notwithstanding the foregoing, if proceeds of the Series 2019 Bonds remain in the Series 2019 Capitalized Interest Account or the Series 2019 Equity Capitalized Interest Account on the earlier of (i) the date on which the Company reasonably determines that the Biorefinery and Stage 2 of the Feedstock Processing Facility will not be completed, or (ii) the later of the date on which the Biorefinery is placed in service for federal income tax purposes or the date on which Stage 2 of the Feedstock Processing Facility is placed in service for federal income tax purposes, in each case consistent with the principles set forth in the Tax Certificate, then to the extent the Company does not reasonably expect those proceeds of the Series 2019 Bonds will be allocated to costs of the Series 2019 Project consistent with the Tax Certificate, unless the Company obtains an opinion of Bond Counsel to the effect that a failure to redeem Tax-Exempt Bonds as contemplated by Section 7.3(c) of the Financing Agreement will not adversely affect the tax-exempt status of the Tax-Exempt Bonds, then proceeds of Series 2019 Bonds in the Series 2019 Capitalized Interest Account or the Series 2019 Equity Capitalized Interest Account may be used to redeem Series 2019 Bonds or other Tax-Exempt Obligations.

Subject to the requirements set forth in the Tax Certificate, any amount remaining in the Series 2019 Capitalized Interest Account and the Series 2019 Equity Capitalized Interest Account upon the final scheduled payment of capitalized interest on the Series 2019 Bonds, shall, without further authorization, instruction or delivery by the Company of a Requisition, be transferred by the Trustee to the Collateral Agent for deposit as follows: (i) if such transfer occurs prior to Trustee's receipt of written notice from the Company confirming the occurrence of the Final Completion Date, to the applicable subaccount of the Construction Collateral Account of the Construction Collateral Fund, and (ii) if such final disbursement occurs on or after the Trustee's receipt of a certification from the Company that the Final Completion Date has occurred, to the Revenue Fund.

Costs of Issuance Account shall be used to pay the costs of issuance of the Series 2019 Bonds or to reimburse the Company or any affiliate of the Company for costs of issuance of the Series 2019 Bonds actually paid by or on behalf of the Company and eligible for reimbursement, all in compliance with the Tax Certificate, upon receipt of an executed COI Requisition, in substantially the form attached hereto as Exhibit D. The Trustee shall from time to time withdraw sufficient funds from the Series 2019 Costs of Issuance Account to fund disbursements made with respect to the Series 2019 Bonds on the date of issuance of such Series 2019 Bonds. Any amounts remaining in the Series 2019 Costs of Issuance Account on the 90th day after the Series 2019 Bonds Closing Date shall be transferred by the Trustee to the applicable subaccount of the Construction Collateral Account held by the Collateral Agent.

Section 4.05. <u>Debt Service Fund</u>. Pursuant to the Financing Agreement, the Company shall pay or cause moneys to be paid by the Collateral Agent to the Trustee for deposit in the accounts within the Debt Service Fund described in Section 5.05 of the Original Indenture at the times and in the amounts necessary for the Trustee to make the transfers described in Section 5.05 of the Original Indenture. Such amounts shall be paid by the Company in accordance with <u>Exhibit C</u> hereto; provided, however, that the Company shall, from time to time, prepare and provide to the Trustee an amended <u>Exhibit C</u> as may be required in connection with any prepayments, optional redemptions or mandatory redemptions that result in a change in Debt Service hereunder.

Section 4.06. <u>Debt Service Reserve Fund</u>. (a) Each sub-account of the Debt Service Reserve Fund, when established, will be established solely for the benefit of the Trustee on behalf of the Holder of Bonds and shall not be subject to any Lien in favor of any Person other than the Trustee solely for the benefit of the Trustee on behalf of the Holders of Bonds and shall be held by the Trustee for the exclusive benefit of only such parties.

(i) On the Series 2019 Bonds Closing Date, the Series 2019 Debt Service Reserve Account shall be initially funded from the proceeds of the Series 2019 Bonds in an amount equal . Thereafter, the Collateral Agent shall cause amounts in the Revenue Fund, to the extent available, to be deposited in accordance with, and at the times specified by, Section 5.02(c) of the Collateral Agency Agreement into the Series 2019 Debt Service Reserve Account as shall be necessary to achieve or maintain the Series 2019 Debt Service Reserve Required Balance. Any amounts on deposit in the Series 2019 Debt Service Reserve Account in excess of the Series 2019 Debt Service Reserve Required Balance as of such date shall be deposited into the Revenue Fund in accordance with the requirements of Section 5.02(d) of the Collateral Agency Agreement; provided, however, that upon receipt of interest earnings prior to the earlier of the Final Completion Date or ______, 20___, the Trustee shall, without further authorization, instruction or delivery by the Company of a Requisition, transfer any such excess amounts of interest earned on the Series 2019 Debt Service Reserve Account to the applicable subaccount of the Construction Collateral Account held by the Collateral Agent for the payment or reimbursement of Tax-Exempt Project Costs pursuant to the Collateral Agency Agreement; and (ii) any other sub-account of the Debt Service Reserve Fund shall be established and initially funded at the time and in the amount set forth in the applicable Additional Financing Documents pursuant to which Additional Obligations are issued. Thereafter, the Collateral Agent shall cause amounts in the Revenue Fund, to the extent available, to be deposited in accordance with, and at the times specified by, Section 5.02(c) of the Collateral Agency Agreement into the applicable sub-accounts of the Debt Service Reserve Fund. Any amounts on deposit in any sub-account of the Debt Service Reserve Fund in excess of its applicable Debt Service Reserve Required Balance shall be applied in accordance with the requirements of Section 5.02(c) of the Collateral Agency Agreement.

Extracts from the Collateral Agency Agreement

Section 5.05 Construction Collateral Fund.

- Construction Collateral Account. On the Series 2018 Bonds Closing Date, the proceeds of the Series 2018 Bonds, net of all costs and expenses incurred in connection with the issuance thereof and the costs and expenses of the borrowing of Loans related to the issuance of the Series 2018 Bonds under the Financing Agreement, amounts for the payment of which shall be deposited into the Series 2018 Costs of Issuance Account under the Indenture, and net of the amounts to be deposited into the Series 2018 Capitalized Interest Account and the Series 2018 Debt Service Reserve Account, shall be deposited into a segregated subaccount of the Construction Collateral Account and thereafter, any interest earned on such proceeds shall be deposited into the Construction Collateral Account. Amounts on deposit in the Construction Collateral Account shall be used to pay Tax-Exempt Project Costs or to reimburse the Company or any affiliate of the Company for any Tax-Exempt Project Costs actually paid by the Company or on behalf of the Company and eligible for reimbursement, allocation or reallocation pursuant to the Tax Certificate. The Collateral Agent shall from time to time withdraw funds from the Construction Collateral Account in accordance with a Requisition delivered by the Company pursuant to Section 5.06. The Construction Collateral Account is created solely for the benefit of the Trustee on behalf of the owners of the Bonds and shall not be subject to any Lien in favor of any Person other than the Collateral Agent solely for the benefit of the Trustee on behalf of the owners of the Bonds and shall be held by the Collateral Agent for the exclusive benefit of only such parties.
- (b) <u>Disbursements from Construction Collateral Account and Series 2019</u> Construction Collateral Account. The Collateral Agent shall make withdrawals, transfers and payments from the Construction Collateral Account and Series 2019 Construction Collateral Account, or any additional Project Account or subaccount created within the Construction Collateral Fund as set forth in Section 5.01(a), in accordance with Sections 5.05(a) and 5.05(c) and in the amounts, at the times and only for the purposes specified in this Section 5.05.
- Closing Date, the proceeds of the Series 2019 Bonds, net of all costs and expenses incurred in connection with the issuance thereof and the costs and expenses of the borrowing of Loans related to the issuance of the Series 2019 Bonds under the Financing Agreement, amounts for the payment of which shall be deposited into the Series 2019 Costs of Issuance Account under the Indenture, and net of the amounts to be deposited into the Series 2019 Capitalized Interest Account and the Series 2019 Debt Service Reserve Account, shall be deposited into a segregated subaccount of the Series 2019 Construction Collateral Account and thereafter, any interest earned on such proceeds shall be deposited into the Series 2019 Construction Collateral Account. Amounts on deposit in the Series 2019 Construction Collateral Account shall be used to pay Tax-Exempt Project Costs or to reimburse the Company or any affiliate of the Company for any Tax-Exempt Project Costs actually paid by the Company or on behalf of the Company and eligible for reimbursement, allocation or reallocation pursuant to the Tax Certificate. The Collateral Agent shall from time to time withdraw funds from the Series 2019 Construction Collateral Account in accordance with a Requisition delivered by the Company pursuant to Section 5.06. The Series 2019 Construction

Collateral Account is created solely for the benefit of the Trustee on behalf of the owners of the Bonds and shall not be subject to any Lien in favor of any Person other than the Collateral Agent solely for the benefit of the Trustee on behalf of the owners of the Bonds and shall be held by the Collateral Agent for the exclusive benefit of only such parties.

Equity Construction Account. From time to time, the proceeds of any subsequent equity contributions may be deposited into the Equity Construction Account or into a new sub-account of the Construction Collateral Fund pursuant to the terms hereof at the sole option of the Company. From time to time, on not less than ten (10) Business Days' notice to the Collateral Agent, the Company may deposit Additional Equity Letters of Credit with the Collateral Agent for deposit into the Equity Construction Account, and at the direction of the Company at the time of deposit of any such Additional Equity Letter of Credit, the Collateral Agent shall release an amount of cash from the Equity Construction Account equal to the stated amount of the Additional Equity Letter of Credit and transfer such released amount to such accounts or payees as set forth in such direction. For all purposes of this Section 5.05(d), each Additional Equity Letter of Credit shall be deemed to be an Equity Construction Letter of Credit. The Company hereby agrees and directs the Collateral Agent to execute and deliver to the issuer of the applicable Equity Construction Letter of Credit (i) promptly, upon five (5) Business Days prior written notice from the Company, a fully completed drawing certificate in the amount set forth in such written notice, and (ii) thirty (30) days prior to the expiration date of the Equity Construction Letter of Credit, a fully completed drawing certificate in an amount equal to the Equity Construction Letter of Credit's then-current stated amount (as determined in accordance with the terms thereof), only to the extent that the Company has not provided to the Collateral Agent prior to such date a substantially similar (in all material respects) letter of credit, or other letter of credit in form reasonably acceptable to the Collateral Agent, issued by an Acceptable Letter of Credit Bank with a stated amount equal to the undrawn amount of the Equity Construction Letter of Credit that such letter of credit replaces. The Collateral Agent shall promptly execute and deliver a fully completed drawing certificate under the Equity Construction Letter of Credit to the issuer thereof pursuant to a Direction Notice. All amounts drawn on any Equity Construction Letter of Credit shall be deposited in the Equity Construction Account and all amounts available under any such Equity Construction Letter of Credit shall be deemed to be on deposit in the Equity Construction Account for all purposes hereunder. Amounts on deposit in the Equity Construction Account shall be used to pay Project Costs (as defined in the Original Financing Agreement) or to reimburse the Company or any affiliate of the Company for any Project Costs (as defined in the Original Financing Agreement) actually paid by the Company or on behalf of the Company. The Collateral Agent shall from time to time withdraw funds from the Equity Construction Account in accordance with a Requisition delivered by the Company pursuant to Section 5.06. In the event that, on the Series 2018 Bonds Closing Date, the Company has not deposited an Equity Construction Letter of Credit, then any Additional Equity Letter of Credit thereafter delivered, in substitution for cash as provided in Section 5.05(d) above or otherwise, shall be a direct pay letter of credit and provide that the Collateral Agent shall make drawings thereunder for the purposes set forth in this Agreement and in the form of the Additional Equity Letter of Credit by sending a sight draft and drawing certificate in the form attached to such Additional Equity Letter of Credit signed by an authorized officer of the Collateral Agent under the circumstances described in this Section

5.05(d), within the time period specified in the Additional Equity Letter of Credit, and there shall be no other preconditions to any such drawing.

- (e) Reserved.
- (f) Reserved.
- Company, at any time on or prior to the Mechanical Completion Date, the Company shall direct the Collateral Agent in writing to retain in the Construction Collateral Fund or its sub-accounts amounts necessary for the payment or reimbursement of all remaining Project Costs (as defined in the Original Financing Agreement) reasonably expected to become due and payable on or prior to the Final Completion Date. On the Operations Date, the Collateral Agent shall pursuant to instructions of the Company transfer any remaining amounts in the Construction Collateral Fund (except for amounts to be retained therein or in any sub-account thereof pursuant to the first sentence of this Section 5.05(g)) to the Revenue Fund; provided, however, that Collateral Agent shall retain in the Construction Collateral Fund an amount equal to all remaining Project Costs (as defined in the Original Financing Agreement) certified in writing by the Company as reasonably expected to be due and payable in order to achieve the Final Completion Date.
- (h) Fund Transfer After Final Completion Date. Provided no Event of Default then exists, not more than sixty (60) days from the date of receipt by the Collateral Agent of (i) the Final Completion Certificate signed by an Authorized Company Representative in the form of Exhibit L attached hereto, (ii) a certification by the Engineer that Final Completion has been achieved, and that all Project Costs (as defined in the Original Financing Agreement) have been paid in full, and (iii) final unconditional lien waivers from EPC Contractor and all Subcontractors (as defined in the EPC Contract) in accordance with the requirements of the EPC Contract, or for any Subcontractor lien waivers not received, a bond or other security is provided by the EPC Contractor in an amount equal to at least 150% of the payment amount that would have been covered by such lien waiver, any balance remaining in the Construction Collateral Fund shall without further authorization, instruction or delivery by the Company of a Requisition to the Collateral Agent be transferred by the Collateral Agent to the Revenue Fund.
- (i) <u>Closing Date Costs</u>. Notwithstanding anything herein to the contrary, any disbursements requested to be made from the Equity Construction Account of the Construction Collateral Fund for payments to be made on or in connection with the Series 2018 Bonds Closing Date shall be made pursuant to a Requisition delivered on or within ninety (90) days after the Series 2018 Bonds Closing Date.
- (j) <u>Proceeds of Additional Obligations</u>. Except as otherwise provided in the Financing Documents, net proceeds of Additional Obligations issued to finance Project Costs (as defined in the Original Financing Agreement) prior to the Final Completion Date (but not refinancing proceeds which may be deposited under the Indenture to facilitate such refinancing) shall be remitted to the Collateral Agent, for deposit into additional sub-accounts of the Construction Collateral Fund as provided in Section 5.01(a) and Section 5.05(k).

- (k) <u>Sub-Accounts</u>. In accordance with the terms of Section 5.01(a), the Collateral Agent, upon direction from the Company, shall open new sub-accounts of the Construction Collateral Fund as specified by the Company (including the name of any such sub-account) for the purpose of (i) depositing the proceeds of any Additional Obligations (but not refinancing proceeds which may be deposited under the Indenture or as provided in Section 5.05(j) to facilitate such refinancing) permitted to be incurred by the Financing Documents in accordance with Section 5.05(j), (ii) accounting for and payment of the capitalized interest, costs of issuance or otherwise thereof, or (iii) any other purpose permitted by the Financing Documents pursuant to Section 5.06.
- (1)Funds Transfer Required Pursuant to the Financing Agreement. Notwithstanding anything in this Section 5.05 to the contrary, on or after the earlier of (i) the date on which the Company reasonably determines that the Biorefinery and Stage 2 of the Feedstock Processing Facility will not be completed; or (ii) the later of the date on which the Biorefinery is placed in service for federal income tax purposes or the date on which Stage 2 of the Feedstock Processing Facility is placed in service for federal income tax purposes, in each case consistent with principles set forth in the Tax Certificate, unless the Company obtains an opinion of Bond Counsel to the effect that a failure to redeem the Series 2018 Bonds and Series 2019 Bonds will not adversely affect the tax-exempt status of the Series 2018 Bonds and Series 2019 Bonds, then to the extent the Company does not reasonably expect those proceeds of the Series 2018 Bonds and Series 2019 Bonds will be allocated to costs of the Facilities consistent with the Tax Certificate, the Collateral Agent shall transfer all amounts on deposit in the Construction Collateral Fund representing the proceeds of Tax-Exempt Bonds to the Trustee for the purpose of redeeming Tax-Exempt Bonds in accordance with Section 7.3(c) of the Original Financing Agreement.

Section 5.06 Construction Collateral Fund Requisition Procedures.

- (a) Withdrawals from all sub-accounts of the Construction Collateral Fund, collectively, may be made from time to time, subject to the terms and conditions of Section 5.05 and this Section 5.06 (to the extent applicable).
- (b) Subject to the last sentence of this clause (b) and other than as expressly provided in Sections 5.05(g) and 5.05(k), the Company shall request disbursements of monies on deposit in the Construction Collateral Fund (and any sub-account thereof) by delivering to the Collateral Agent (with a copy to each Agent), not later than the tenth (10th) Business Day prior to the proposed date of disbursement (unless such disbursement is requested on the Series 2018 Bonds Closing Date or the Series 2019 Bonds Closing Date, in which case no prior notice shall be required), a withdrawal certificate (the "Company Withdrawal Certificate") signed by an Authorized Company Representative in the form of Exhibit I attached hereto (together with a certificate of the Engineer in the form of Exhibit J attached hereto (the "Engineer Withdrawal Certificate"), in each case, to the extent necessary for compliance with Section 5.06(c) and Section 5.06(d)) (collectively, a "Requisition"); provided, that an Engineer Withdrawal Certificate shall only be required to the extent a Requisition includes a disbursement for payment of Project Costs (as defined in the Original Financing Agreement). Upon receipt of each Requisition, the Collateral Agent shall make the payments set forth in such Requisition out of money in the Construction

Collateral Fund (and each sub-account thereof) as set forth in such Requisition. For the avoidance of doubt, the Collateral Agent is not prevented by the two (2) Business Day notice requirement from paying the obligations set forth in the Requisition prior to the date of disbursement proposed in the Requisition. In making such payments the Collateral Agent may conclusively rely upon the Requisition without further inquiry. However, notwithstanding anything to the contrary contained herein, Collateral Agent may decline to disburse funds pursuant to a Requisition if Collateral Agent determines that any such Requisition is incomplete in any material respect, or does not include the attachments required by this Section 5.06 and provides notice thereof and the basis for such assertion to the Company. Except as provided in Sections 5.05(g), 5.05(k) and 5.05(l), any payments from the Construction Collateral Fund shall be made by the Collateral Agent solely based on Requisitions received from time to time pursuant to this Section 5.06. The opening of or requisitioning of amounts on deposit in any new sub-accounts pursuant to Section 5.05(k) shall be made by the Collateral Agent solely based on instructions received by the Collateral Agent from the Company.

- (c) Each Company Withdrawal Certificate shall set forth the funds requested to be withdrawn and the applicable accounts and payees to which such funds shall be transferred (with a description of the purpose therefor), referencing customary invoices, to the extent required, and attaching a lien waiver from the EPC Contractor in accordance with the requirements of the EPC Contract, and lien waivers in accordance with the requirements of the EPC Contract from all Major Subcontractors with respect to which work has been performed and for which disbursement is requested, conditioned solely upon payment of such requisitioned funds. Such Company Withdrawal Certificate shall also include a statement from the EPC Contractor representing that the EPC Contractor has made all payments or arranged for payment of all payments due and payable to all of its Subcontractors (as defined in the EPC Contract) with respect to work which has previously been reimbursed by a Requisition. Each Company Withdrawal Certificate shall include the following certifications of the Company as of the date of proposed requisition:
 - (i) All amounts previously requisitioned pursuant to prior Requisitions for the payment or reimbursement of Project Costs (as defined in the Original Financing Agreement) have been applied solely to pay or reimburse Project Costs (as defined in the Original Financing Agreement);
 - (ii) All amounts requisitioned in such Company Withdrawal Certificate relate to Project Costs (as defined in the Original Financing Agreement) that have been or are reasonably projected to be incurred in connection with the Facilities within thirty (30) days and none have been the basis for a prior Requisition that has been paid; and
 - (iii) Solely to the extent funds are being requisitioned pursuant to such Requisition to pay Project Costs (as defined in the Original Financing Agreement), no Funding Shortfall exists; and
 - (iv) No Event of Default has occurred and is continuing.

- (d) Subject to Section 5.06(e) and Section 5.06(f) hereof, each Engineer Withdrawal Certificate shall include the following certifications of the Engineer, in its reasonable belief, as of the date of proposed requisition:
 - (i) Based on its reasonable belief, no Funding Shortfall exists; and
- (ii) Solely to the extent funds are being requisitioned pursuant to such Requisition to pay the EPC Contractor, (A) the work performed by the EPC Contractor pursuant to the EPC Contract to date has been performed in accordance with the terms of the EPC Contract; (B) the amount being paid to the EPC Contractor pursuant to the applicable Requisition does not exceed the amount then due and payable to the EPC Contractor under the EPC Contract, and (C) in its reasonable belief, Substantial Completion can be achieved by the Outside Operations Date.
- No funds shall be requisitioned under this Section 5.06 from any sub-account (e) of the Construction Collateral Fund with respect to the payment of interest on the Series 2018 Bonds or the Series 2019 Bonds unless no more funds are available in the Series 2018 Capitalized Interest Account or Series 2019 Capitalized Interest Account, respectively, under the Indenture, and the only certification required to be made to requisition for due payment of interest shall be a certification by the Company that as of the date of the proposed requisition, no Financing Default Event has occurred and is continuing with respect to the applicable Bonds (each such requisition solely of interest in accordance with this Section 5.06(e), an "Interest Requisition"); provided that, following the funding by the Collateral Agent of any Interest Requisition, the Collateral Agent shall request a certificate from the Engineer certifying that, based on its reasonable belief, no Funding Shortfall then exists or would directly result from such requisition. If the Engineer cannot deliver such certificate, the Collateral Agent shall withhold funding future Interest Requisitions unless and until (i) the Engineer is able to deliver a certificate to the Collateral Agent certifying that, based on its reasonable belief, no Funding Shortfall then exists or would directly result from such requisition, or (ii) the Collateral Agent is instructed by the Trustee (at the direction of the Holders or Beneficial Owners of at least a majority of the aggregate principal amount of Bonds outstanding) to resume funding of such Interest Requisitions without the delivery of such certificate; provided further that, notwithstanding any instructions of the Holders or Beneficial Owners of Bonds, the Collateral Agent shall not withhold funding of any requisitions that satisfy all the conditions that would otherwise apply to requisitions of such amounts pursuant to this Section 5.06 (other than this clause (e)).
- (f) Notwithstanding the foregoing, the Company shall not be able to requisition for the payment of Project Costs (as defined in the Original Financing Agreement) from any subaccount of the Construction Collateral Fund subject to the requisition procedures of Section 5.06 to the extent that an Event of Default has occurred and is continuing.

EXHIBIT G

CERTIFICATE OF FULCRUM REGARDING FEDERAL, STATE & LOCAL APPROVALS (Attached)

CERTIFICATE OF FULCRUM SIERRA HOLDINGS, LLC REGARDING FEDERAL, STATE, AND LOCAL APPROVALS OF THE PROJECT

This certification is made by Fulcrum Sierra Holdings, LLC, a Delaware limited liability company validly authorized to do business under the laws of the State of Nevada ("Fulcrum"), in connection with the findings made by the Director of the State of Nevada Department of Business and Industry (the "Director") pursuant to Nevada Revised Statutes 349.580(2)(b) relating to the issuance by the Director of the State of Nevada Department of Business and Industry Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project) in one or more issues, for the purpose of assisting in the financing or refinancing of a portion of the costs of (i) constructing, improving and equipping a facility owned by Fulcrum Sierra BioFuels, LLC (the "Project Company") and operated by Fulcrum BioEnergy, Inc. (the "Operator") to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the "Biorefinery") and/or (ii) the improvements to and equipping of the facility owned by the Project Company and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada (the "Feedstock Processing Facility" and, together with the Biorefinery, the "Project").

THE UNDERSIGNED, DOES HEREBY CERTIFY THAT the Project has received all approvals by local, state and federal governments which may be necessary at this time to proceed with the construction, improvement, rehabilitation or redevelopment of the Project.

IN WITNESS WHEREOF, I have hereunto set my signature as an authorized officer of Fulcrum this 26th day of July , 2019.

FULCRUM SIERRA HOLDINGS, LLC, a Delaware limited liability company

By:

VICE PRESIDENT AND SECRETARY

EXHIBIT H

FORM OF CERTIFICATE OF APPROVAL BY THE STATE BOARD OF FINANCE AND RESOLUTION OF APPROVAL BY THE COUNTY COMMISSIONERS

(Attached)

CERTIFICATE OF APPROVAL BY THE STATE BOARD OF FINANCE

The undersigned duly qualified Chief Deputy Treasurer and Ex-Officio Secretary of the State Board of Finance of the State of Nevada (the "Board of Finance"), does hereby certify as follows:

- 1. The Board of Finance met on August 19, 2019, in a duly noticed open meeting at which a quorum of the members of the Board of Finance were in attendance.
- 2. At such meeting the Board of Finance approved the Findings of the Director of the Department of Business and Industry of the State of Nevada (the "Director") dated as of July 26, 2019, relating to its Environmental Improvement Revenue Bonds (Fulcrum Sierra Holdings, LLC Project), Series 2019 (Green Bonds) to be issued in one or more series or issues (the "Bonds") and reviewed the Additional Considerations contained therein.
- 3. The foregoing actions have not been amended, modified, rescinded and are now in full force and effect.

IN WITNESS WHEREOF, I have executed and delivered this Certificate on the date set forth below.

Dated this	day of	, 2019.
		STATE BOARD OF FINANCE
		By:
		Tara Hagan Chief Deputy Treasurer
		Ex-Officio Secretary

RESOLUTION NO.

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF STOREY APPROVING CERTAIN FINDINGS MADE BY THE DIRECTOR OF THE DEPARTMENT OF BUSINESS AND INDUSTRY OF THE STATE OF NEVADA PURSUANT TO NEVADA REVISED STATUTES SECTION 349.580 RELATING TO THE FINANCING OF A SOLID WASTE DISPOSAL FACILITY PROJECT LOCATED IN THE COUNTY OF STOREY; AND PROVIDING OTHER MATTERS PROPERLY RELATING THERETO.

WHEREAS, Fulcrum Sierra Holdings, LLC, a Delaware limited liability company ("Fulcrum"), a wholly owned subsidiary of Fulcrum BioEnergy, Inc. (the "Operator"), has applied to the Director of the State of Nevada Department of Business and Industry (the "Director") for the issuance of industrial development revenue bonds (the "Bonds") pursuant to Nevada Revised Statutes ("NRS") Sections 349.400 to 349.670, inclusive, for the purpose of assisting in the financing or a refinancing of a portion of the costs of (i) constructing, improving and equipping a facility owned by Fulcrum Sierra BioFuels, LLC (the "Project Company") and operated by the Operator to be used for converting municipal solid waste into renewable fuel products located on an approximately 19.4-acre site located at 3600 Peru Drive in the Tahoe-Reno Industrial Center, Storey County, Nevada (the "Biorefinery") and/or (ii) the improvements to and equipping of the facility owned by the Project Company and operated by the Operator used for preliminary sorting and processing of municipal solid waste located on an approximately 10.0-acre site located at 350 Saddle Court in Mustang, Storey County, Nevada (the "Feedstock Processing Facility" and, together with the Biorefinery, the "Project"); and

WHEREAS, the additional improvements to the Project being financed or refinanced with the proceeds of bonds and other moneys are expected to include the construction of an expansion of the Feedstock Processing Facility to increase and enhance the quality of the Feedstock Processing Facility's production, the acquisition and installation of feedstock drying equipment at the Biorefinery to increase the Biorefinery's efficiency, the installation of an oxygen supply facility at the Biorefinery to improve the Biorefinery's gasification process, the acquisition and installation of electrical equipment at the Biorefinery to enable the Biorefinery to purchase solar energy, and the acquisition and installation of fuel upgrading equipment at the Biorefinery to allow the Biorefinery to produce a finished fuel product; and

WHEREAS, pursuant to NRS Section 349.580, the Director, after reviewing the application and other materials submitted to the Director, has made certain findings with respect to the financing of the Project as are provided in the "Findings of the Director of the State of Nevada Department of Business and Industry Pursuant to Nevada Revised Statutes 349.580(2) Relating to the Financing of an Industrial Project to be Located in Storey County, Nevada" (the "Director's Findings"), contained in a Memorandum of Findings, dated July 26, 2019, addressed to the Nevada State Board of Finance and the Storey County (the "County") Board of County Commissioners (the "Board of County Commissioners"); and

WHEREAS, the Director requests in the Director's Findings that the Board of County Commissioners approve the Director's Findings pursuant to NRS Section 349.580(2); and

WHEREAS, the Board of County Commissioners has reviewed the Director's documents and heard testimony before the Board of County Commissioners concerning the Director's Findings;

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Storey County, Nevada the following:

- 1. The Director's Findings be and the same hereby are approved pursuant to NRS Section 349.580(2), based upon the materials submitted by the Director and other material submitted to the Board of County Commissioners, the existence of all discretionary approvals necessary for the construction, improvement, rehabilitation or redevelopment of the project and testimony described above in the final preamble hereto. This approval is made for the purposes of NRS Section 349.580(2). It is not (i) an analysis of the Bonds or the appropriateness or risks of the Bonds as investments, (ii) a guarantee, or (iii) a finding that there is no risk in the Project, the Bonds or both.
- 2. The approval in Paragraph 1 is based upon the satisfaction of the requirements of the Director.
- 3. The Clerk-Treasurer of the Board of County Commissioners is hereby authorized and directed to mail a certified copy of this Resolution to the Director.
- 4. Nothing in this Resolution obligates the County in any way with respect to the Project or the Bonds.
- 5. If any action taken herein is found to be unenforceable, the remaining actions and provisions of this Resolution shall remain valid and enforceable unless and until the Board of County Commissioners determines otherwise.
- 6. The County Manager and County Attorney are authorized to take all steps necessary to carry out the actions taken herein and to carry out the purpose and intent of this Resolution.

7. This Resolution shall be eff	fective upon its passage and approval.
PASSED AND ADOPTED THIS da	y of, 2019.
AYES:	
NAYS:	
	H_4

Marshall McBride Chairman

ATTEST:			
	Vanessa A. Stephens	•	
	County Clerk-Treasurer		



TO: Board of Finance (BoF) Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: 8-19-2019 Agenda Item #5 - Discussion and Possible Action on the request from the

Nevada Division of State Parks to enter into an agreement with Viply and Braintree Payment Services to accept credit cards. The agreement will require all fees to be paid by

customers who choose to use the application.

DATE: August 13, 2019

Agenda Item #5

Discussion and Possible Action on the request from the Nevada Division of State Parks to enter into an agreement with Viply and Braintree Payment Services to accept credit cards. **The agreement will require all fees to be paid by customers who choose to use the application**. Approval of the Board of Finance is required pursuant to NRS 353.1465.

Background:

NRS 356.1465 requires the State Board of Finance to approve state agency requests to enter into a contract other than the State's main contracted vendor with issuers of credit cards or operators of electronic payment solutions. Currently, the State has a master services agreement/contract for electronic payment solutions with Wells Fargo Merchant Services.

The State Treasurer's office has worked with the Nevada Division of State Parks to obtain a turn-key solution which will allow Nevada residents and visitors a cash-less, easy method via a mobile application to obtain a park admission pass. We thoroughly vetted the various options available with the Wells Fargo Merchant Services contract; however, given the unique needs of the Division of State Parks, we decided to explore options with other vendors.

Viply provides a mobile platform at no cost to the state which offers the park visitor another option to pay park admission fees. Viply is currently used in other states. Viply will charge the park visitor a \$1.20 plus 2.90% of the transaction fee in addition to the \$5.00 park admission fee for a total of ~\$6.38. The entire \$5.00 park admission fee is deposited directly into the state's bank account.

The recommendation is for the Division of State Parks to enter into an agreement for connectivity assistance which allows park visitors an additional payment method for admission fees. The agreement with Viply will allow the State Parks division to pilot this application to determine customer demand and satisfaction. The agreement does not have a required length of time and either party can terminate the contract without cause with the proper notice period (~30 days).

Pursuant to its agreement with Viply, Braintree Payment Services, a division of PayPal, Inc., will be the payment processor which works in the background to provide the processing of all credit/debit card payments. Viply will act as an intermediary between the payment transactions on the visitor's mobile phone and the processor (Braintree). This ensures that all state funds will be deposited directly into the

State Treasurer account. The contract with Wells Fargo Merchant Services provides for next-day funding for all State funds which are received via credit cards, debit cards and electronic checks. The agreement with Viply will not adversely affect the next-day funding.

Recommendation: I respectfully request consideration and approval of the establishment of this agreement which will provide the Nevada Division of State Parks an efficient and effective alternative means of revenue collection for state park admissions.

TO: Board of Finance (BoF) Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: 8 19 19 BoF Agenda Item #6 - Board review and approval or disapproval of the

State Treasurer's investment policy for State General Portfolio and the State

Treasurer's amendments thereto.

DATE: August 13, 2019

Agenda Item #6

<u>For discussion and possible action</u>: on the approval of the amended State Treasurer's investment policy statement for the State General Fund Portfolio pursuant to NRS 355.045.

Background:

Please find attached the redlined version of the State General Fund policy. The primary purpose of the amendments is to modify the policy to incorporate the passage of Assembly Bill 34 (AB34) which was passed in the 2019 Legislative Session and signed by Governor Sisolak on May 23, 2019. This policy was last revised in June 2012.

AB34 will allow the State General Portfolio to be more diversified, while potentially increasing returns and mitigating the overall level of risk. The primary additions are:

- 1. Two new allowable investment classes:
 - a. Sovereign bonds/Yankee bonds which are issued and backed by a foreign entity, such as a bank or company, but issued and traded in the United States and denominated in U.S. dollars and rated AA or better.
 - b. Developmental bonds issued by international organizations such as the World Bank, for the purpose of promoting economic development. Also, U.S dollar denominated and rated AA or better.
- 2. Increases the maximum share of the portfolio allowed to be invested in commercial paper, notes, bonds or other obligations of certain corporations operating in the U.S. to 25% from 20%.

Recommendation:

I respectfully request consideration and approval of the amended State General Fund policy.

CARSON CITY OFFICE

State Treasurer 101 N. Carson Street, Suite 4 Carson City, Nevada 89701-4786 (775) 684-5600 Telephone (775) 684-5623 Fax

STATE TREASURER PROGRAMS

Guinn Millennium Scholarship Program Nevada Prepaid Tuition Program Nevada College Savings Plans Nevada College Kick Start Program Unclaimed Property

LAS VEGAS OFFICE

State Treasurer 555 E. Washington Avenue, Suite 4600 Las Vegas, Nevada 89101-1074 (702) 486-2025 Telephone (702) 486-3246 Fax

STATE OF NEVADA OFFICE OF THE STATE TREASURER INVESTMENT POLICY GENERAL PORTFOLIO



KATE MARSHALL ZACH CONINE STATE TREASURER

Revised June 2012 August 2019

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I. AUTHORITY

Nevada Revised Statutes (NRS) § 226.110 authorizes the State Treasurer to receive, keep and invest all money of the State of Nevada which is not expressly required by law to be received and kept by another party. NRS 226.110(3) further requires that the "State Treasurer shall establish the policies to be followed in the investment of money of the State, subject to the periodic review and approval or disapproval of those policies by the State Board of Finance.

Accordingly, the purpose of this policy is to comply with NRS 226 in order to establish the guidelines that will govern the investment activities of the State Treasurer with regard to the management of State money in the General Portfolio. Furthermore, this policy shall comply with NRS 355.140, which establishes the authorized and prohibited investments of State money. This policy may only be amended by a majority vote of the State Board of Finance.

This policy will ensure the prudent investment of State money, adherence to statutory requirements applicable to the investment of public funds, maintenance of daily cash flow requirements, and the establishment of a competitive benchmark rate of return.

II. SCOPE

This policy applies to all money that comprises the General Fund, the purpose of which is to finance the ordinary operations of the State and to finance those operations not provided for in other funds. It also applies to money deposited in special revenue funds, debt service funds, proprietary fund types, fiduciary fund types, and capital projects funds. All funds are reported in the State's Comprehensive Annual Financial Report (CAFR), which is audited annually by an independent accounting firm.

III. PRUDENCE

The standard of care, per NRS 355.145, to be used in the investment program will be the following "prudent person" standard, as hereafter quoted, and will be applied while conducting all investment transactions:

"The state treasurer shall exercise the judgment and care, under the circumstances then prevailing, which a person of prudence, discretion and intelligence exercises in the management of his own affairs, not in regard to speculation, but in regard to the investment of his money, considering the probable income as well as the probable safety of his capital."

Authorized investment officers and staff who act in accordance with this policy and written procedures in the management of State money, and who exercise the proper due diligence will have no personal responsibility for an individual security's credit risk or market price

changes, provided that deviations from expectations are reported and preventive action is taken to control adverse developments.

IV. OBJECTIVES

The General Portfolio shall be managed to accomplish the following objectives:

A. Safety

Safety of principal is the foremost objective of the investment program. Investments in the General Portfolio shall be undertaken to ensure the preservation of principal in the portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk

The State Treasurer will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Establishing a pre-approved list of financial institutions and companies that the State Treasurer will be restricted to when purchasing commercial paper and corporate notes.
- Conducting regular credit monitoring and due diligence of these issuers.
- Pre-qualifying the financial institutions and broker/dealers with which the State Treasurer will do business for broker/dealer services and repurchase agreements.
- Diversifying the portfolio so potential losses on individual securities will be minimized.

2. Market Risk/Interest Rate Risk

Market risk relates to price fluctuations of securities that may result in a loss to the State if cash flow requirements force a premature sale. The State Treasurer will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances.
- Maintaining an effective duration of less than 1.5 years.
- Holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less.

B. Liquidity

The General Portfolio will remain sufficiently liquid to enable the State to meet all operating requirements that can be reasonably anticipated. This will be accomplished by:

- Cash flow forecasts shall be prepared identifying major cash inflows and outflows in order to structure the portfolio to accommodate identifiable trends.
- Structuring the portfolio so that securities mature concurrent with cash necessary to meet anticipated demand.
- Through the use of cash flow forecasting, investment staff may segregate the management of the General Portfolio into two sub-portfolios: a short-term portfolio consisting of securities maturing within 12 months to cover short-and intermediate-term cash flow needs and a core portfolio to invest monies deemed to have a longer investment horizon.
- Furthermore, because all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

C. Return on Investment

The General Portfolio will be invested to attain a competitive rate of return in relation to prevailing budgetary and economic environments, while taking into account the State's investment risk constraints and the cash flow characteristics of the portfolio.

D. Legality

The State Treasurer will invest the State's excess funds only within the legal guidelines set forth by the laws of the State. Any investment alternative outside these guidelines is not permissible.

Furthermore, the State Treasurer seeks to promote and support the objectives of U.S. foreign policy regarding terrorism. Accordingly, investments in companies or their subsidiaries or affiliated entities that are known to sponsor terrorism or aid the government in countries that are known to sponsor terrorism are prohibited. Accordingly, the State Treasurer will maintain compliance with the Terror-Free Investment Policy previously approved by the Board of Finance on April 23, 2008, hereby attached as Appendix "A".

V. DELEGATION OF AUTHORITY

NRS 226.100(1) authorizes the State Treasurer to appoint a Deputy of Investments (Deputy) whose responsibilities include management of the investment program and implementation of procedures consistent with this policy. The Deputy will also be responsible for the supervision of the investment staff and of all external investment professionals associated with the investment program. The Deputy shall maintain a "Trading Authorization" form, signed by the State Treasurer, which lists all persons authorized to make investments and to order the receipt and delivery of investment securities among custodial security clearance accounts. The Trading Authorization Form shall be distributed to all broker-dealers authorized to buy and sell securities with the State.

VI. INVESTMENT PROCEDURES

The State Treasurer will establish written procedures detailing the operation and regulation of the investment program. The procedures set forth the trading authorization of the investment staff, the daily responsibilities of implementing the investment program, and the segregation of investment duties. The State Treasurer will submit to periodic independent audits to determine that investment activities adhere to State statutes, administrative rules, and investment policies.

VII. ETHICS

Investment staff will act responsibly as the custodians of public funds. The staff will refrain from personal business activity that could create an appearance of impropriety or could conflict with the proper execution of the investment program or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Treasurer any material financial interests in financial institutions that conduct business within Nevada, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual or entity with which business is conducted on behalf of the State.

VIII. AUTHORIZED BROKER-DEALERS

The State Treasurer will maintain a list of authorized broker-dealers. Security transactions are limited solely to those banks, brokers and dealers included on this list. All financial institutions, whether investment banks, dealers, commercial banks or savings and loan institutions must be approved by the State Treasurer before they are able to conduct business with the State Treasurer's Office.

Authorized broker-dealers must have reviewed the eligible investments that are detailed in NRS and the adopted investment policy, and who are aware of the investment needs, constraints, and goals of the investment program. A "Request for Information" (RFI) will be periodically issued to provide a uniform standard the State Treasurer may use to identify the financial condition and professional merits of any firm included on the broker-dealer

list. An affidavit attesting to having reviewed and understood the contents of the investment policies and NRS, must be completed by each broker-dealer in order to qualify for final selection. All approved broker-dealers must be fully licensed and registered NASD Broker/Dealers or exempt banks.

Criteria used to select broker-dealers through the RFI process will include:

- Financial strength and capital adequacy of firm;
- Services provided by firm;
- Research services available;
- Resume, reputation and qualifications of sales representative;
- Due diligence and firm references; and,
- State government expertise.

The State Treasurer will encourage all qualified broker-dealers providing investment services in the State, including those owned by women, minorities, and/or the physically impaired, to respond to the RFI. Consideration will be given to all institutions when their services are competitive on a national basis.

IX. AUTHORIZED INVESTMENTS

The State Treasurer, in accordance with the provisions of NRS 355.140, 355.180, 356.005, and this investment policy, is authorized to invest in:

A. Bankers' Acceptances

- 1. An issuing bank must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least two at least one nationally recognized statistical rating organizations (NRSRO's).
- 2. Must be issued by domestic commercial banks regulated by the Federal Reserve or trust companies which are members of the Federal Reserve System.
- 3. Maximum maturity of 180 days.
- 4. Aggregate par value may not exceed 20 percent of total par value of the portfolio as determined at the time of purchase.
- 5. No more than five (5) percent of total par value of the portfolio may be in one issuer.

B. Commercial Paper

- 1. Must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least twoone nationally recognized statistical rating organizations (NRSRO's).
- 2. Eligible paper is further limited to issuing corporations that have a total commercial paper program size in excess of \$250,000,000 and have long-term debt ratings, if any, of "A" or better from at least one NRSRO.
- 3. Must be issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States.
- 4. Maximum maturity of 270 days.
- 5. Approved commercial paper programs should provide some diversification by industry. Additionally, purchases of commercial paper in industry sectors that may from time to time be subject to undue risk and potential illiquidity should be avoided.
- 6. Aggregate par value may not exceed 250 percent of total par value of the portfolio at the time of purchase.
- 7. No more than five (5) percent of total par value of the portfolio may be in one issuer.

C. Money Market Mutual Funds

- 1. Only SEC-registered 2(a)7 funds are eligible.
- 2. Rating must be "AAA" or its equivalent by least one NRSRO.
- 3. Investments must only be in securities issued by the United States Treasury, United States Agency securities, or repurchase agreements fully collateralized by such securities.

D. Negotiable Certificates of Deposit

- 1. Issued by commercial banks, insured savings and loan associations or insured credit unions with at least \$10 billion in assets.
- 2. Must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least two one nationally recognized statistical rating organizations (NRSRO's).
- 3. Must also have long-term debt ratings of "A" or better from at least one NRSRO.
- 4. Maximum maturity of five (5) years.
- 5. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
- 6. No more than five (5) percent of total par value of the portfolio may be in one issuer.

E. Repurchase Agreements

- 1. Executed with a qualified counterparty approved by the State Treasurer.
 - a) Counterparty means a bank which is organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a "primary" dealer, and in full compliance with all applicable capital requirements.
 - b) Counterparty must provide annual audited financial statements to the State Treasurer.
 - c) Counterparty must have executed a written master repurchase agreement in a form satisfactory to the State Treasurer and the State Board of Finance prior to transacting a repurchase agreement.
- 2. Maximum maturity of 90 days.
- 3. Must meet collateral requirements contained in this investment policy.
- 4. Aggregate par value may not exceed 40 percent of total par value of the portfolio as determined at the time of purchase.
- 5. No more than 10 percent of total par value of the portfolio may be in one counterparty.

F. Time Certificates of Deposit

- 1. Financial institutions with a physical location in the State will be selected as depositories based on, but not limited to, the following: financial stability, funds availability, community involvement and other relevant economic criteria.
- 2. A financial institution will be eligible to receive total deposits in an amount not to exceed their equity capital.
- 3. Maximum maturity of five (5) years.
- 4. Must meet collateral requirements contained in this investment policy

G. United States Treasury Securities

- 1. Maximum maturity of 10 years.
- 2. Eligible securities include bills, notes, bonds, Treasury Inflation-Protected Securities (TIPS) and Separate Trading of Registered Interest and Principal Securities (STRIPS).

H. United States-Guaranteed Securities

- 1. Bonds, notes, debentures and loans if they are underwritten by or their payment is guaranteed by the United States.
- 2. Maximum maturity of 10 years
- 3. Eligible securities include but are not limited to US Small Business Administration (SBA) securities and FDIC-insured notes.

I. United States Agency Securities

- 1. Eligible issuers are:
 - a) Federal National Mortgage Association
 - b) Federal Agricultural Mortgage Corporation
 - c) Federal Farm Credit Bank
 - d) Federal Home Loan Bank
 - e) Federal Home Loan Mortgage Corporation
 - f) Government National Mortgage Association
- 2. Maximum maturity of 10 years.
- 3. Eligible instruments include:
 - a) Discount Notes with a maximum stated maturity of one (1) year.
 - b) Debentures (including structured notes) with a maximum stated maturity of 10 years. These may include floating rate securities, zero coupon bonds, callable securities and step-up securities.
 - c) Collateralized mortgage obligations (CMO's), with a final cash flow payment date not to exceed 10 years assuming a zero (0) pre-payment speed. The only types of CMO's eligible for purchase are Planned Amortization Classes (PAC's), Targeted Amortization Classes (TAC's) and sequential pay classes.
 - d) Mortgage-backed Securities (i.e. "pass-through's") with a maximum stated maturity of 10 years.
- 4. Aggregate par value of callable securities may not exceed 20 percent of total par value of the portfolio.
- 5. Aggregate par value of CMO's may not exceed 20 percent of total par value of the portfolio.
- 6. Aggregate par value of mortgage-backed securities and structured notes with mortgage linked amortization may not exceed 20 percent of total par value of the portfolio.

J. Corporate Notes

- 1. Must have a long-term debt rating of "A" or better from at least one NRSRO.
- 2. Must be issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating in the United States.
- 3. Maximum maturity of five (5) years.
- 4. Must be purchased from a registered broker-dealer.
- 5. Aggregate par value may not exceed 250 percent of total par value of the portfolio as determined at the time of purchase.
- No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

K. Foreign Notes

- 1. Must have a long-term debt rating of "AA" or better by at least one NRSRO.
- 2. Must be publicly issued and traded in the United States by a foreign financial institution, corporation or government and:
 - a) Denominated in United States dollars;
 - b) Senior unsecured unsubordinated obligations;
 - c) Registered with the Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933.
- 3. Maximum maturity of five (5) years.
- 4. Must be purchased from a registered broker-dealer.
- 5. Aggregate par value may not exceed 10 percent of total par value of the portfolio as determined at time of purchase.
- 6. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

L. International Development Notes

- 1. Must have a long-term debt rating of "AA" or better by at least one NRSRO.
- 2. Must be issued by the International Bank for Reconstruction and Development, the International Finance Corporation, or the International American Development Bank, and:
 - a) Denominated in United States dollars;
 - b) Senior unsecured unsubordinated obligations.
- 3. Maximum maturity of five (5) years.
- 4. Aggregate par value may not exceed 15 percent of total par value of the portfolio as determined at the time of purchase.
- 5. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

K.M. Non-U.S. Agency Collateralized Mortgage Obligations

1. Rating must be "AAA" or its equivalent by at least one NRSRO.

- 2. The only types of CMO's eligible for purchase are Planned Amortization Classes (PAC's), Targeted Amortization Classes (TAC's) and sequential pay classes.
- 3. The final cash flow payment date will not exceed 10 years assuming a zero (0) PSA pre-payment speed.
- 4. Aggregate par value of mortgage backed-securities may not exceed 20 percent of total par value of the portfolio.
- 5. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

L.N. Asset-Backed Securities (ABS)

- 1. Rating must be "AAA" or its equivalent.
- 2. The final cash flow payment date will not exceed 10 years assuming a zero (0) pre-payment speed.
- 3. Aggregate par value may not exceed 20 percent of total par value of the portfolio, and
- 4. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

M.O. Municipal Bonds

- 1. Issuer must have a long-term debt rating of "A" or better from at least one NRSRO.
- 2. Eligible securities are:
 - a) Bonds of this State except for Build America Bonds or other states of the Union. Bonds issued by the State of Nevada must be held to maturity and not re-sold.
 - b) Bonds of any county of this State or of other states.
 - c) Bonds of incorporated cities in this State or in other states of the Union, including special assessment district bonds if those bonds provide that any deficiencies in the proceeds to pay the bonds are to be paid from the general fund of the incorporated city.
 - d) Bonds of school districts within this State.
- 3. Maximum maturity of 10 years.

X. COLLATERALIZATION

A. Repurchase Agreements

- 1. Transacted on a delivery versus payment basis, whereby the securities custodian will disburse cash for repurchase agreements only upon the receipt of the purchased securities.
- 2. Collateral may be transferred directly to the State's custodial bank on a deliverable basis or using a tri-party custodial bank agreement.
- 3. The purchased securities will be United States Treasury or United States Agency securities with a term to maturity not to exceed 10 years.
- 4. The market value of the purchased securities must equal or exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly. If the value of the purchased securities should fall below 102 percent, the counterparty will be required to submit additional collateral to make up the deficit.

B. Time Certificates of Deposit

- 1. Pursuant to NRS 356.005, all money deposited by the State Treasurer which is not within the limits of insurance provided by an instrumentality of the United States must be secured by collateral composed of the following types of securities:
 - a) All authorized investments as set forth in this policy;
 - b) Bonds of the State;
 - c) Bonds of any county, municipality or school district within the State;
 - d) Promissory notes secured by first mortgages or first deeds of trust, which must meet the requirements of NRS 356.025;
 - e) Collateralized Mortgage Obligations or real estate conduits that are rated "AAA" or its equivalent;.
 - f) Mortgage-backed pass through securities guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association; or
 - g) Irrevocable letters of credit from any Federal Home Loan Bank with the State Treasurer named as the beneficiary.
- 2. The collateral must be held in trust with a custodian other than the depository.
- 3. The custodian must be approved by the State Treasurer.
- 4. The depository will report to the State Treasurer the details of the securities pledged as collateral and their fair market value.
- 5. The fair market value of the collateral must equal or exceed 102% of the value of the deposit. The fair market value of collateral consisting of promissory notes with first mortgages or first deeds of trust will be 75% of the unpaid principal of the notes.

XI. SALE OF SECURITIES

Securities are normally purchased by the State Treasurer with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and/or increase the total return of the portfolio, securities may be sold prior to maturity either at a profit or loss when economic circumstances or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In the latter situation, the Deputy must abide by the Divestiture Policy, which was previously approved by the Board of Finance on April 23, 2008, and is hereby attached as Appendix "B" and re-titled "Sale of Portfolio Securities". In measuring a profit or loss, the sale proceeds shall be compared to the book value of the security.

XII. PROHIBITED INVESTMENTS

No investment shall be made that is prohibited by law. Furthermore, to provide for the safety and liquidity of the State Treasurer's funds, the portfolio will be subject to the following restrictions in addition to those listed elsewhere in this policy:

- Instruments known as inverse floaters, range notes, leveraged floaters, equity-linked securities, option contracts, futures contracts and swaps are prohibited.
- Interest-only strips that are derived from a pool of mortgages, nor any other investment that could result in zero interest if held to maturity is prohibited.
- Illiquid investments which lack a readily available market for trading as determined by the Deputy are prohibited.
- Borrowing for investment purposes ("Leverage") is prohibited.
- Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.
- Reverse repurchase agreements.

XIII. COMPETITIVE PRICING

Investment transactions are to be made at current market prices. Wherever possible, competitive prices should be obtained through obtaining multiple bids or offers and documenting them on the trade ticket or other written forms. When possible, bids and offers for any investment security shall be taken from a minimum of three security broker/dealers or banks and awards shall be made to the best bid or offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g. commercial paper and certificates of deposit) market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other direct issuers.

XIV. SAFEKEEPING/CUSTODY AND DELIVERY

All securities will be held by a third-party custodian designated by the State Treasurer and evidenced by safekeeping receipts. In addition, the following requirements will apply to the State Treasurer's Office:

- a. Securities purchased by the State Treasurer, as well as collateral for repurchase agreements will be delivered against payment and held in a custodial safekeeping account with an approved financial institution acting as a third party custodian. Triparty repurchase agreements are acceptable.
- b. The State Treasurer will periodically issue a Request for Proposal (RFP) for Master Securities Custody Services, which will encompass the following functions:
 - 1. The settlement of all purchases, sales, and calls through the Federal Reserve System (Fed) or the Depository Trust Company (DTC).
 - 2. The collection and distribution of all interest payments.
 - 3. The collection and distribution of all paydowns associated with mortgage-backed and asset-backed securities.
 - 4. The receipt and disbursement of all repurchase agreement collateral.
 - 5. The facilitation of all trading activity conducted by investment managers and securities lending agents.
 - 6. Providing daily accounting and bookkeeping of all investment accounts, weekly market evaluation of securities and month end reports that show a detailed list of holdings with market evaluations.
- c. Time certificates of deposit will be physically held in the State Treasurer's vault.

XV. PERFORMANCE EVALUATION

The General Portfolio will be invested to obtain a rate of return consistent with the State's cash flow requirements and risk constraints, and the dependence upon budgetary and economic factors. The State Treasurer's investment strategy is generally that of a "buy-and-hold" investor but the State Treasurer also has the ability to take advantage of market opportunities as they occur by analyzing projected cash flow to assess the availability of uncommitted money.

Given this strategy, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved will be the rolling United States Treasury Bill or Note yield of a maturity most closely matching the portfolio's duration. In addition, to the extent that the State Treasurer elects to use sub-accounts to separately manage monies such as bond proceeds or monies deemed to have a longer investment horizon (i.e., "core monies"), the State Treasurer may develop and use other benchmarks to measure staff's or outside managers' performance.

XVI. ACCOUNTING AND REPORTING

The State Treasurer will maintain a technologically adequate investment system that will account for all investment transactions, produce detailed reports of securities holdings, calculate yield to maturity and average portfolio life, create amortization of securities, and calculate portfolio earnings.

Pursuant to NRS 355.045, the State Board of Finance will review the investment policies of the State Treasurer at least every four (4) months. The State Treasurer will submit a quarterly report which will contain the following information to permit an evaluation of the performance of the General Portfolio:

- 1. An overview of market and economic conditions for the quarter.
- 2. The investment strategy used for investment of the portfolio.
- 3. A list of securities holdings in the portfolio at quarter end that categorizes each type of security.
- 4. Yield to maturity and average life of the portfolio at quarter end.
- 5. Percentage allocation of securities by category.
- 6. Dollar value of earnings distribution to the General Fund for the quarter.
- 7. Performance of the portfolio versus the selected benchmark, and
- 8. Review of the securities lending program, if applicable.

The report will allow the State Board of Finance to review investment results, provide suggestions for improved future performance, and to verify that investment staff has acted in accordance with investment policies and procedures. If acceptable to the Board, the above information alternatively may be posted to the State Treasurer's website (i.e., in the case where information such as the securities holdings report is voluminous.)

The State Treasurer will comply with all Governmental Accounting Standards Board regulations.

XVII. YIELD CALCULATION AND EARNINGS

- A. Interest is distributed to each authorized fund and budget account on a quarterly basis using the cash basis of accounting.
- B. The SIFMA (Securities Industry and Financial Market Association) method of calculating yield is utilized. The yield is computed quarterly on an annualized basis, using the amortized book value of the securities held in the General Portfolio.
- C. Earnings composed of gains and losses are calculated and distributed in the quarter in which they were realized.
- D. Total earnings received during the quarter are apportioned to each authorized fund and budget account based upon their average daily balance.

XVIII. INTERNAL CONTROLS

A system of controls will be established to ensure that investment transactions and associated activities are monitored. These controls are created to safeguard against fraud, investment staff error, or other actions that could result in a loss of public money. The State Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this investment policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

The State Treasurer is subject to periodic audits by the Legislative Counsel Bureau that includes unscheduled cash and securities counts. An independent accounting firm, which will determine that investments are being made according to State statute, investment policy and procedures, and administrative regulations, will audit the General Portfolio periodically.

XIX. INVESTMENT OF BOND PROCEEDS

If bond covenants are more restrictive than this policy, the bond proceeds will be invested in full compliance with those restrictions.

XX. SECURITIES LENDING

NRS 355.135 allows the State Treasurer to lend securities from the General Portfolio. However, securities lending is not authorized at this time due to volatility in the bond market and possible dislocations in the future.

GLOSSARY

(ABS)

ASSET- BACKED SECURITY A security backed by notes or receivables against assets other than real estate. Examples are automobiles and credit card receivables.

AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS Broker/dealers and financial institutions approved by the State Treasurer to provide investment services.

BANKERS' ACCEPTANCES

(BA)

Bankers' Acceptances are negotiable short-term financial instruments which are unconditional obligations of the accepting bank. They are issued on a discount basis.

BASIS POINT

1/100 of one (1) percent. (decimally .0001)

BENCHMARK

A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER

A party who brings buyers and sellers together, and charges a commission for this service.

CERTIFICATE OF DEPOSIT (CD)

A negotiable time deposit issued by a bank in certificate form. A CD is issued with a specific maturity date and pays interest at maturity.

COLLATERAL

Securities or cash which a borrower pledges to secure repayment of a loan.

COLLATERALIZED MORTGAGE OBLIGATION (CMO)

A security which pools together mortgages and separates them into short, medium, and long-term "tranches". Tranches are set up to pay different rates of interest depending upon their maturity. Interest is usually received on a monthly basis.

COMMERCIAL PAPER (CP)

A short-term promissory note issued by a corporation. Commercial paper is issued on a discount basis and has specific maturity dates not to exceed 270 days.

CORPORATE NOTE

A negotiable security issued by a corporation.

CUSTODIAN

A financial institution approved by the State Treasurer to provide safekeeping services with respect to securities and securities-related assets, and to provide other services which may include trade settlement, interest

collection and transaction reporting.

DEALER

A firm or individual who buys and sells for his own account.

DELIVERY VS. PAYMENT

(DVP)

The exchange of securities and cash at settlement date.

DISCOUNT BASIS

The price of a security expressed as an annualized rate of discount. Discounted securities are purchased at a dollar price below face value, and

mature at face value.

DIVERSIFICATION

Allocating investment funds to a variety of securities to minimize market risk.

DURATION

The weighted average maturity of the security's cash flows, where the present values of the cash flows serve as the weights. The greater the duration of a security, the greater it's percentage price volatility.

FAIR VALUE

The amount at which an investment can be exchanged between buyer and seller.

FANNIE MAE

Established by Congress in 1938 to provide liquidity to the mortgage market, especially the secondary market for residential mortgages. Legislation in 1968 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation. Previously known as Federal National Mortgage Association.

FEDERAL AGRICULTURAL ("FARMER MAC")

A federally chartered agency of the United States. It was established to MORTGAGE CORPORATION provide a secondary market for agricultural real estate mortgage loans.

FEDERAL FARM CREDIT BANK (FFCB)

The Federal Farm Credit Administration, a federal agency, is responsible for regulating the banks and associations which comprise the Federal Farm Credit System. This System provides credit solely to the United States agricultural sector.

FEDERAL FUNDS RATE

The interest rate charged by banks having excess reserves to banks needing the money to meet reserve requirements.

FEDERAL HOME LOAN BANK (FHLB)

The Federal Home Loan Bank Board, established by Congress in 1932, is comprised of 12 Federal Home Loan Banks. The Board is authorized to provide support and liquidity to savings and loans, banks, and insurance companies engaged in home financing.

FEDERAL HOME LOAN ("FREDDIE MAC")

Established by Congress in 1970 to enhance the liquidity of mortgage MORTGAGE CORPORATION investments and to improve the distribution of investment capital available for home mortgage financing. Legislation in 1989 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation.

GOVERNMENT AGENCIES

Refers to securities issued by agencies of the United States government and United States government sponsored enterprises. Securities issued range in maturity from overnight to longer than 10 years. Securities may be issued on a discount basis, or may be interest bearing. Agencies would include FARMER MAC, FFCB, FHLB, FREDDIE MAC, and FANNIE MAE.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR "GINNIE MAE")

Established in 1986 to take over some of the functions performed by FNMA. GNMA is an agency controlled by the Department of Housing and Urban Development (HUD). GNMA is authorized to confer a full faith and credit guarantee of the United States government for the timely payment of both principal and interest on packages of mortgages it creates in its mortgage pass-through securities program.

LEGISLATIVE COUNSEL **BUREAU (LCB)**

Encompasses the lawmaking authority of the State of Nevada. empowered to enact the laws of the State and provides oversight of the executive and judicial branches of government through the budget and audit processes and reviews the regulations developed by State agencies.

LIQUIDITY

The capacity to meet future financial obligations from available resources.

MASTER REPURCHASE **AGREEMENT**

A written contract between the State Treasurer and an approved counterparty which details each party's obligations in a repurchase agreement transaction. Among other things, it will specify the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MONEY MARKET FUNDS

A mutual fund that invests only in money market instruments, or those securities having a maturity of 397 days and under.

NEVADA REVISED STATUTES (NRS)

The codified laws of the State of Nevada as enacted by the Legislature.

PAR VALUE

The principal amount a holder will receive at the maturity of an issue.

PLANNED AMORTIZATION

CLASS (PAC)

A type of collateralized mortgage obligation (CMO) in which principal is paid based on a predetermined scheduled. A PAC bond receives provides some measure of protection against prepayment risk.

PORTFOLIO

A collection of securities held by an investor.

PREMIUM

The amount by which the market price of an issue exceeds face value.

PRUDENT PERSON RULE

An investment standard which may be adopted by an investment organization to guide those with the responsibility for the investment of money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.

RATINGS

The evaluation of an issuer's credit standing published by Moody's, Standard & Poor's, Fitch or other rating services.

REPURCHASE AGREEMENT A simultaneous sale of securities by a bank or broker/dealer with an agreement to repurchase those securities at an agreed upon date, and an agreed-upon rate of interest.

SAFEKEEPING

A fee arrangement whereby an approved financial institution holds a customer's securities in its vaults, or in the case of book-entry securities, maintains a safekeeping receipt recorded in the customer's name as evidence of ownership.

SECURITIES INDUSTRY ASSOCIATION

An organization which offers premiere educational programs to member securities firms.

SEQUENTIAL PAY

A type of collateralized mortgage obligation (CMO) in which there are several tranches. Each tranche's holder receives interest payments as long as the tranche's principal amount has not been completely paid off. The senior tranche receives all initial principal payments until it is completely paid off, after which the next most senior tranche receives all the principle payments, and so on.

STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE)

Established in 1972 by Congress as a publically publicly owned, government sponsored enterprise (GSE), created to provide liquidity for originators of student loans made under federally sponsored student loan programs. In 1997 shareholders voted to privatize Sallie Mae, although the GSE remains the obligor in all pre and post privatization public debt issued.

TARGETED AMORTIZATION CLASS (TAC)

A type of collateralized mortgage obligation (CMO) that is similar to a planned amortization class (PAC) in that it protects investors from prepayment; however, it is structured differently than a PAC. TACs protect investors from a rise in the prepayment rate or a fall in interest rates. They do not protect from a fall in the prepayment rate like PACs.

TIME CERTIFICATE OF **DEPOSIT (TCD)**

A non-negotiable financial instrument issued with a specific amount, rate and maturity date.

UNITED STATES TREASURY BILLS (T-BILLS) A discounted security issued by the United States Treasury. T-bills are issued with maturities of three (3) and six (6) months.

UNITED STATES
TREASURY NOTES

Interest-bearing securities issued by the United States Treasury. Notes are issued with maturities from two (2) to thirty (30) years.

YIELD YIELD TO MATURITY The rate of annual return on an investment expressed as a percentage. The total money earned from investment date to maturity date assuming: 1) semi-annual interest payments, 2) interest is reinvested at same rate security was purchased at, and 3) the premium is subtracted or discount is added to final money.

APPENDIX A STATE OF NEVADA GENERAL PORTFOLIO TERROR-FREE INVESTMENT POLICY

As fiduciary of State of Nevada monies, the State Treasurer must seek to accomplish the objectives set forth in the General Portfolio Investment Policy, specifically, safety, liquidity, and market return, using a "prudent person" standard of care. Investments undertaken in this manner, while emphasizing the components of safety and liquidity, must also strive to produce an investment return that is consistent with the market environment. Consideration may be given as to whether an investment into allowable instruments with exposure to terrorist elements would produce higher income for the taxpayer and/or undermine the United States economy, and whether such investment would be more susceptible to noncompliance under the Divestiture Procedures at a future date because of terrorist ties.

Therefore, as a prudent person, the State Treasurer believes it is sound public policy to monitor whether any of the investments of the General Portfolio assets are in those corporations or persons that support terrorism. This support generally revolves around financial and technological assistance to terrorist groups or to governments which sponsor terrorism, while imparting minimal benefit to their ordinary citizens. The Federal government, which bears responsibility for the conduct of foreign affairs, conducts due diligence on an ongoing basis to determine who should be monitored and sanctioned. Information from the following lists provided by the Federal Government, which include firms, terrorist-sponsored organizations and targeted individuals, will be used as the outside sources to monitor the investments of the General Portfolio by the State Treasurer:

State Sponsors of Terrorism List

The United States Department of State has designated countries which "have repeatedly provided support for acts of international terrorism" and have incurred U. S. imposed sanctions. Currently, these countries are Cuba, Iran, Sudan, and Syria.

Foreign Terrorist Organizations List

The United States Secretary of State, in consultation with the Attorney General and the Secretary of the Treasury, may designate as a Foreign Terrorist Organization (FTO), a foreign organization which has carried out terrorist attacks, is engaging in the planning and preparation of possible future attacks, or retains the capability and intent to carry out such acts.

Specially Designated Nationals List (SDN)

The Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries, terrorist, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

On a quarterly basis, the General Portfolio will be cross-checked against these lists to identify those securities which may be out of compliance. If any security is designated as non-compliant, the security in question will be processed through Divestment Procedures as currently implemented by the Office of the Treasurer.

APPENDIX B STATE OF NEVADA GENERAL PORTFOLIO SALE OF PORTFOLIO SECURITIES

The State Treasurer, as fiduciary for all monies, is responsible for administering and investing, and acting within the "prudent person" standard. As such, the State Treasurer has a duty to provide for the:

- a) Safety
- b) Liquidity, and
- c) The securing of a just and reasonable investment return of the portfolio while avoiding undue risk.

There is also the recognition that within a diversified investment portfolio, which follows stated laws and guidelines, individual securities may fall out of regulatory compliance for various reasons. Compliance may encompass risk enhancement due to a security's rating downgrade below guidelines, price volatility which hampers performance, class percentage restrictions, or policy provisions, which call for liquidation from a designated portfolio.

If an individual security does not conform within policy limitations, there must be a "best judgment" guideline to remedy or correct noncompliance. Keeping in mind the duties identified above, the following criteria should be applied to determine the proper course of action regarding non-compliant securities.

Once a security has fallen out of regulatory compliance, the cause of the compromise shall be reviewed, and the following information identified:

- a) The par value of the security,
- b) The content and performance of any underlying collateral, and
- c) The time remaining to maturity of the security.

If the compromise is of a short-term nature (approximately three months), with no assumed default repercussion, and if the par value is 1% or less of the total par value of the portfolio, the security will be monitored until it re-complies or matures. The non-compliance must be documented in writing and forwarded to the appropriate Senior Deputy Treasurer.

If the nature of the compromise is long-term, or if default is evident, any non-compliance must be documented in writing, and forwarded to the State Treasurer. After considering recommendations from investment staff, external investment managers or advisors regarding the prudent course of action, the State Treasurer may take appropriate action to sell, redeem, divest, or withdraw the non-compliant security. This shall not be construed to require the premature or otherwise imprudent sale, redemption, or divestment of the security, but shall require that the State Treasurer proceed in a manner to preserve the principal value and the integrity of the portfolio as a whole. Divestiture shall be completed no later than two years following the date of the infraction and shall be reported upon completion to the State Board of Finance Any activity associated with this procedure shall be reported, as with all other investment activity, as provided in NRS 355.045, to the Board of Finance.





TO: Board of Finance (BoF) Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: 8 19 19 BoF Agenda Item #7 - Board review and approval or disapproval of the

State Treasurer's investment policy statement for Local Government Investment

Pool (LGIP) Portfolio and the State Treasurer's amendments thereto.

DATE: August 13, 2019

Agenda Item #7

For discussion and possible action: on the approval of the amended State Treasurer's investment policy statement for the LGIP Portfolio pursuant to NRS 355.045.

Background:

Please find attached the redlined version of the LGIP policy. The primary purpose of the amendments is to modify the policy to incorporate the passage of Assembly Bill 34 (AB34) which was passed in the 2019 Legislative Session and signed by Governor Sisolak on May 23, 2019. This policy was last revised in November 2015.

AB34 will allow the LGIP Portfolio to be more diversified, while potentially increasing returns and mitigating the overall level of risk. The primary additions are:

- 1. Two new allowable investment classes:
 - a. Sovereign bonds/Yankee bonds which are issued and backed by a foreign entity, such as a bank or company, but issued and traded in the United States and denominated in U.S. dollars and rated AA or better.
 - b. Developmental bonds issued by international organizations such as the World Bank, for the purpose of promoting economic development. Also, U.S dollar denominated and rated AA or better.
- 2. Increases the maximum share of the portfolio allowed to be invested in commercial paper, notes, bonds or other obligations of certain corporations operating in the U.S. to 25% from 20%.

Recommendation:

I respectfully request consideration and approval of the amended policy.

Website: http://NevadaTreasurer.gov

CARSON CITY OFFICE

State Treasurer 101 N. Carson Street, Suite 4 Carson City, Nevada 89701-4786 (775) 684-5600 Telephone (775) 684-5623 Fax

STATE TREASURER PROGRAMS

Guinn Millennium Scholarship Program Nevada Prepaid Tuition Program Nevada College Savings Plans Nevada College Kick Start Program Unclaimed Property

LAS VEGAS OFFICE

State Treasurer 555 E. Washington Avenue, Suite 4600 Las Vegas, Nevada 89101-1074 (702) 486-2025 Telephone (702) 486-3246 Fax

STATE OF NEVADA

OFFICE OF THE STATE TREASURER

INVESTMENT POLICY

LOCAL GOVERNMENT POOLED INVESTMENT FUND

(LGIP)



DAN SCHWARTZZACH CONINE STATE TREASURER

Revised November 2015 August 2019

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I AUTHORITY

Nevada Revised Statutes (NRS) 355.167 stipulates that the Local Government Pooled Investment Fund (LGIP) is created as an agency fund to be administered by the State Treasurer. NRS 355.167 further stipulates that any local government, as defined in NRS 354.474, may deposit its money with the State Treasurer for credit to the fund for purposes of investment. The State Treasurer may adopt reasonable regulations to carry out the administration of the LGIP. NRS 355.045 requires that the State Board of Finance (Board) review and approve or disapprove the policies established by the State Treasurer for investment of the LGIP at least every four (4) months.

Accordingly, the purpose of this policy is to comply with NRS 355.167 in order to establish the guidelines that will govern the investment activities of the State Treasurer with regard to the management of local government monies in the LGIP. Furthermore, this policy shall comply with NRS 355.170 and 355.171, which establish the authorized and prohibited investments of local government monies. This policy may only be amended by a majority vote of the Board.

This policy will ensure the prudent investment of the LGIP, adherence to statutory requirements applicable to the investment of public funds, maintenance of daily cash flow requirements, and the establishment of a competitive benchmark rate of return.

II SCOPE

This policy applies to all money that comprises the LGIP, the purpose of which is to provide an alternative investment program to be utilized by State local governments for the pooling of their public funds. The LGIP is reported as a fiduciary fund type in the State's Comprehensive Annual Financial Report (CAFR), which is audited annually by an independent accounting firm.

In addition to providing local government participants (participants) a safe and convenient method of investment, the LGIP also offers the following benefits:

- A. No minimum or maximum size of accounts;
- B. Multiple accounts may be maintained for accounting purposes;
- C. No transaction size limitation for deposit or withdrawal of monies; and.
- D. No restrictions on length of time monies are deposited.

III PRUDENCE

The standard of care, per NRS 355.145, to be used in the investment program will be the following "prudent person" standard, as hereafter quoted, and will be applied while conducting all investment transactions:

"The state treasurer shall exercise the judgment and care, under the circumstances then prevailing, which a person of prudence, discretion and intelligence exercises in the management of his own affairs, not in regard to speculation, but in regard to the investment of his money, considering the probable income as well as the probable safety of his capital."

Authorized investment officers and staff who act in accordance with this policy and written procedures in the management of the LGIP, and who exercise the proper due diligence will have no personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported and preventive action is taken to control adverse developments.

IV OBJECTIVES

The LGIP shall be managed to accomplish the following objectives:

A. Safety

Safety of principal is the foremost objective of the investment program. Investments in the LGIP shall be undertaken to ensure the preservation of principal in the portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk

The State Treasurer will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Establishing a pre-approved list of financial institutions and companies that the State Treasurer will be restricted to when purchasing commercial paper and corporate notes.
- Conducting regular credit monitoring and due diligence of these issuers.
- Pre-qualifying the financial institutions and broker/dealers with which the State Treasurer will do business for broker/dealer services and repurchase agreements.
- Diversifying the portfolio so potential losses on individual securities will be minimized.

- 2. Market Risk/Interest Rate Risk
 Market risk relates to price fluctuations of securities that may result in a loss
 to the LGIP if cash flow requirements force a premature sale. The State
 Treasurer will minimize the risk that the market value of securities in the
 portfolio will fall due to changes in general interest rates, by:
 - Portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances.
 - Maintaining an effective weighted average maturity of 150 days or less. If an unanticipated large withdrawal of greater than 5% causes the weighted average maturity to extend beyond the 150 days, the average weighted maturity will be brought back into compliance within fourteen (14) days.
 - Holding at least 50% of the portfolio's total par value in securities with a maturity of 90 days or less. If an unanticipated large withdrawal of greater than 5% causes the holdings of maturities of 90 days or less to fall below 50%, the maturities will be brought back into compliance within fourteen (14) days.

B. Liquidity

The LGIP will remain sufficiently liquid to enable the LGIP to meet all withdrawal requirements that can be reasonably anticipated. This will be accomplished by:

- Structuring the portfolio so that securities mature concurrent with cash necessary to meet anticipated demand.
- Endeavor to hold 5% 10% of the portfolio's total par value in securities with a maturity of one (1) day.
- Holding at least 50% of the portfolio's total par value in securities with a maturity of 90 days or less.
- Furthermore, because all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

C. Return on Investment

The LGIP will be invested to attain a competitive rate of return in relation to prevailing budgetary and economic environments, while taking into account the LGIP's investment risk constraints and the cash flow characteristics of the portfolio.

D. Legality

The State Treasurer will invest the LGIP only within the legal guidelines set forth by the laws of the State. Any investment alternative outside these guidelines is not permissible.

V DELEGATION OF AUTHORITY

NRS 226.100(1) authorizes the State Treasurer to appoint a Deputy of Investments (Deputy) whose responsibilities include management of the investment program and implementation of procedures consistent with this policy. The Deputy will also be responsible for the supervision and regulation of the investment staff and all external investment professionals associated with the investment program. The Deputy shall maintain a "Trading Authorization" form, signed by the State Treasurer, which lists all persons authorized to make investments and to order the receipt and delivery of investment securities among custodial security clearance accounts. The Trading Authorization Form shall be distributed to all broker-dealers authorized to buy and sell securities with the State.

VI INVESTMENT PROCEDURES

The State Treasurer will establish written procedures detailing the operation and regulation of the investment program. The procedures set forth the trading authorization of the investment staff, the daily responsibilities of implementing the investment program, and the segregation of investment duties. The State Treasurer will submit to periodic independent audits to determine that investment activities adhere to State statutes, administrative rules, and investment policies.

VII ETHICS

Investment staff will act responsibly as the custodians of public funds. The staff will refrain from personal business activity that could create an appearance of impropriety or could conflict with the proper execution of the investment program or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the State Treasurer any material financial interest in financial institutions that conduct business within Nevada, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual or entity with which business is conducted on behalf of the State.

VIII AUTHORIZED BROKER-DEALERS

The State Treasurer will maintain a list of authorized broker-dealers. Security transactions are limited solely to those banks, brokers and dealers included on this list. All financial institutions, whether investment banks, dealers, commercial banks or savings and loan institutions must be approved by the State Treasurer before they are able to conduct business with the State Treasurer's Office.

Authorized broker-dealers must have reviewed the eligible investments that are detailed in NRS and the adopted investment policy, and who are aware of the investment needs, constraints, and goals of the investment program. A "Request for Information" (RFI) will be periodically issued to provide a uniform standard the State Treasurer may use to identify the financial condition and professional merits of any firm included on the broker-dealer list. An affidavit attesting to having reviewed and understood the contents of the investment policies and NRS must be completed by each broker-dealer in order to qualify for final selection. All approved broker-dealers must be fully licensed and registered NASD Broker/Dealers or exempt banks.

Criteria used to select broker-dealers through the RFI process will include:

- Financial strength and capital adequacy of firm;
- Services provided by firm;
- Research services available;
- Resume, reputation and qualifications of sales representative;
- Due diligence and firm references, and
- State government expertise.

The State Treasurer will encourage all qualified broker-dealers providing investment services in the State, including those owned by women, minorities, and/or the physically impaired, to respond to the RFI. Consideration will be given to all institutions when their services are competitive on a national basis.

If the LGIP is managed by an outside investment advisor, the investment advisor shall submit to the State Treasurer on a quarterly basis the investment advisor's approved list of broker-dealers. The investment advisor also acknowledges it has followed its policies and procedures in regards to its review of its approved broker-dealers.

IX AUTHORIZED INVESTMENTS

The State Treasurer, in accordance with the provisions of NRS 355.170, NRS 355.171, and this investment policy, is authorized to invest in:

A. Banker's Acceptances

- 1. An issuing bank must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least two (2)one nationally recognized statistical rating organizations (NRSROs).
- 2. Must be issued by domestic commercial banks regulated by the Federal Reserve or trust companies which are members of the Federal Reserve System.
- 3. Maximum maturity of 180 days.
- 4. Aggregate par value may not exceed 20 percent of total par value of the portfolio as determined at the time of purchase.
- No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

B. Commercial Paper

- 1. Must have received the highest letter and numeral short-term ranking (i.e., A-1 / P-1) by at least two (2) one NRSROs.
- 2. Eligible paper is further limited to issuing corporations that have a total commercial paper program sized in excess of \$250,000,000 and have long-term debt ratings, if any, of "A" or better from at least two (2) NRSROs.
- 3. Must be issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States.
- 4. Maximum maturity of 270 days.
- 5. Must be purchased from a registered broker-dealer.
- 6. Approved commercial paper programs should provide some diversification by industry. Additionally, purchases of commercial paper in industry sectors that may from time to time be subject to undue risk and potential illiquidity should be avoided.
- 7. Aggregate par value may not exceed 20 percent of total par value of the portfolio at the time of purchase.
- 8. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

C. Corporate Notes

- 1. Must have a long-term debt rating of "A" or better from at least two (2) one NRSROs.
- 2. Must be issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating in the United States.
- 3. Maximum maturity of two (2) years.
- 4. Must be purchased from a registered broker-dealer.
- 5. Aggregate par value may not exceed 20 percent of total par value of the portfolio as determined at the time of purchase.
- 6. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

D. Foreign Notes

- 1. Must have a long-term debt rating of "AA" or better by at least one NRSRO.
- 2. Must be publicly issued and traded in the United States by a foreign financial institution, corporation or government and:
 - a) Denominated in United State dollars;
 - b) Senior unsecured unsubordinated obligations;
 - c) Registered with the Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933.
- 3. Maximum maturity of five (5) years.
- 4. Must be purchased from a registered broker-dealer.
- 5. Aggregate par value may not exceed 10 percent of total par value of the portfolio as determined at the time of purchase.
- 6. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

E. International Development Notes

- 1. Must have a long-term debt rating of "AA" or better by at least one NRSRO.
- 2. Must be issued by the International Bank for Reconstruction and Development, the International Finance Corporation, or the International American Development Bank, and:
 - a) Denominated in United States dollars;
 - b) Senior unsecured unsubordinated obligations
- 3. Maximum maturity of five (5) years.
- 4. Must be denominated in United States dollars.
- 5. Must be senior unsecured unsubordinated obligations.
- 6. Aggregate par value may not exceed 15 percent of total par value of the portfolio as determined at the time of purchase.
- 7. No more than five (5) percent of total par value of the portfolio may be held in one (1) issuer.

E.F. Money Market Mutual Funds

- 1. Only SEC registered 2(A)7 funds are eligible.
- 2. Rating must be "AAA" or its equivalent by at least two (2)one NRSROs.
- 3. Investments must only be in:

a. United States Treasury or United States Agency securities.

4.3. Repurchase Agreements collateralized by the securities in D.3.a. securities issued by the United States Treasury, United State Agency securities, or repurchase agreements fully collateralized in such securities.

G. Negotiable Certificates of Deposit

- 1. Issued by commercial banks, insured savings and loan associations, or insured credit unions with at least \$10 billion in assets.
- 2. Must have received the highest letter and numeral short-term ranking (i.e., A-1/P-A by at least two (2)one NRSROs)
- 3. Must also have long-term debt ratings of "A" or better from at least two (2) NRSROs.
- 4. Maximum maturity of two (2) years.
- 5. Aggregate par value may not exceed 20 percent of total par value of the portfolio.
- 6. No more than five (5) percent of total par value of the portfolio may be in one (1) issuer.

H. Repurchase Agreements

- 1. Executed with a qualified counterparty approved by the State Treasurer.
 - 2. Counterparty means a bank which is organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a "primary" dealer, and in full compliance with all applicable capital requirements.
 - 3. Counterparty must provide annual audited financial statements to the State Treasurer.
 - 4. Counterparty must have executed a written master repurchase agreement in a form satisfactory to the State Treasurer and the State Board of Finance prior to transacting a repurchase agreement.
 - 5. Counterparty must have executed a written tri-party agreement in a form satisfactory to the State Treasurer and the State Board of Finance prior to transacting a tri-party repurchase agreement.
 - 6. Maximum maturity of 90 days.
 - 7. Must meet collateral requirements contained in this investment policy.
 - 8. Aggregate par value may not exceed 40 percent of total par value of the portfolio as determined at the time of purchase.

9. No more than 10 percent of total par value of the portfolio may be in one (1) counterparty.

I. Tax-Exempt Municipal Bonds

- 1. Issuer must have a long-term debt rating of "A" or better from at least two-one (2) NRSROs.
- 2. Eligible securities are:
 - a. Bonds of this State except for Build America Bonds. Bonds issued by the State of Nevada must be held to maturity and not re-sold.
 - b. Bonds issued by other states of the Union.
 - c. Bonds of any country, city school district or other local government of this state or of other states.
- 3. Maximum maturity of two (2) years.

J. Time Certificates of Deposit

- 1. Financial institutions with a physical location in the State of Nevada will be selected as depositories based on, but not limited to, the following: financial stability, funds availability, community involvement and other relevant economic criteria.
 - 1. A financial institution will be eligible to receive total deposits in an amount not to exceed their equity capital.
 - 2. Maximum maturity of two (2) years.
 - 3. Must meet collateral requirements contained in this investment policy.

K. United States Treasury Securities

- 1. Maximum maturity of two (2) years.
- 2. Eligible securities include bills, notes, bonds, Treasury Inflation-Protected Securities (TIPS), floating rate notes, and Separate Trading of Registered Interest and Principal Securities (STRIPS).

L. United States Agency Securities

- 1. In addition to obligations of government-sponsored enterprises (GSEs), all other obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government are authorized.
- 2. Maximum maturity of two (2) years.
- 3. Eligible instruments include:
 - a. Discount Notes with a maximum stated maturity of one (1) year;
 - b. Debentures (including structured notes) with a maximum stated maturity of two (2) years. These may include floating rate securities, zero coupon bonds, callable securities, and step-up securities;

4. Aggregate par value of callable securities may not exceed 20 percent of total par value of the portfolio.

M. Asset-Backed Securities

- 1. Must have received an "AAA" rating or its equivalent by a NRSRO.
- 2. Maximum stated-final maturity of two (2) years.
- 3. Aggregate par value may not exceed 20 percent of total par value of the portfolio at time of purchase.
- 4. No more than 5 percent of the total par value maybe in one issuer at time of purchase.

X COLLATERALIZATION

A. Repurchase Agreements

- 1. Transacted on a delivery versus payment basis, whereby the securities custodian will disburse cash for repurchase agreements only upon the receipt of the purchased securities.
- 2. Collateral may be transferred directly to the State's custodial bank on a deliverable basis or using a tri-party custodial bank arrangement.
- The purchased securities will be United States Treasury or United States Agency securities with a term to maturity not to exceed 10 years.
 The market value of the purchased securities must equal or exceed 102

percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly. If the value of the purchased securities should fall below 102 percent, the counterparty will be required to submit additional collateral to make up the deficit.

B. Time Certificates of Deposit

- 1. Pursuant to NRS 356.005, all money deposited by the State Treasurer which is not within the limits of insurance provided by an instrumentality of the United States must be secured by collateral composed of the following types of securities:
 - a. All authorized investments as set forth in this policy;
 - b. Bonds of the State;
 - c. Bonds of any county, municipality or school district within the State;
 - d. Irrevocable letters of credit from any Federal Home Loan Bank with the State Treasurer named as the beneficiary.
- 2. The collateral must be held in trust with a custodian other than the depository.

XI SALE OF SECURITIES

Securities are normally purchased by the State Treasurer with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and/or increase the return of the portfolio, securities may be sold prior to maturity either at a profit or loss when economic circumstances or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In the latter situation, the Deputy must abide by the Divestiture Policy, which was previously approved by the Board on April 23, 2008, and is hereby attached as Appendix "A" and re-titled "Sale of Portfolio Securities". In measuring a profit or loss, the sale proceeds shall be compared to the book value of the security.

XII PROHIBITED INVESTMENTS

No investment shall be made that is prohibited by law. Furthermore, to provide for the safety and liquidity of the LGIP, the portfolio will be subject to the following restrictions in addition to those listed elsewhere in this investment policy:

- Instruments know as inverse floaters, range notes, leveraged floaters, equity-linked securities, option contracts, futures contracts and swaps are prohibited;
- Interest-only strips that are derived from a pool of mortgages, or any other investment that could result in zero interest if held to maturity is prohibited;
- Illiquid investments which lack a readily available market for trading as determined by the Deputy are prohibited;
- Borrowing for investment purposes ("Leverage") is prohibited;
- Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited; and
- Reverse repurchase agreements are prohibited.

XIII COMPETITIVE PRICING

Investment transactions are to be made at current market prices. Wherever possible, competitive prices should be obtained through obtaining multiple bids or offers and documenting them on the trade ticket or other written forms. When possible, bids and offers for any investment security shall be taken from a minimum of three (3) security broker/dealers or banks and awards shall be made to the best bid or offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g. commercial paper and certificates of deposit) market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other direct issuers.

XIV SAFEKEEPING/CUSTODY AND DELIVERY

All securities will be held by a third-party custodian designated by the State Treasurer and evidenced by safekeeping receipts. In addition, the following requirements will apply:

- A. Securities purchased by the State Treasurer for the LGIP, as well as collateral for repurchase agreements will be delivered against payment and held in a custodial safekeeping account with an approved financial institution acting as a third-party custodian. Tri-party repurchase agreements are acceptable.
- B. The State Treasurer will periodically issue a Request for Proposal (RFP) for Master Securities Custody Services, which will encompass the following functions:
 - 1. The settlement of all purchase, sales, and calls through the Federal Reserve System (Fed) or the Depository Trust Company (DTC).
 - 2. The collection and distribution of all interest payments.
 - 3. The collection and distribution of all paydowns associated with mortgage- backed and asset-backed securities.
 - 4. The receipt and disbursement of all repurchase agreement collateral.
 - 5. The facilitation of all trading activity conducted by investment managers and securities lending agents.
 - 6. Providing daily accounting and bookkeeping of all investment accounts, weekly market evaluation of securities and month end reports that show a detailed list of holdings with market evaluations.

XV PERFORMANCE EVALUATION

The LGIP will be invested to obtain a rate of return consistent with its cash flow requirements and risk constraints, and the dependence upon budgetary and economic factors. The State Treasurer's investment strategy is generally that of a "buy-and-hold" investor but the State Treasurer also has the ability to take advantage of market opportunities as they occur by analyzing projected cash flow to assess the availability of uncommitted money.

Given this strategy, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved will be comparing the LGIP's yield to a custom benchmark comprised of the prominent and persistent characteristics of the LGIP, and will be adjusted periodically when material, long-term changes of the LGIP's sector allocations and weighted average maturity occur.

XVI ACCOUNTING AND REPORTING

The State Treasurer will maintain a technologically adequate investment system that will account for all investment transactions, produce detailed reports of securities holdings, calculate yield to maturity and average portfolio life, create amortization of securities, and calculate portfolio earnings.

Pursuant to NRS 355.045, the State Board of Finance will review the investment policies of the LGIP at least every four (4) months. The State Treasurer will submit a quarterly report which will contain the following information to permit an evaluation of the performance of the LGIP:

- A. An overview of market and economic conditions for the quarter.
- B. The investment strategy used for investment of the portfolio.
- C. A list of securities holdings in the portfolio at quarter end that categorizes each type of security.
- D. Yield to maturity and average life of the portfolio at quarter end.
- E. Percentage allocation of securities by category.
- F. Dollar value of total earnings for the month.
- G. Performance of the portfolio versus the selected benchmark.
- H. Review of the securities lending program, if applicable.

The report will allow the Board to review investment results, provide suggestions for improved future performance, and to verify that investment staff has acted in accordance with investment policies and procedures. If acceptable to the Board, the above information alternatively may be posted to the State Treasurer's website (i.e., in the case where information such as the securities holdings report is voluminous).

The State Treasurer will provide a monthly report for each authorized account which contains the following information:

- A. Deposit or withdrawal of monies by date.
- B. Beginning and ending balance.
- C. Interest earnings.
- D. Annualized gross and net-of-fees yield-to-maturities.
- E. State Treasurer's administrative fee.

XVII YIELD CALCULATION AND EARNINGS

A. Interest is distributed to each authorized account on a monthly basis using the accrual basis of accounting, whereby income and expense items are recognized as they are earned or incurred, even though they may not have been actually received or paid.

B. The SIFMA (Securities Industry and Financial Market Association)) method of calculating yield is utilized. The yield-to-maturity is computed monthly on an annualized basis, using the amortized book value of the securities held in the LGIP portfolio. Yield-to-maturity is quoted both gross and net of the State Treasurer's administrative fee.

C. Earnings composed of gains and losses are calculated and distributed in the month in which they were realized.

D. Total earnings are apportioned to each authorized account on a pro-rata basis of each account's average weighted dollar days to the LGIP's total average weighted dollar days. (Dollar day = one (1) dollar in the account for one day.)

XVIII INTERNAL CONTROLS

A system of controls will be established to ensure that investment transactions and associated activities are monitored. These controls are created to safeguard against fraud, investment staff error, or other actions that could result in a loss of local government money. The State Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this investment policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

The State Treasurer is subject to periodic audits by the Legislative Counsel Bureau that includes unscheduled cash and securities counts. In addition, the State Treasurer will contract with an independent accounting firm to determine whether the accounting records related to the investment program are accurately presented and whether the State Treasurer is in compliance with NRS and approved investment policies.

XIX SECURITIES LENDING

NRS 355.167(4) allows the State Treasurer to lend securities from the LGIP. However, securities lending is not authorized at this time due to volatility in the bond market and possible dislocations in the future.

GLOSSARY

ASSET- BACKED SECURITY (ABS)

A security backed by notes or receivables against assets. Examples are automobiles loans and credit card receivables.

AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS Broker/dealers and financial institutions approved by the State Treasurer to provide investment services.

BANKERS' ACCEPTANCES (BA) Bankers' Acceptances are negotiable short-term financial instruments which are unconditional obligations of the accepting bank. They are issued on a discount basis.

BASIS POINT

1/100 of one (1) percent. (decimally .0001)

BENCHMARK

A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER

A party who brings buyers and sellers together, and charges a commission for this service.

CERTIFICATE OF DEPOSIT (CD)

A negotiable time deposit issued by a bank in certificate form. A CD is issued with a specific maturity date and pays interest at maturity.

COLLATERAL

Securities or cash which a borrower pledges to secure repayment of a loan.

COLLATERALIZED MORTGAGE OBLIGATION (CMO) A security which pools together mortgages and separates them into short, medium, and long-term "tranches". Tranches are set up to pay different rates of interest depending upon their maturity. Interest is usually received on a monthly basis.

COMMERCIAL PAPER (CP)

A short-term promissory note issued by a corporation. Commercial paper is issued on a discount basis and has specific maturity dates not to exceed 270 days.

CORPORATE NOTE

A negotiable security issued by a corporation.

CUSTODIAN

A financial institution approved by the State Treasurer to provide safekeeping services with respect to securities and securities-related assets, and to provide other services which may include trade settlement, interest collection and transaction reporting.

DEALER

A firm or individual who buys and sells for his own account.

DELIVERY VS. PAYMENT (DVP)

The exchange of securities and cash at settlement date.

DISCOUNT BASIS

The price of a security expressed as an annualized rate of discount. Discounted securities are purchased at a dollar price below face value, and mature at face value.

DIVERSIFICATION

Allocating investment funds to a variety of securities to minimize market risk.

DURATION

The weighted average maturity of the security's cash flows, where the present values of the cash flows serve as the weights. The greater the duration of a security, the greater it's percentage price volatility.

FAIR VALUE

The amount at which an investment can be exchanged between buyer and seller.

FANNIE MAE

Established by Congress in 1938 to provide liquidity to the mortgage market, especially the secondary market for residential mortgages. Legislation in 1968 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation. Previously known as Federal National Mortgage Association.

FEDERAL AGRICULTURAL (FARMERMAC)

A federally chartered agency of the United States. It was established to MORTGAGE CORPORATION provide a secondary market for agricultural real estate mortgage loans.

FEDERAL FARM CREDIT BANK (FFCB)

The Federal Farm Credit Administration, a federal agency, is responsible for regulating the banks and associations which comprise the Federal Farm Credit System. This System provides credit solely to the United States agricultural sector.

FEDERAL FUNDS RATE

The interest rate charged by banks having excess reserves to banks needing the money to meet reserve requirements.

FEDERAL HOME LOAN BANK (FHLB)

The Federal Home Loan Bank Board, established by Congress in 1932, is comprised of 12 Federal Home Loan Banks. The Board is authorized to provide support and liquidity to savings and loans, banks, and insurance companies engaged in home financing.

FEDERAL HOME LOAN (FREDDIEMAC)

Established by Congress in 1970 to enhance the liquidity of mortgage MORTGAGE CORPORATION investments and to improve the distribution of investment capital available for home mortgage financing. Legislation in 1989 transformed the agency into a publicly owned, privately managed corporation, but still required government regulation.

GOVERNMENT AGENCIES

Refers to securities issued by agencies of the United States government and United States government sponsored enterprises. Securities issued range in maturity from overnight to longer than 10 years. Securities may be issued on a discount basis, or may be interest bearing. Agencies would include FARMERMAC, FFCB, FHLB, FREDDIEMAC, and FANNIEMAE.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA)

Established in 1986 to take over some of the functions performed by FNMA. GNMA is an agency controlled by the Department of Housing and Urban Development (HUD). GNMA is authorized to confer a full faith and credit guarantee of the United States government for the timely payment of both principal and interest on packages of mortgages it creates in its mortgage pass-through securities program.

LEGISLATIVE COUNSEL **BUREAU (LCB)**

Encompasses the lawmaking authority of the State of Nevada. empowered to enact the laws of the State and provides oversight of the executive and judicial branches of government through the budget and audit processes and reviews the regulations developed by State agencies.

LIQUIDITY

The capacity to meet future financial obligations from available resources.

LOCAL GOVERNMENT INVESTMENT POOL

A state investment program, usually administered by the State Treasurer, which manages the monies of local governments by using the pooling method.

MASTER REPURCHASE **AGREEMENT**

A written contract between the State Treasurer and an approved counterparty which details each party's obligations in a repurchase agreement transaction. Among other things, it will specify the right of the buyer to liquidate the underlying securities in the event of default by the seller.

MONEY MARKET FUNDS

A mutual fund that invests only in money market instruments, or those securities having a maturity of 397 days and under.

NEVADA REVISED STATUTES (NRS)

The codified laws of the State of Nevada as enacted by the Legislature.

PAR VALUE

The principal amount a holder will receive at the maturity of an issue.

PORTFOLIO

A collection of securities held by an investor.

PREMIUM

The amount by which the market price of an issue exceeds face value.

PRUDENT PERSON RULE

An investment standard which may be adopted by an investment organization to guide those with the responsibility for the investment of money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.

RATINGS

The evaluation of an issuer's credit standing published by Moody's, Standard & Poors, Fitch or other rating services.

REPURCHASE AGREEMENT

A simultaneous sale of securities by a bank or broker/dealer with an agreement to repurchase those securities at an agreed upon date, and at an agreed-upon rate of interest.

SAFEKEEPING

A fee arrangement whereby an approved financial institution holds a customer's securities in its vaults, or in the case of book-entry securities, maintains a safe-keeping receipt recorded in the customer's name as evidence of ownership.

SECURITIES INDUSTRY ASSOCIATION

An organization which offers premiere educational programs to member securities firms.

STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE)

Established in 1972 by Congress as a publicly owned, government sponsored enterprise(GSE), created to provide liquidity for originators of student loans made under federally sponsored student loan programs. In 1997 shareholders voted to privatize Sallie Mae, although the GSE remains the obligor in all pre and post privatization public debt issued.

TIME CERTIFICATE OF DEPOSIT (TCD)

A non-negotiable financial instrument issued with a specific amount, rate and maturity date.

UNITED STATES TREASURY BILLS(T-BILLS)

A discounted security issued by the United States Treasury. T-bills are issued with maturities of one (1), three (3) and six (6) months and one (1) year.

UNITED STATES

Interest-bearing securities issued by the United States Treasury. Notes are issued TREASURY NOTES with maturities from two (2) to 30 years.

YIELD

The rate of annual return on an investment expressed as a percentage. YIELD TO MATURITY is the total money earned from investment date to maturity date assuming: 1) semi-annual interest payments, 2) interest are reinvested at same rate security was purchased at, and 3) the premium is subtracted or discount is added to final money.



APPENDIX A

LOCAL GOVERNMENT POOLED INVESTMENT FUND SALE OF PORTFOLIO SECURITIES

The State Treasurer, as fiduciary for all monies, is responsible for administering and investing, and acting within the "prudent person" standard. As such, the State Treasurer has a duty to provide for the:

- a) Safety
- b) Liquidity, and
- c) The securing of a just and reasonable investment return of the portfolio while avoiding undue risk.

There is also the recognition that within a diversified investment portfolio, which follows stated laws and guidelines, individual securities may fall out of regulatory compliance for various reasons. Compliance may encompass risk enhancement due to a security's rating downgrade below guidelines, price volatility which hampers performance, class percentage restrictions, or policy provisions, which call for liquidation from a designated portfolio.

If an individual security does not conform within policy limitations, there must be a "best judgment" guideline to remedy or correct non-compliance. Keeping in mind the duties identified above, the following criteria should be applied to determine the proper course of action regarding non-compliant securities.

Once a security has fallen out of regulatory compliance, the cause of the compromise shall be reviewed, and the following information identified:

- a) The par value of the security,
- b) The content and performance of any underlying collateral, and
- c) The time remaining to maturity of the security.

If the compromise is of a short-term nature (approximately three months), with no assumed default repercussion, and if the par value is 1% or less of the total par value of the portfolio, the security will be monitored until it re-complies or matures. The non-compliance must be documented in writing, and forwarded to the appropriate Senior Deputy Treasurer.

If the nature of the compromise is long-term, or if default is evident, any non-compliance must be documented in writing, and forwarded to the State Treasurer. After considering recommendations from investment staff, external investment managers or advisors regarding the prudent course of action, the State Treasurer may take appropriate action to sell, redeem, divest, or withdraw the non-compliant security. This shall not be construed to require the premature or otherwise imprudent sale, redemption, or divestment of the security, but shall require that the State Treasurer proceed in a manner to preserve the principal value and the integrity of the portfolio as a whole. Divestiture shall be completed no later than two years following the date of the infraction, and shall be reported upon completion to the State Board of Finance.

Any activity associated with this procedure shall be reported, as with all other investment activity, as provided in NRS 355.045, to the Board of Finance.

Zach Conine State Treasurer



TO:

Board of Finance (BoF) Members

FROM:

Tara Hagan, Chief Deputy Treasurer

SUBJECT:

8_19_19 BoF Agenda Item #8- State Treasurer Investment Report

DATE:

August 13, 2019

Agenda Item #8

For discussion and possible action: on the approval of to the State Treasurer's quarterly investment report for the quarter ended June 30, 2019 pursuant to NRS 355.045.

Fixed Income Market Highlights as of June 30, 2019

- US Treasuries rallied in the second quarter and the yield curve further inverted from the 90 day T-bill out to the 10-year maturity. The 3-month rate fell 29 bps to 2.1%, while the 2, 5, and 10-year rates fell between 41 and 43 bps from the previous quarter.
- US equity markets gained 4.3% this quarter, as measured by the S&P 500 Index, bringing the year-to-date return up to 18.5%, buoyed by accommodative monetary policy.

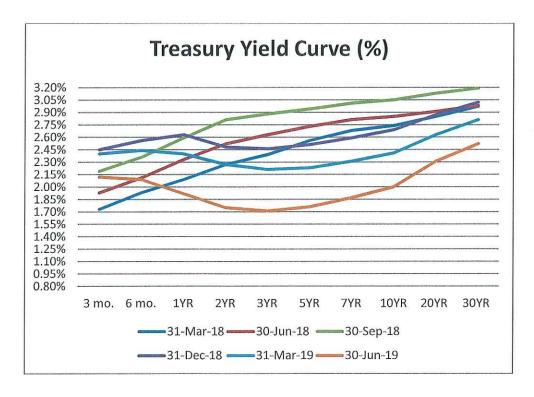


Chart is for illustrative purposes only. Investment Policy prohibits the General Portfolio from investing in Treasuries beyond 10 years.

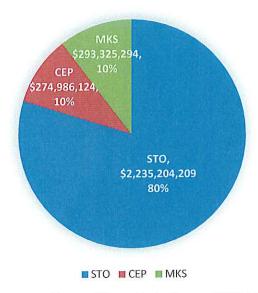
Investment Performance as of June 30, 2019

LGIP

As of June 30, 2019, the total assets under management (AUM) were \$1,254,075,787. Currently, FTN Financial manages the portfolio and the yield to maturity as of June 30, 2019 was 2.57% which is 51 basis point in excess of the benchmark yield of 2.06%.

General Portfolio

As of June 30, 2019, the AUM for the General Portfolio was \$2.80 billion (market value) with 80% managed internally by the State Treasurer and 20% managed by outside managers.



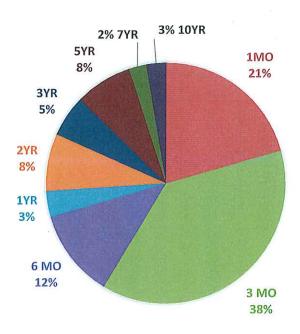
KEY: STO: State Treasurer Staff CEP: Chicago Equity Partner MKS: MacKay Equity Partners

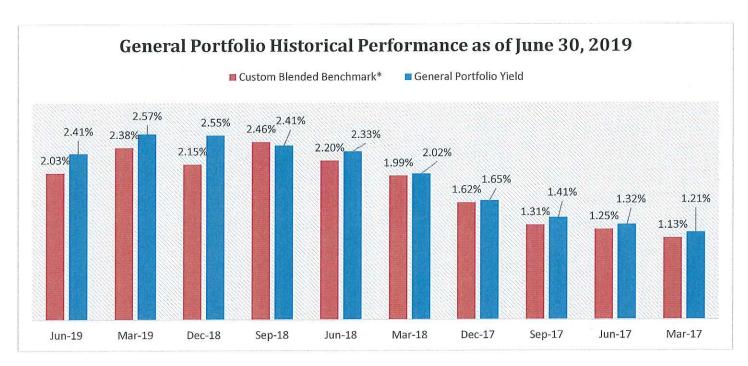
The overall yield to maturity (YTM) as of June 30, 2019 for the General Portfolio was 2.41%. Below is the YTM breakdown by portfolio:

- Internally managed portfolio was 2.52%.
- Chicago Equity Partners (CEP) portfolio was 1.95%.
- MacKay Shields (MKS) portfolio was 1.96%.

The outside managers' charts on page 4 and 5 provide total time weighted return for each separate portfolio, including the market value weighted return of the underlying holdings. Time weighted return measures a fund's compounded rate of growth over a specific time period(s). This measurement allows the State Treasurer to evaluate the outside managers' performance between various time periods against the appropriate benchmark. This differs from the yield data noted above, as it assumes the managers will hold their respective underlying investments to maturity, resulting in 1.95% for CEP and 1.96% for MKS.

Below is a graphical representation of the asset weighted maturities in the General Portfolio as of June 30, 2019.



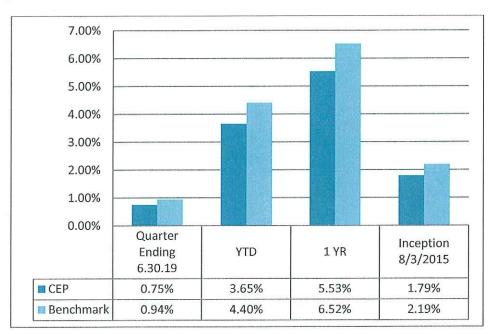


^{*}Custom benchmark yield matches the asset-weighted maturities of the General Portfolio for each quarter to the appropriate Treasury yield.

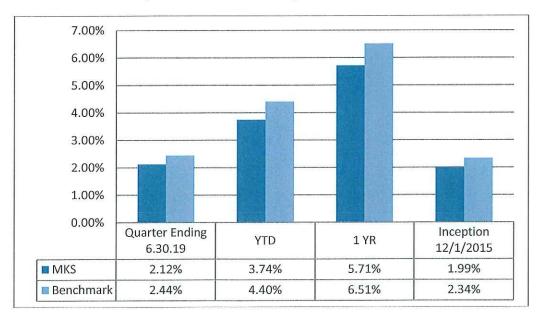
General Portfolio Outside Managers' Performance

Chicago Equity Partners (CEP) began managing \$200 million in General Portfolio assets on August 3, 2015 with an additional \$100 million in 2016 for a total of \$300 million.

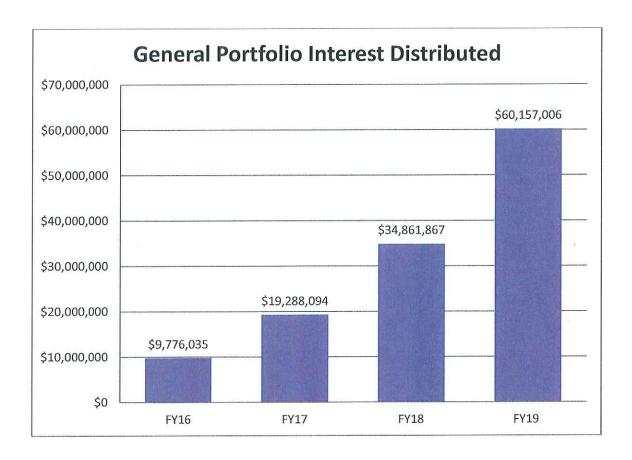
The calendar year-to-date time-weighted performance net of fees is 3.65%. As of June 30, 2019, CEP has distributed \$14.89 million in net interest since inception which has been reduced by the hard dollar manager fees (\$1,255,206) paid over the same time period.



MacKay Shields (MKS) began managing \$200 million in General Portfolio assets on December 1, 2015 with an additional \$100 million in 2016 for a total of \$300 million. The calendar year-to-date time-weighted performance net of fees is 3.74%. As of June 30, 2019, MKS has distributed \$14.41 million in net interest since inception which has been reduced by the hard dollar manager fees (\$1,252,615) paid over the same time period.



Please note the applicable Nevada statutory restrictions regarding corporate notes, local authorities, foreign sovereigns, supranational and foreign agency can negatively impact each manager's portfolio performance versus the index.



The above chart provides the historical interest distributed as of June 30, 2019 by fiscal year for the General Portfolio. Interest is distributed to statutorily approved funds, such as the State General Fund and statutorily approved budget accounts.

Recommendation:

I respectfully request consideration and approval of the quarterly investment reports and the Treasurer's investment policies for the General Portfolio and the LGIP.



INVESTMENTS

GENERAL PORTFOLIO

FISCAL YEAR 2019 Period Ending June 30, 2019

Overview

Investment of the State of Nevada General Fund Portfolio is a function performed by the State Treasurer, who, by the provisions of NRS 355, has adopted policies for the prudent and conservative investment of these funds. The General Portfolio encompasses governmental, proprietary, enterprise and fiduciary funds of the State. Investment objectives include safety of principal, portfolio liquidity and market return.

Investment Guidelines

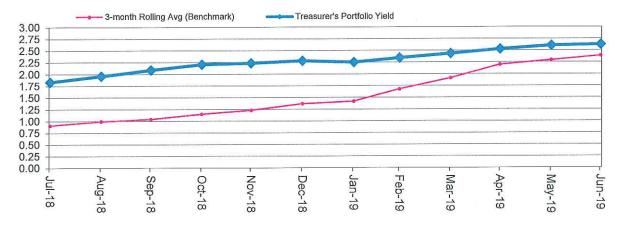
The permissible investments of the General Portfolio include United States Treasury and Agency securities, repurchase agreements, high quality corporate notes and commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The targeted duration of the portfolio is one and a half years, with no security extending longer than ten years.

The State Treasurer maintains a conservative, moderately active investment strategy. Cash flow forecasts are prepared to identify operating cash requirements that can be reasonably anticipated. In order to maintain sufficient liquidity, a portion of the portfolio is structured so that securities mature concurrently with cash needs in the short and medium term. Monies deemed to have a longer investment horizon, are invested to take advantage of longer term market opportunities.

In-House Performance

As of June 30, 2019, the yield on the portion of the General Portfolio managed in-house was 2.521%. A three month rolling average of this benchmark for this period was 2.30% with the average days to maturity at 218 days. The average days to maturity for the in-house managed portfolio was .47 years or 170 days.

In-House Performance vs. Benchmark

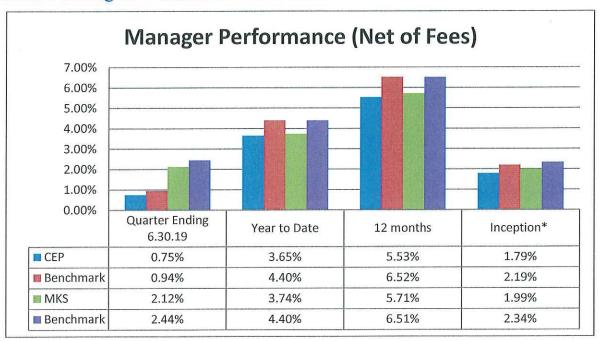


^{*} Benchmark is 3-month rolling weighted average of 80% 3-month Treasuries and 20% 2-year Treasuries

Outside Manager Performance

The annualized performance since inception for period ending June 30, 2019 for manager Chicago Equity Partners (CEP) is 1.79% and for Mackay Shields (MKS) is 1.99%*. Both of these returns are based on time-weighted rate of return which is defined as the compounded growth rate of \$1 over the period being measured. These funds have been assigned the Bloomberg Barclays Intermediate A or better Government Credit benchmark. The Nevada statutory requirements prevent managers from investing in certain securities (supranationals and foreign sovereigns), fewer corporate notes and governmental securites longer than 10 years which is the cause of the difference in manager performance versus the benchmark. *CEP inception date is August 2015 and MKS is December 2015.

Outside Managers' Performance vs. Benchmark

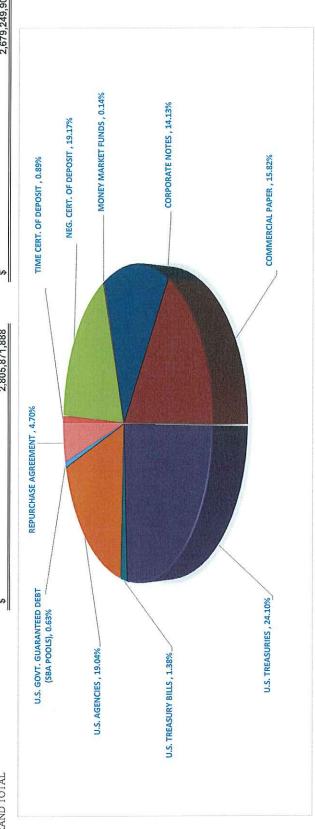


*Inception date for CEP is 8.3.15 and 12.1.15 for MKS

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GENERAL PORTFOLIO
Amortized Book Value and Purchased Interest

March 31, 2019 Amortized Book Value	Treasurer In-House Chicago Equity Partners Mackay Shields		25,000,000	- 000,000,000	10,239,269 4,676,720 14,408,554	, , , , , , , , , , , , , , , , , , ,	ar ar	248,171,251 53,003,777 75,149,286	545,085,209		111,260,121 237,405,417 207,479,490	8,451,573	500,299,097 3,895,738 5,014,696	20,709,702	- 000,000,000	2,078,216,222 \$ 298,981,652 \$ 302,052,026	2,679,249,900
	. 1	€4														€5	₩
June 30, 2019 Amortized Book Value	Mackay Shields	Ē	X	•	1,668,752	i	5	77,520,597	Ī	(1)	200,547,277	ű.	5,022,531	ĭ	3	284,759,157	2,805,871,888
	*	⇔	į	ä	1,147,083			52,603,794	ı	(1)	219,147,035	'n	3,524,481	ī	a	276,422,393 \$	ă Z
	Treasurer In-House	69	25,000,000	538,002,142	1,043,574	E S	а	266,383,480	443,777,040		256,381,853	38,798,570	525,727,016	17,576,662	132,000,000	S 2,244,690,337 \$	€
		WASHINGTON FEDERAL CHECKING ACCT.	TIME CERTIFICATES OF DEPOSIT	NEGOTIABLE CERTIFICATES OF DEPOSIT	MONEY MARKET FUNDS	ASSET-BACKED SECURITIES	MORTGAGE-BACKED SECURITIES	CORPORATE NOTES	COMMERCIAL PAPER	MUNICIPAL BONDS	U.S. TREASURIES	U.S. TREASURY BILLS	U.S. AGENCIES	U.S. GOVERNMENT GUARANTEED DEBT	REPURCHASE AGREEMENTS	TOTAL	GRAND TOTAL



YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON

| June 30, 2019 | June 30, 2019 |
| TOTAL PORTFOLIO | \$2,805,871,888 | \$2,482,630,417

State of Nevada

Office of the State Treasurer Schedule of General Fund Interest Revenue

	Quarter Ended 09/30/2018	Quarter Ended 12/31/2018	Quarter Ended 03/31/2019	Quarter Ended 06/30/2019	FY 2019 Totals
Average Daily Balances of Funds	0				
General Fund	806,653,832	834,027,952	820,301,994	941,904,678	850,722,114
All Funds	2,659,186,033	2,656,636,026	2,762,789,888	2,848,028,808	2,731,660,189
Annualized Interest Rate					
Cash Basis (see Note 1)	2.0386%	2.07697%	2.3329%	2.2274%	2.1690%
Accrual Basis	1.9953%	2.03360%	2.2911%	2.1913%	2.1278%
Interest Distribution for General Fund (Cash Basis)					
General Fund Interest Collected	4,160,873	4,352,706	4,578,190	5,347,954	18,439,723
General Fund Interest Revenue - Distributed	4,160,873	4,352,706	4,578,190	5,347,954	18,439,723
Undistributed General Fund Interest Revenue			-	· ·	8 N.
Yesternat Distribution for All Funds (Cash Pagis)					
Interest Distribution for All Funds (Cash Basis) All Funds Interest Collected	13,716,586	13,947,525	16,255,742	16,237,152	60,157,006
All Funds Interest Revenue - Distributed	13,716,586	13,947,525	16,255,742	16,237,152	60,157,006
All Fullus interest Revenue - Distributed	13,710,360	15,547,525	10,233,742	10,237,132	00,137,000

Note 1 Interest is distributed to statutorily approved funds and budget accounts based on the cash basis of accounting. Under the cash basis of accounting, earnings are distributed in the quarter received but not necessarily in the quarter they were earned. Therefore, some of the receipts included in the Actual General Fund interest collected line were actually earned in the prior period and some of the earnings included in the General Fund interest revenue - accrual basis line will not be collected until a subsequent period.

INVESTMENTS



LOCAL GOVERNMENT INVESTMENT POOL FISCAL YEAR 2019 QUARTER 4

Overview

The State of Nevada Local Government Investment Pool (LGIP) was established as an alternative investment program to be utilized by local governments for their public funds. This program's operation is the responsibility of the State Treasurer who, by the provisions of state statute, has adopted guidelines for the prudent investment of these pooled funds. Any local government, as defined by NRS 354.474, may deposit its public monies into this fund for purposes of investment. As of March 31, 2019, there were 88 members of the LGIP, which includes cities, counties, school districts, and various special districts. The LGIP's foremost investment objectives include safety of principal, portfolio liquidity, and market return, which are consistent with a conservative, short duration portfolio.

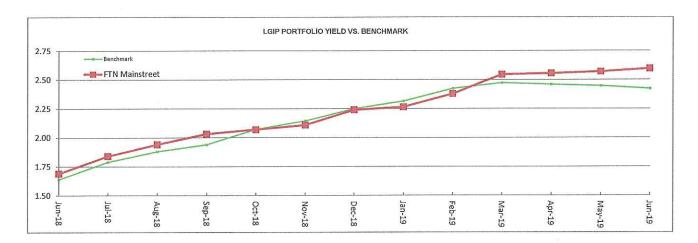
Investment Guidelines

The permissible investments of the LGIP include United States Treasury and Agency securities, repurchase agreements, high quality commercial paper, negotiable certificates of deposit, municipal bonds and banker's acceptances. These securities are diversified to prevent over-concentration in a specific maturity, a specific issuer, or a specific class of securities. The average maturity of the portfolio must not exceed 150 days, and no single security may be longer than two years.

The State Treasurer maintains a conservative investment strategy, which incorporates the matching of maturing securities to the cash needs of the participants. Approximately 10% of the fund matures on a daily basis, ensuring sufficient liquidity to meet both anticipated and unanticipated withdrawals. Additionally, approximately 53% of the fund matures within 90 days, compared to the policy requirement of 50%. This requirement minimizes the risk that the market value of portfolio holdings will fall significantly due to adverse changes in general interest rates.

Performance

FTN Financial began managing the LGIP portfolio in July 2015. As of June 30, 2019, the LGIP's portfolio yield was 2.567%, and the blended benchmark was 2.06%. The average days to maturity of the LGIP portfolio was 115 days.



^{*} Benchmark is 3-month rolling weighted average of 20% Dealer Commercial Paper 90-Day Index, 60% Agency Discount Note 6-Month Index, and 20% Morgan Stanley Institutional Liquidity Government Portfolio Fund.

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Administration

The State Treasurer has adopted an Investment Policy relating specifically to the LGIP. The State Board of Finance shall review and approve or disapprove the policies established by the State Treasurer for investment of money of the LGIP at least every four months. The State Treasurer hereby confirms all LGIP investments are in compliance with the Terror-Free Investment Policy and the Divestiture Policy. The State Treasurer may contract with an independent auditor to review LGIP transactions for accuracy and fairness in reporting.

		June 30,	2019			March 31, 2019					
	Am	ortized Book		ased Interest		Amortized Book			Purchased Interest		
MONEY MARKET FUNDS	\$	151,706,361	\$	_		\$	54,209,079	\$	-		
COMMERCIAL PAPER		230,292,548		_			228,250,199		141		
CORPORATE NOTES		218,167,432		1,080,034			184,428,864		230,695		
CERTIFICATES OF DEPOSIT		205,000,000		10,000			205,000,000				
MUNICIPAL BONDS		1		TER			-		-		
U.S. TREASURIES											
NOTES		79,496,492		263,952			94,221,612		102,298		
BILLS		120 120 120 120		-			8 - 1504 - 1616 - 1616 161		18		
U.S. AGENCIES		269,412,954		225,003			387,022,570		6,823		
ASSET-BACKED SECURITIES				72 7 2					+		
REPURCHASE AGREEMENTS		100,000,000		-			100,000,000		1 .		
TOTAL	\$	1,254,075,788	\$	1,578,989		\$ 1	,253,132,324	\$	491,651		
GRAND TOTAL	\$		1	- 5	\$			1,253,623,975			
Repurchase Agreements 12.63% COMMERCIAL PAPER 18.34% U.S. AGENCIES 24.72% CORPORATE NOTES 18.06%											
US TREASURIES	CERTIFICATES OF DEPOSIT 17.49%										

YEAR-TO-YEAR BOOK VALUE AND PURCHASED INTEREST COMPARISON $\underline{\text{June 30, 2019}} \qquad \underline{\text{June 30, 2018}}$

TOTAL PORTFOLIO

\$1,255,654,777

\$

1,120,543,264