State of Nevada
STATE BOARD OF FINANCE

PUBLIC NOTICE

AGENDA

MEETING OF THE STATE BOARD OF FINANCE
July 12, 2022
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 Governor's Conference Room, Fifth Floor 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(3)(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. Comments 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 14, 2022.

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 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 $75,000,000 to be issued in one or more series. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

   Presenter: Stephen Aichroth, Administrator, Nevada Housing Division

5. **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

6. **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

7. Public Comment.
   Comments from the public are invited at this time. Pursuant to NRS 241.020(3)(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. Comments 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., Suite 4, 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**

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

STATE BOARD OF FINANCE
June 14, 2022 – 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 pm.

Board members present:
Governor Steve Sisolak – Las Vegas
Treasurer Zach Conine – Las Vegas
Controller Catherine Byrne – Carson City
Teresa Courrier – via telephone
Benjamin Edwards – excused

Others present:

Tara Hagan:	Treasurer's Office
Ian Carr:	Attorney General's Office
Steve Aichroth:	Nevada Housing Division
Michael Holliday:	Nevada Housing Division
Fred Eoff:	PFM

Agenda Item 2 – Public Comment.

No public comment in Carson City or Las Vegas. No written public comment.

Agenda Item 3 – For discussion and possible action – on the Board of Finance minutes from the meeting held on May 10, 2022.

Treasurer Conine moved to approve the minutes. Motion passed unanimously.

Agenda Item 4 – 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 up to $14,000,000 of Multi-Unit Housing Revenue Bonds (Rochelle Pines Apartments), for the purpose of the acquisition and rehabilitation of a 115-unit senior multifamily rental housing facility located in Las Vegas, Nevada. The project owner/developer will be a limited partnership, which will consist of entities owned by Nevada H.A.N.D, Inc. and National Equity Fund, who will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Steven Aichroth presented the Nevada Housing Division's request to approve the Administrator's Findings of Fact pertaining to the issuance of up to $14,000,000 of Multi-Unit Housing Revenue Bonds for the Rochelle Pines Apartments. He noted these bonds will be used to provide for the acquisition and renovation of a currently affordable 115-unit senior property and noted Rochelle

Pines is in Central Las Vegas Valley. He noted all units in the complex are 2-bedroom, and 110 of them will serve the senior population at 50% area median income and under. Through this acquisition and renovation process, they can provide the same level of affordability for the next 30 years and provide increased energy conservation and improved quality of life for the residents.

Michael Holliday with the Housing Division discussed the financial structure. He explained it is a direct placement with Wells Fargo as the permanent lender and the tax credit equity is provided by the National Equity Fund. He noted that the issuance of $14,000,000 in bond proceeds will generate $9,480,000 in low-income federal housing tax credits. He noted this is the seventh project the developer has since 2015 and has created or preserved over 1,400 affordable units approved by the Board. He stated this project will create 65 construction jobs and employs 3 ½ full-time people at the project.

Agenda Item 5 – 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.

Chief Deputy Tara Hagan presented the investment policy. She thanked Controller Bryne for pointing out non-material amendments. She noted that the amendments in the materials missed a strike out referenced on page 36 which is the removal of the reverse repurchase agreement under prohibited investments. She noted the primary purpose of the amendment is to modify the policy to prohibit investment in corporations that manufacture or sell assault-style weapons and to incorporate two changes from the 2021 Legislative session which are Assembly Bill 68 and Assembly Bill 338. She noted that Senate Bill 68 will allow an additional liquidity tool called the reverse repurchase agreement which is a simultaneous transaction in which the state will sell securities and obtain cash for a specified period of no more than 90 days. She noted Assembly Bill 338 allows a slight expansion in what can be purchased under the umbrella of foreign bonds and strikes the requirement to be publicly traded.

Treasurer Conine inquired about the changes in the foreign bond section which were modified to further mitigate risks in purchasing these securities which is more restrictive than statute.

Ms. Hagan referenced page 33 of the booklet noting the section reduces the aggregate par value from 10% of the portfolio down to 5% and decreases the issuer amount from to 1% from 5%.

Governor Sisolak asked if they should put the definition of assault-style weapons in the language of the policy.

Treasurer Conine advised that they can add that language to the policy if needed.

Deputy Attorney General Ian Carr commented with regards to NRS 241. He stated this agenda item has been noticed as approval of an amended State Treasurer's Investment Policy Statement and if the modification is suggested to incorporate a new definition may be a substantive change to the policy itself that may require this to be tabled and revisited at a later meeting.

General Counsel Kevin Benson with the Governor's Office concurred with Mr. Carr's opinion to ensure that there are no issues with the Open Meeting Law. He stated if the Board wants to revise the policy from what is being presented, they can revisit it at the next meeting. Alternatively, they can approve the policy and bring it back to add a definition to the amendment of the policy.

Governor Sisolak inquired what their opinion is on whether they should have a definition or not and noted the possibility of getting sued for not addressing how it is defined.

Mr. Benson stated he would defer to the Treasurer's counsel on the risk of a lawsuit or what the potential damages of that nature would be if assault-style weapon is not defined. He noted that the Treasurer mentioned he would interpret that as consistent with the 1990s assault weapon ban at the federal level. He stated he would be happy to work with counsel from the Treasurer's office in crafting a definition if the Board prefers to ensure the term is clear in the policy.

Mr. Carr concurred with Mr. Benson's comment to generate an acceptable definition to be re-noticed and agendized for a future meeting. He noted a lack of a definition may expose the Board to liability.

Governor Sisolak advised this will become a more popular policy as several other states have done this and if a company says Nevada didn't define the term, then he prefers to define it in the policy.

Mr. Benson added that the conservative and safest approach would be to add a definition to the policy.

Controller Byrne agreed and noted that definitions are in the policy to prevent any ambiguity with other sections of the policy and would prefer to table the agenda item.

Governor Sisolak asked the Controller how she would feel about passing the item and bringing it back with a definition.

Controller Byrne stated she would prefer not to do that as she went over the policy with Ms. Hagan and determined more definitions need to be added to the list and consider acronyms.

Governor Sisolak asked staff to remove this item from the agenda and will put a hold on it to bring back for the next meeting. He inquired whether he needs a motion for this action.

Mr. Carr stated that no motion is necessary under NRS Chapter 241.

Agenda Item 5 has been removed from the agenda and will be brought back at a later meeting.

<u>Agenda Item 6</u>- ~~**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.~~

Agenda Item 6 has been removed from the agenda and will be brought back at a later meeting.

<u>Agenda Item 7</u>- For discussion and possible action: regarding the State Treasurer's quarterly investment report for the quarter ended March 31, 2022. Approval of the Board of Finance is required pursuant to NRS 355.045.

Ms. Hagan presented the investment report for the General Portfolio and the Local Government Investment Pool for the period ended March 31, 2022. She noted there was an increase in the federal funds rate, and as of March 31, assets under management for LGIP were $2.4 billion with a yield of 18 basis points. The General Portfolio assets under management were $7.2 billion, and a yield at a little over 1%. She noted the interest that has been distributed for the first three quarters of the fiscal year that totaled $27.6 million which is higher than the total from the fiscal year 2021.

Governor Sisolak commented what a great job and appreciated getting higher interest revenue returns for the State.

Member Courrier moved to approve Agenda Item 7. Motion passed unanimously.

Agenda Item 8- Public Comment

No public comment in Carson City or Las Vegas.

Meeting adjourned at 1:17 pm.

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

1830 E. College Parkway, Suite 200
Carson City, NV 89706

DATE:	June 27, 2022
TO:	State Board of Finance
AGENDA ITEM:	Approval of the Findings of Fact of the Administrator of the Nevada Housing Division concerning the 2022 and 2023 Single Family Mortgage Revenue Bonds
PETITIONER:	Steve Aichroth – Administrator, Nevada Housing Division

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A. Time and Place of Meeting:

1:00 p.m., Tuesday July 12, 2022, at the at the Old Assembly Chambers of the Capitol Building, 101 N. Carson Street, Carson City, Nevada 89701.

B. Matter to be reviewed:

The Findings of Fact ("Findings") of the Administrator of the Housing Division concerning the 2022 and 2023 Single Family Mortgage Revenue Bonds. The Findings relate to the issuance of up to $75,000,000 in tax-exempt Single Family Mortgage Revenue Bonds in Multiple Series for 2022 and 2023.

The Housing Division will issue up to $75,000,000 of Tax-exempt Single Family Mortgage Revenue bonds in multiple series through the end of the 2023 calendar year. This request will also exhaust the remainder of 2020 Private Activity Bond Cap held by the Division which would otherwise expire on December 31, 2023.

C. Background of Agenda Item:

The Housing Division's financial team and bond counsel, will prepare the necessary documents to implement each series issued under this request. Further, the issuances, as proposed, complies with the intent and purpose of Nevada Housing Finance Law. Also, the program and bond documents prepared will comply with the Internal Revenue Code of 1986 (United States Code Title 26), as amended.

D. Staff Recommendation:

The Administrator of the Housing Division, in consultation with the financial and lending professionals of the Housing Division, recommends approval of the Findings, to the Board of Finance, for the issuance by the Nevada Housing Division of up to $75,000,000 in tax-exempt Single Family Mortgage Revenue Bonds in Multiple Series for 2022 and 2023.

E. Attorney Opinion:

The Findings of Fact of the Administrator of the Housing Division have been reviewed by the Housing Division's Legal Counsel; and assuming the factual matter stated therein is accurate, and except for the bond issue cash flow analyses and other financial and statistical data included therein as to which no opinion is expressed, the findings comply with the requirements of NRS 319.190, 319.260 and 319.270.

State of Nevada

DEPARTMENT OF BUSINESS & INDUSTRY

Housing Division

FINDINGS OF FACT

Single Family Mortgage Revenue Bonds
2022 and 2023 Multiple Series in an Aggregate Amount Not to Exceed $75,000,000

In accordance with the requirements of NRS 319.190, 319.260 and 319.270, and based upon the memorandum of support, the Administrator of the Nevada Housing Division finds that:

1. There exists a shortage of decent, safe and sanitary housing at mortgage rates that eligible families can afford within the State of Nevada housing markets, as determined by the Administrator.

2. Private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary housing in the State of Nevada housing market areas at prices which families of low and moderate income can afford or to provide sufficient mortgage financing for residential housing for ownership by such persons or families.

3. The proposed Single Family Mortgage Revenue Bond Program and the residential housing thereby financed will increase the supply or improve the quality of decent, safe and sanitary housing for eligible families.

4. The persons to be assisted by the Housing Division pursuant to the provisions of NRS and NAC Chapters 319 will be for public use and will provide a material public benefit to the State of Nevada.

5. The Housing Division's estimates of revenues to be derived from the Single Family Mortgage Revenue Bond Program Financing, together with all subsidies, grants or

other financial assistance and guarantees issued from other entities to be received in connection with the Single Family Mortgage Revenue Bond Program, together with all bond proceeds and all insurance and guarantees issued from FHA, VA, PMI, Ginnie Mae, Fannie Mae, Freddie Mac, Division bond reserves or from others entities to be received in connection with the mortgage loans, mortgage backed securities, will be sufficient to pay the amount estimated by the Housing Division as necessary for debt service on the bonds issued for the financing of the proposed project.

6. Private enterprise has been unable to provide sufficient mortgage financing or loans upon the Housing Division's reasonably equivalent terms and conditions for housing for purchase by persons and families of low and moderate income.

BY: ______________________________ DATE: June 30, 2022

Steve Aichroth
Administrator
Nevada Housing Division

pfm

1200 Fifth Avenue
Suite 1220
Seattle, WA 98101
206.264.8900

pfm.com

June 24, 2022

Steven Aichroth
Administrator
Nevada Housing Division
1830 College Parkway, Suite 200
Carson City, NV 89706

Re: Single Family Mortgage Revenue Bonds, Series 2022B

Mr. Aichroth:

This Memorandum is provided in support of the request by the Nevada Housing Division (Division) to the State of Nevada Board of Finance for approval of the Findings of Fact for the proposed Single-Family Mortgage Revenue Bonds, Series 2022B and authorization for issuance of up to an additional $75,000,000 of Nevada Housing Division bonds to provide mortgage financing for single family residential housing for qualifying homebuyers.

Program Background:

The Division has operated a program providing mortgage loans for first time homebuyers for more than thirty years and has issued and retired more than $2 billion of single-family mortgage revenue bonds. In addition to serving the broader market the program has included special mortgage programs for military veteran home buyers and teachers.

The last issue of tax-exempt single-family bonds by the Division, Series 2022A, was issued March 29, 2022. Series 2022B is currently planned for issuance approximately September 30, 2022, and the Series 2023A projected to be sold in March 2023. It is anticipated that portions of the additional allocation of bond volume cap will be used for issuance of both transactions. Final sale timing may be adjusted based on the pattern of mortgage loan demand in coming months. The Series 2022B and Series 2023A Bonds will be the 19th and 20th series of bonds secured under the Division's Amended and Restated General Indenture of Trust, dated as of June 1, 2021 (as amended, the "General Indenture").

As of June 1, 2022, the Division had issued $398,974,178 of bonds secured by the General Indenture of which $267,139,924 remained outstanding.

In late 2014 the Division supplemented its traditional single-family mortgage revenue bond program funded by issuance of tax-exempt bonds with a newer taxable direct placement mortgage-backed security (MBS) program. The transition to the alternative program was related to market-driven changes in the relationship of the tax-exempt and taxable yield curves and was very effective in the low-rate environment. The Division has been utilizing both programs to provide a wide range of loan offerings to meet the varied needs of Nevada residents. As interest rates have begun to rise to date in 2022 the tax-exempt program has been able to produce lower interest rate mortgage loans. This rotation was expected, and the tax-exempt bond program will continue to increase its share of the overall single-family mortgage loan program with the taxable MBS program declining to a minimal level in recent weeks.

Summary of the Proposed Financing:

The proposed Series 2022B Bonds will be sold as a publicly offered transaction. The Division has had very good success with its prior public offering issues in large part owing to its strong AA+ rating by S&P Global Ratings.

The bonds will be fixed rate and sold through a negotiated underwriting with J.P. Morgan serving as senior manager. Bond and tax opinions will be provided by Kutak Rock LLP.

Exhibit A to this memorandum provides a more detailed overview of anticipated bond maturity structure, redemption provisions, establishment of funds, security matters and sources and uses.

Conclusion:

In summary, PFM Financial Advisors LLC is of the opinion that the proposed issue is consistent with current state housing agency practices for origination of loans for first time homebuyers. Additionally, the Division's bond underwriting and legal team are highly experienced with this type of financing and the cash flows supporting timely debt payment will be rigorously evaluated and stress tested by S&P Global Ratings as a key component of their bond rating process.

In our opinion, the Project meets the requirements of NRS 319.260 and meets the requirements of NAC 319.712, and we recommend it for submittal to the Board of Finance for approval. Actual debt issuance will be subject to receipt of bond rating, final bond documentation and successful bond sale.

Sincerely,

PFM Financial Advisors LLC

Fred Eoff
Director

Enclosures:
Exhibit A: Bond Term Sheet

EXHIBIT A

$75,000,000*
Nevada Housing Division
Single-Family Mortgage Revenue Bonds, Series 2022B

<u>Preliminary Bond Term Sheet</u>

Principal Amount:	$75,000,000*
Dated:	As of Closing Date (estimated to be March 31, 2023)
Interest Payable:	April 1 and October 1 (commencing October 1, 2022)
Bond Structure:	**<u>Serial Bond Maturities:</u>** • Semiannually [4/1/2024 – 4/1/2033] **<u>Term Bond Maturities:</u>** • 10/1/2038 • 10/1/2043 • 10/1/2045 • 4/1/2053
Denominations:	$5,000 and integral multiples thereof, full registered form.
Redemption:	**<u>Optional Redemption:</u>** Certain bonds may be subject to optional redemption on any date on or after September 1, 2032 in whole or in part at the option of the Division from any source of available moneys at a redemption price of 100%, plus accrued interest to the date of redemption. **<u>Special Redemption from Unexpended Proceeds</u>** Certain bonds may be subject to redemption not later than September 30, 2025 from unexpended proceeds of the Series 2022A Bonds **<u>Special Redemption from Prepayments and Excess Revenues</u>** Certain bonds may be subject to special redemption on any Business Day at par (100%) plus accrued interest from Prepayments and from Revenues which are not required to make Debt Service Payments under the General Indenture (“Excess Revenues”).

Indenture Funds:	**<u>Funds and Accounts Established by the General Indenture:</u>** • Program Fund • Revenue Fund • Debt Service Reserve Fund • Redemption Fund • Residual Fund
Security:	**The General Indenture pledges for payment of the Bonds:** • Proceeds of the Bonds • Mortgage Loans • Revenues • Balance of all Funds and Accounts (except Rebate Account and Bond Purchase Account)
Eligible Mortgage Loans:	**<u>Approved loans:</u>** • FHA Insured • VA Guaranteed • USDA Guaranteed • Fannie Mae MBS • Freddie Mac MBS
Bond Rating:	S&P Global Ratings "AA+" (expected)
Underwriter:	J.P. Morgan
Bond Counsel:	Kutak Rock LLP
Issuer Counsel:	Platt Law Group

Preliminary and subject to change

Zach Conine
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO: Board of Finance (BoF) Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: BoF Agenda Item #5 - 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: July, 5, 2022

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 prohibit investments in corporations which manufacture or sell assault-style weapons, and to incorporate both Senate Bill 68 (SB68) and Assembly Bill 338 (AB338) which were passed in the 2021 Legislative Session and signed by Governor Sisolak. This policy was last revised in August 2019.

SB68 provides the General Portfolio with an additional liquidity tool for the State with the addition of the reverse-repurchase agreement. This type of investment would allow the State to enter into an agreement which consists of two simultaneous transactions. One is the sale of the securities by the State to a bank dealer. The other is the commitment by the State to repurchase the securities at a specified price on a mutually agreed upon date. This agreement provides a short-term liquidity tool to meet necessary expenditures in the event of a shortfall in general fund revenues.

AB338 allows the purchase of foreign bonds with certain characteristics, such as denominated in U.S. dollars, registered with the Securities and Exchange Commission, AA- ratings, etc. This additional investment sector can allow for a more diversified portfolio to help mitigate the overall risk.

Recommendation:
I respectfully request consideration and approval of the amended State General Fund investment 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

Website: http://NevadaTreasurer.gov E-mail: StateTreasurer@NevadaTreasurer.gov

STATE OF NEVADA

OFFICE OF THE STATE TREASURER

INVESTMENT POLICY

GENERAL PORTFOLIO

ZACH CONINE
STATE TREASURER

Revised ~~August 2019~~July 2022

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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 Comprehensive Financial Report (~~CAFR~~ACFR), 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.~~2.5 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.

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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.

The State Treasurer prohibits the investment of General Portfolio funds in companies that profit from the manufacture and sale of assault-style weapons. This prohibition includes all trades executed by contracted outside managers, in addition to State Treasurer staff.

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 one nationally recognized statistical rating organization (NRSRO).
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 one nationally recognized statistical rating organization (NRSRO).
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 25 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 one nationally recognized statistical rating organization (NRSRO).
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. 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. Reverse Repurchase Agreements

1. Reverse repurchase agreements shall have all the requirements noted in Section E above for a repurchase agreement regarding a qualified counterparty approved by the State Treasurer.
2. The State Treasurer will enter into an agreement with appointed custodian which authorizes the transfer of securities underlying the agreement (collateral) only after the time at which money to pay the purchase price of the securities is transferred to the custodian.
3. The term of the agreement must not exceed a maturity of more than 90 days.
4. Funds obtained through a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 90 days from the initial settlement date of the reverse repurchase agreement.
5. Reverse repurchase agreements may only be used to affect a ‘matched’ transaction whereby the proceeds of the agreement are reinvested for approximately the same time period as the term of the reverse repurchase agreement.
6. The aggregate par value may not exceed 10 percent of the total par value of the portfolio as determined at the time of purchase.

~~F.~~G. 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.~~H. 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.~~I. 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.~~J. 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.~~K. 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 25 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.

~~K.~~L. 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~~ 5 percent of total par value of the portfolio as determined at time of purchase.

6. No more than one ~~five~~ (1~~5~~) percent of total par value of the portfolio may be held in one (1) issuer.

~~L.~~M. 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.

~~M.~~N. 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.

~~N.~~O. 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.

~~O.~~P. 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. 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 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

ASSAULT-STYLE WEAPONS

1) A semi-automatic shotgun with a fixed magazine capacity exceeding six (6) rounds, or that has the ability to accept a detachable magazine and a pistol grip, or a folding or telescopic stock.
2) A semi-automatic rifle with a fixed magazine capacity exceeding ten (10) rounds or that has the ability to accept a detachable magazine and has at least one of the following features:
   - A folding or telescoping stock;
   - A pistol grip that protrudes conspicuously beneath the action of the weapon;
   - A bayonet mount;
   - A flash suppressor or threaded barrel designed to accommodate a flash suppressor; or
   - A grenade launcher.
3) A semi-automatic pistol that has an ability to accept a detachable magazine and has at least one of the following features:
   - An ammunition magazine that attaches to the pistol outside of the pistol grip;
   - A threaded barrel capable of accepting a barrel extender, flash suppressor, forward handgrip, or silencer;
   - A shroud that is attached to, or partially or completely encircles, the barrel and that permits the shooter to hold the firearm with the non-trigger hand without being burned; or
   - A manufactured weight of fifty ounces (50 oz.) or more when the pistol is unloaded.
4) Any other weapon manufactured or sold by a company or organization that, in the determination of the Treasurer, is substantially similar to those described in this section.

ASSET- BACKED SECURITY (ABS)

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.

GLOSSARY

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)	This is a type of mortgage-backed 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 safe-keeping 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 MORTGAGE CORPORATION ("FARMER MAC")	A federally chartered agency of the United States. It was established to 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 MORTGAGE CORPORATION ("FREDDIE MAC")	Established by Congress in 1970 to enhance the liquidity of mortgage 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.
FOREIGN BONDS	Similar to bonds issued by the U.S. government or U.S companies, foreign bonds allow for investment in other countries or foreign corporations.
GOVERNMENT AGENCIES	Refers to securities issued by agencies of the United States government and United States government sponsored enterprises (GSEs). Securities can be guaranteed or 'backed by the full faith and credit of the U.S. government', such as Ginnie Mae. GSE securities, such as Fannie Mae, Freddie Mac, and

Farmer Mac are not backed by the same guarantee. 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

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.
INTERNATIONAL DEVELOPMENT NOTES	Also, knowns as 'Supranational Securities, these securities are U.S. dollar denominated debt obligations of a multilateral organization of governments, such as International Bank for Reconstruction & Development, Inter-American Development Bank, International Monetary Fund, etc. The securities are rated AAA or equivalent by at least two Nationally Statistical Rating Organizations (NRSROs) at the time of purchase.
LEGISLATIVE COUNSEL BUREAU (LCB)	Encompasses the lawmaking authority of the State of Nevada. It is 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.
MORTGAGE-BACKED SECURITIES	Investments based on pools of home or residential mortgages. Banks and mortgage companies sell mortgages to other companies. These groups bundle the mortgages. Securities can be agency or non-agency types. Agency MBS are created by government or quasi-government agencies. Non-agency MBS are created by private entities and are also known as 'Private-Label MBS'.
MUNICIPAL BONDS	Debt security issued by a state, municipality, or county to finance capital expenditures, including construction of highways, bridges and schools.

NEGOTIABLE CERTIFICATES OF DEPOSIT	Also known as a 'jump CD' is a certificate of deposit with a minimum face value of $100,000 though the amounts are typically $1 million or more. These low-risk, low -interest instruments are guaranteed by the bank, and used by institutional investors. A Yankee CD is an example.
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 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.
REVERSE-REPURCHASE AGREEMENT	Agreement which consists of two (2) simultaneous transactions under the same agreement. One is the sale of securities by the State to a bank dealer. The other is the commitment by the State to repurchase the securities at a specified price and on a date mutually agreed upon.
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 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.

Zach Conine
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

TO:	Board of Finance (BoF) Members
FROM:	Tara Hagan, Chief Deputy Treasurer
SUBJECT:	BoF Agenda Item #6 - 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:	July 5, 2022

Background:
Please find attached the redlined version of the LGIP policy. The primary purpose of the amendments is to modify the policy to prohibit investments in corporations which manufacture or sell assault-style weapons, and to incorporate Assembly Bill 338 (AB338) which was passed in the 2021 Legislative Session and signed by Governor Sisolak. This policy was last revised in August 2019.

AB338 allows the purchase of foreign bonds with certain characteristics, such as denominated in U.S. dollars, registered with the Securities and Exchange Commission, AA- ratings, etc. This additional investment sector can allow for a more diversified portfolio to help mitigate the overall risk.

Recommendation:
I respectfully request consideration and approval of the amended 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

Website: http://NevadaTreasurer.gov E-mail: StateTreasurer@NevadaTreasurer.gov

STATE OF NEVADA

OFFICE OF THE STATE TREASURER

INVESTMENT POLICY

LOCAL GOVERNMENT POOLED INVESTMENT FUND

ZACH CONINE
STATE TREASURER

Revised ~~August 2019~~July 2022

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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.

Furthermore, the State Treasurer prohibits the investment of LGIP funds in companies that profit from the manufacture and sale of assault-style weapons. This prohibition includes all trades executed by contracted outside managers, in addition to State Treasurer staff.

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 one nationally recognized statistical rating organization (NRSRO).
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 (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 one NRSRO.
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 one 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. 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 25 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 (1) issuer.

C. 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 two (2) years.
4. Must be purchased from a registered broker-dealer.
5. Aggregate par value may not exceed 25 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 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~~ two (2~~5~~) years.
4. Must be purchased from a registered broker-dealer.
5. Aggregate par value may not exceed ~~10~~ 5 percent of total par value of the portfolio as determined at the time of purchase.
6. No more than ~~five~~ one (1~~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~~ two (2~~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.

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 one NRSROs.
3. Investments must only be in 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 one NRSRO)
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.~~5. 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 one NRSRO.
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 county, city, school district, or other local government of this state or 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.
2. A financial institution will be eligible to receive total deposits in an amount not to exceed their equity capital
3. Maximum maturity of two (2) years.
4. 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.
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. 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

ASSAULT-STYLE WEAPONS

1) A semi-automatic shotgun with a fixed magazine capacity exceeding six (6) rounds, or that has the ability to accept a detachable magazine and a pistol grip, or a folding or telescopic stock.

2) A semi-automatic rifle with a fixed magazine capacity exceeding ten (10) rounds or that has the ability to accept a detachable magazine and has at least one of the following features:

    - A folding or telescoping stock;
    - A pistol grip that protrudes conspicuously beneath the action of the weapon;
    - A bayonet mount;
    - A flash suppressor or threaded barrel designed to accommodate a flash suppressor; or
    - A grenade launcher.

3) A semi-automatic pistol that has an ability to accept a detachable magazine and has at least one of the following features:

    - An ammunition magazine that attaches to the pistol outside of the pistol grip;
    - A threaded barrel capable of accepting a barrel extender, flash suppressor, forward handgrip, or silencer;
    - A shroud that is attached to, or partially or completely encircles, the barrel and that permits the shooter to hold the firearm with the non-trigger hand without being burned; or
    - A manufactured weight of fifty ounces (50 oz.) or more when the pistol is unloaded.

4) Any other weapon manufactured or sold by a company or organization that, in the determination of the Treasurer, is substantially similar to those described in this section.

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

GLOSSARY

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)	This is a type of mortgage-backed 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 safe-keeping 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 MORTGAGE CORPORATION ("FARMER MAC")	A federally chartered agency of the United States. It was established to 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 MORTGAGE CORPORATION ("FREDDIE MAC")	Established by Congress in 1970 to enhance the liquidity of mortgage 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.

FOREIGN BONDS	Similar to bonds issued by the U.S. government or U.S companies, foreign bonds allow for investment in other countries or foreign corporations.
GOVERNMENT AGENCIES	Refers to securities issued by agencies of the United States government and United States government sponsored enterprises (GSEs). Securities can be guaranteed or 'backed by the full faith and credit of the U.S. government', such as Ginnie Mae. GSE securities, such as Fannie Mae, Freddie Mac, and Farmer Mac are not backed by the same guarantee. 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
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.
INTERNATIONAL DEVELOPMENT NOTES	Also, knowns as 'Supranational Securities, these securities are U.S. dollar denominated debt obligations of a multilateral organization of governments, such as International Bank for Reconstruction & Development, Inter-American Development Bank, International Monetary Fund, etc. The securities are rated AAA or equivalent by at least two Nationally Statistical Rating Organizations (NRSROs) at the time of purchase.
LEGISLATIVE COUNSEL BUREAU (LCB)	Encompasses the lawmaking authority of the State of Nevada. It is 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.

MORTGAGE-BACKED SECURITIES	Investments based on pools of home or residential mortgages. Banks and mortgage companies sell mortgages to other companies. These groups bundle the mortgages. Securities can be agency or non-agency types. Agency MBS are created by government or quasi-government agencies. Non-agency MBS are created by private entities and are also known as 'Private-Label MBS'.
MUNICIPAL BONDS	Debt security issued by a state, municipality, or county to finance capital expenditures, including construction of highways, bridges and schools.
NEGOTIABLE CERTIFICATES OF DEPOSIT	Also known as a 'jump CD' is a certificate of deposit with a minimum face value of $100,000 though the amounts are typically $1 million or more. These low-risk, low -interest instruments are guaranteed by the bank, and used by institutional investors. A Yankee CD is an example.
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 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 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 — 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
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.