To: County Judge Robert Eckels, Commissioners Lee, Garcia, Radack and Eversole

Fr: Edwin Harrison

Dt: December 16, 2003

Re: Harris County’s Investment Policy Annual Renewal

The Office of Financial Services recommends approval of the attached Harris County Investment Policy, which has been prepared in accordance with the Public Funds Investment Act.

Should you have any questions, please call me at ext. 5-6532 or David McElwain at ext. 5-7730.

EH/mh

Presented to Commissioner’s Court

DEC 16 2003

APPROVE __________________

Recorded Vol ___ Page _____
INVESTMENT POLICY

This Investment Policy (the "Policy") is adopted by the Harris County Commissioners Court as the governing body of Harris County pursuant to Chapter 2256 of the Texas Government Code.

ARTICLE I
PURPOSE

Section 1.01. Purpose

This Policy with respect to Harris County investments has been adopted to establish policies and procedures that enhance opportunities for a prudent and systematic investment of Harris County funds. The initial step toward a prudent investment policy is to organize and formalize investment-related activities. Related activities which comprise good cash management include accurate cash projection, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and a short-term borrowing program which coordinates working capital requirements and investment opportunity. In concert with these requirements are the many facets of an appropriate and secure short-term investment program. The funds of Harris County shall be invested and secured in compliance with the various provisions of Texas law. This Policy will also specify the scope of authority of County Designees who are responsible for the investment of Harris County funds.

ARTICLE II
SCOPE

Section 2.01. Scope

It is intended that this policy cover all County funds and funds under the direct control of Harris County. Such funds encompass those of Harris County, Harris County Toll Road Authority (a department of Harris County) and Harris County Flood Control District (collectively referred to here as the "County"), as well as those accounted for in certain other funds. This latter group includes trust funds of the County Clerk and District Clerk registry fund accounts.

The County, through the office of Financial Services, acts as an Investment Agent for the following entities: Port of Houston Authority, Department of Education, 9-1-1 Emergency Network, Community Supervision & Corrections, Harris County Hospital District, Harris County-Houston Sports Authority and Harris County Sports & Convention Corporation. Each of these entities has their own investment policy.
ARTICLE III
DEFINITIONS

Section 3.01. Definitions

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

(a) The term "County Designees" means the officials and employees of Harris County authorized to handle investments for the County.

(b) The term "Authorized Collateral" means any security with which Harris County funds may be secured under Chapter 2257, Texas Government Code.

(c) The term "Authorized Investment" means any security in which Harris County is authorized to invest under Chapter 2256, Texas Government Code.

(d) The term "Commissioners Court" means the elected governing body of Harris County consisting of the County Judge and Four (4) Commissioners.

(e) The term "Collateral" means any security or other obligation which the County authorizes to serve as security for the deposit of County funds in Article V hereof.

(f) The term "Collateral Act" means Chapter 2257, Texas Government Code, as amended from time to time.

(g) The term "County Judge" means the person elected to serve as the presiding member of Commissioners Court.

(h) The term "Commissioner" means a person elected to serve on Commissioners Court of Harris County.

(i) The term "Employee" means any person employed by Harris County, but does not include independent contractors or professionals hired by the County as outside consultants.

(j) The term "Investment Act" means Chapter 2256, Texas Government Code, as amended from time to time.

(k) The term "Investment Officer" means the Employee appointed from time to time by Commissioners Court to handle the investment and reinvestment of County funds.
(l) The term "Office of Financial Services" means the Office of the Harris County Department of Management Services responsible for the cash management, debt management and investment of all County funds.

(m) The term "County" means the County of Harris.

(n) **Matching Approach** - An investment method that matches maturing investments with disbursements. This approach requires an accurate forecast of disbursement requirements.

(o) **Barbell Approach** - An investment method where maturities are concentrated in two points, one at the short-end of the investment horizon and the other at the long-end.

**ARTICLE IV**

**INVESTMENT OFFICER**

**Section 4.01. Investment Officer**

The Commissioners Court hereby appoints the Director of Financial Services to serve as Investment Officer to handle the investment of County funds. The Investment Officer shall be responsible for investing County funds in accordance with this Policy. The Investment Officer shall invest the County's funds, with all investment decisions to be governed by the following objectives in order of priority: (a) preservation and safety of principal; (b) liquidity; and (c) yield. The Investment Officer shall invest County funds using the judgment and care, under circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. The standard of prudence to be used by the Investment Officer shall be the "prudent person," and shall be applied in the context of managing an overall portfolio. The Investment Officer and County Designees (1) acting in accordance with this Policy and any written procedures approved by Commissioners Court and (2) exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments. The Investment Officer and County Designees will also be required to adhere to financial procedures prescribed by the County Auditor for financial transaction processing. Reference Exhibit "A" for authorized personnel to invest County funds.

**Section 4.02. Training**

The Investment Officer, other County Officials and Designees as deemed appropriate shall attend an investment training session as required by the Investment Act.
Section 4.03. **Disclosures of Relationships with Persons Selling Investments to the County**

An investment officer of an entity who has a personal or business relationship with an entity seeking to sell an investment to the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity.

Section 4.04. **Reporting by the Investment Officer**

Not less than each Fiscal Quarter and within a reasonable time after the end of the period reported, the Investment Officer with the help of County Designees shall prepare and submit to Commissioners Court a written report of the investment transactions for all funds of the County for the preceding reporting period. The reports must (1) describe in detail the investment position of the County on the date of the reports, (2) be prepared jointly by all the Investment Officers of the County, if the County appoints more than one, (3) be signed by all Investment Officers, (4) contain a summary statement of each pooled fund group that states the beginning market value for the reporting period and additions and changes to the market value for the period, (5) state the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested, (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the County fund for which each individual investment was acquired, and (8) state the compliance of the investment portfolio as it relates to this Policy and the Investment Act.

Section 4.05. **Selection of Bank and Securities Dealers**

Depositories seeking to establish eligibility for certificate of deposit purchase programs shall be selected through the County's depository procurement process, which shall begin with a formal request for proposals every four years. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Office of Financial Services with the following: (1) Audited financial statements for the financial institution or broker/dealer. (2) Evidence of appropriate registration. For Bank Dealers this requires a statement from a senior bank official that the Bank Dealer is appropriately registered with its primary regulatory agency, (the Office of the Comptroller of the Currency for National Banks) as a government securities dealer, municipal securities dealer, or both. For a securities firm, this requires a statement from a senior official that the firm is registered with the National Association of Securities Dealers. Both primary and secondary securities dealers will be selected by the Office of Financial Services and then submitted to Commissioners Court for approval. All transactions will be on a delivery versus payment basis. Reference Exhibit "B" for approved banks and security dealers.
Section 4.06. Certifications from Approved Sellers of Investments

The Investment Officer, with the assistance of County Designees as requested by the Investment Officer, shall present this Policy to any person seeking to sell to the County an Authorized Investment and to obtain from a principal written confirmation of their intention to adhere to the County's investment policy prior to executing any transaction.

ARTICLE V
INVESTMENT OBJECTIVES

Section 5.01. Objectives

1. The County's general objectives in investing its funds, listed in the order of importance, are:
   a. understanding of the suitability of the investment to the financial requirements of the County;
   b. preservation and safety of principal;
   c. liquidity;
   d. marketability of the investment if the need arises to liquidate the investment before maturity;
   e. diversification of the investment portfolio; and
   f. yield.

2. Safety of principal is the foremost objective of the County. Each investment transaction shall seek first to ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value.

3. Investment decisions should favor stability of principal over income.

4. The County's investment portfolio shall be structured so as to be sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated. This need for investment liquidity may be tempered to the extent that the County is allowed to borrow under a short-term basis to meet its operating requirements if needed, taking into consideration the net cost to the County.

5. The investment portfolio shall be designed to attain a rate of return comparable to the constant maturity treasury which most closely matches the portfolio's average weighted maturity.
6. Investments shall be made to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

7. No investments shall be made for the purpose of trading or speculation, such as anticipating an appreciation of capital through changes in market interest rates.

8. All County Designees shall seek in the investment process to act responsibly as custodians of the public trust. County Designees shall avoid any transaction that might impair public confidence in the County's ability to operate effectively. The Investment Officer shall recognize that the investment portfolio is subject to public review and evaluation. The overall program of managing the County's funds shall be designed and managed with a degree of professionalism that is worthy of public trust. Nevertheless, Commissioners Court recognizes that in a diversified portfolio, occasionally losses may occur due to fluctuating market conditions and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

9. The County intends to utilize, when appropriate, securities swaps in order to enhance total returns, provided that safety of principal is given first consideration.

10. The County, as a general objective, plans to hold investments to maturity while protecting principal and obtaining the highest rate of return possible at the date of investment. It is not the intent to devote substantial efforts to earn profit on investment market fluctuations. Investments will be purchased because of their interest yield expectations over their remaining life rather than for speculative purposes.

11. Pooling of fund groups for the purposes of investment is approved and allowed.

Section 5.02. Monitor and Pricing Portfolio

The County uses a combination of Bloomberg, The Wall Street Journal and broker/dealer matrices as sources to monitor the market value of the portfolio.

Section 5.03. Authorized Investment Instruments

Funds of the County may be invested in the following as authorized by the Public Funds Investment Act or other applicable law, except where more restrictive bond covenants apply, in which case such funds shall be invested in compliance with the applicable bond covenants:

1. Obligations of the U.S. or its agencies and instrumentalities. Reference Exhibit "C".

2. Direct obligations of the State of Texas or its agencies and instrumentalities.
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, with a stated final maturity of 10 years or less.

4. Other obligations the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this State or the U.S. or their respective agencies and instrumentalities.

5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent.

6. Certificates of deposit issued by a State or national bank domiciled in this State or a savings and loan association domiciled in this State that are guaranteed or insured by the FDIC or secured by Authorized Investments that have a market value of not less than the principal amount of the certificates.

7. Fully collateralized repurchase agreements, that the County has obtained a signed master repurchase agreement with the company into which the agreement is entered, as authorized by the Investment Act.

8. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Investment Act.

9. No-load money market mutual funds regulated by the SEC, with a dollar-weighted average stated maturity of 90 days or fewer and which include in their investment objectives the maintenance of a stable net asset value of $1 for each share as authorized by the Investment Act.


Section 5.04. Internal Accounting Controls

The Investment Officer with the help of such County Designees as he or she request, shall prepare a system of internal accounting controls which shall be documented in writing. The internal accounting controls may be reviewed by the County Auditor at any time and shall be reviewed by the County's independent auditor in connection with the annual examination of the County's financial statements to extent deemed necessary to evaluate the system as required by generally accepted auditing standards. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officials of the County. Controls deemed most important include control of collusion, segregation of duties, segregation of transaction authority
from accounting and record keeping, custodial safekeeping, avoidance of bearer form securities, clear delegation of authority, specific limitations regarding securities losses and remedial action, approved written confirmation of telephone transactions, minimizing the number of authorized investment personnel, documentation of transactions and strategies and code of ethics standards.

Section 5.05. Maturity

County funds, except funds accumulated for debt service, Toll Road Renewal and Replacement, Public Improvement Contingency, bond reserve, capitalized interest, District Clerk Registry Funds, County Clerk Registry Funds, and Harris County & Metro Joint Deposit Escrow Fund shall be invested only in investments whose maturities do not exceed three years at the time of purchase. Debt service funds may be invested for a period not to exceed two years. Construction funds may be invested for a period not to exceed three years. Toll Road Renewal and Replacement Funds and Public Improvement Contingency Funds may be invested for a period not to exceed five years. Bond reserve funds may be invested for a period not to exceed the maturity of the bonds. Capitalized interest funds may be invested for a period of time co-extensive with the period of time for which interest is capitalized. County Clerk and District Clerk Registry Funds may be invested for a period not to exceed ten years. Harris County & Metro Joint Deposit Escrow Fund may be invested for a period not to exceed the terms of the Agreement.

In addition, the weighted average maturity of the overall portfolio, excluding those investments held for future major capital expenditures (construction funds), debt service, bond reserve, Toll Road Renewal and Replacement, District Clerk Registry, County Clerk Registry, Harris County & Metro Joint Deposit Escrow and capitalized interest funds shall not exceed two years.

Section 5.06. Diversification

It is the policy of the County to diversify its investment portfolio. All funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.

2. Liquidity shall be maintained through practices that ensure that the liquidity needs of the next disbursement date and payroll date are covered through maturing investments or marketable securities.

3. Risks of market price volatility shall be limited through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.
4. The following diversification limitations shall be imposed on the portfolio:

   a. **Maturity**  No more than 25% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, bond fund reserve accounts, and capitalized interest funds may be invested beyond twenty-four (24) months, and the average maturity of the overall portfolio, with the previous exception, shall not exceed two years.

   b. **Risk Default**  The severe restrictions on legally authorized investments and the legal requirements for full collateralization severely reduce the potential of default risk. Nonetheless, no more than 50% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer.

   c. **Marketability**  At least 15% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, bond fund reserve accounts, and capitalized interest funds, shall be invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice.

Section 5.07. **Risk Tolerance**

The County recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Investment Officer(s) are expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Investment Officer shall periodically prepare and present to Commissioners Court for approval, guidelines and strategies to control risk of default, market price changes, and illiquidity. All investment reports shall specifically address whether current investment results have been affected by any of the foregoing risks and shall explain what actions the Investment Officer(s) have taken to control or correct such risks.

In addition to these general policy considerations, the following specific policies will be strictly observed:

1. **All investment funds will be placed directly with qualified financial institutions.**

2. **All transactions will be settled on delivery versus payment basis.**

3. **The County will not enter into reverse repurchase agreements or trade in options or future contract.**

4. **A competitive bid process will be used to place government security purchases or sales.**  Based on an annual evaluation, banks and securities dealers will be dropped
from or continued on the eligibility list. The following criteria will be used in the annual evaluation:

a. number of transactions competitively won;
b. prompt and accurate confirmation of transactions;
c. efficient securities delivery;
d. accurate market information;
e. account servicing;
f. moral character and public ethics of both broker and firm.

Section 5.08. Safekeeping and Custody

To protect against potential fraud and embezzlement, the financial assets of the County shall be secured through safekeeping procedures. County Designees as listed on Exhibit "A" shall be bonded to protect the public against possible embezzlement and malfeasance.

Section 5.09. Policy of Securing Deposits of County Funds - Applicable to all Deposited County Funds

1. The County recognizes that FDIC (or its successor) insurance is available for County funds deposited at any one Texas Financial Institution (including branch banks) only up to a maximum of $100,000 (including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or note holders. It is the policy of the County that all deposited funds in each of the County's accounts shall be insured by the FDIC, or its successor, or secured by Collateral pledged to the extent of the fair market value of the amount not insured in compliance with the Collateral Act.

2. If it is necessary for the County's depositories to pledge Collateral to secure the County's deposits, (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must approve the Collateral pledge agreement and provide to the Investment Officer a copy of the minutes of the meeting of the depository's board or loan committee at which the Collateral pledge agreement is approved prior to the deposit of any County funds requiring the pledge of Collateral in such financial institution.
3. Collateral pledged by a depository shall be held in safekeeping at the Federal Reserve Bank, and the Investment Officer pursuant to this Policy, shall obtain safekeeping receipts from the Federal Reserve Bank. Principal and accrued interest on deposits in accordance with this Policy, if authorized, shall not exceed the FDIC, or its successor's, insurance limits or the Collateral pledged as security for the County’s investments. It shall be acceptable for the County to periodically receive interest on deposits to be deposited to the credit of the County if needed to keep the amount of the funds under the insurance or Collateral limits. The Investment Officer with the help of the County Designees shall ensure that the Collateral pledged to the County is pledged only to the County and shall review the fair market value of the Collateral pledged to secure the County’s funds to ensure that the County’s funds are fully secured.

4. Certificates of deposit, to the extent that they are not insured, may be secured by any securities allowed under the Investment Act and depository contract.

5. Demand deposits (for example, checking accounts) and savings accounts, to the extent that they are not insured, may be secured by any securities allowed under the Collateral Act.

Section 5.10. Investment Policy Review

The Investment Policy shall be formally reviewed and approved by Commissioners Court when amendments are made or at least annually.

ARTICLE VI
INVESTMENT STRATEGIES FOR FUNDS

Section 6.01. General Fund Group

The County’s operating expenditures and the revenues to fund those expenditures are accounted for in the County’s general fund. The general fund is also used to account for revenues restricted by statute for debt service funds and to account for the accumulation of resources for public improvement contingencies. Most of the general fund is pooled with other County funds for investment purposes. The amount restricted for the Public Improvement Contingency Fund is invested in the County’s pooled investments. The debt service funds included within the general fund classification are not pooled with other County funds for investment purposes and should be invested in compliance with the strategies for Debt Service Funds. Short term borrowing may be necessary during the fiscal year for the general fund operating expenditures to cover negative cash positions until ad valorem tax receipts are received. The investment strategy for the general fund operating fund, as well as for the County's investment pool as a whole, is the Matching Approach. The average duration of the investments relating to the general fund operating activity is to be one year or less. The investment strategy for this Public Improvement Contingency Fund is the Barbell Approach, with an average duration of five years or less.
Section 6.02. Special Revenue Funds

Operations that are funded with restricted revenues are accounted for as Special Revenue funds, including assets received through Federal and State forfeiture programs. Most of the special revenue funds are included for investment purposes in the County's investment pool, except for asset forfeiture funds, certain grant funds and the Flood Control District's general operating fund. The federal and state asset forfeiture funds are not available for general operations and the Flood Control District's general operating fund is accounted for in a separate investment pool. Certain grant agreements require the use of separate bank accounts restricted for use of proceeds under the grant agreement. The investment strategy used for all special revenue funds not included in the County's investment pool and State and Local grant funds, is the Matching Approach. State and Local grant funds are funded on a reimbursement basis or on an advance basis for immediate cash needs. These grant funds are not invested. The average duration of these special revenue funds or Flood Control District Funds other than debt service is to be two years or less.

Section 6.03. Debt Service Funds

The debt service funds, including those reported in the County's financial reports within the general fund, are used to account for the accumulation of resources to fund periodic principal and interest payments on outstanding obligations. The revenue stream is predictable and the majority comes from ad valorem tax and special purpose revenues. The investment strategy for these funds is the Matching Approach, with an average duration of nine months or less for these funds. Most of these debt service funds are not pooled with other funds for investment purposes.

Section 6.04. Capital Project Funds

Capital project funds for the County and the Flood Control District are used to account for construction and other nonrecurring capital expenditure activity. U. S. Treasury regulations governing investment of most of these funds result in a maximum duration of three years for the investments. A Matching Approach is used for these funds.

Section 6.05. Propriety Funds

Internal Service and Enterprise funds are used to account for central county services, including the County's insurance programs, and private-enterprise type activities such as parking facilities. The operational activity for most of the proprietary funds is included with the County's investment pool, using a Matching Approach as an investment strategy. The average duration of investments for these funds is to be one year or less. Funds set aside for claim reserves in the insurance programs such as workmen compensation are available for investing on a long-term basis and the Barbell Approach may be used. The average duration of these funds is to be three years or less.

The County's Toll Road project is also accounted for as a proprietary-type fund with investments restricted by a trust indenture executed in connection with the financing of the project. The Matching Approach is used for the Toll Road's investment strategy. The duration of the
investments is generally three years or less, with the exception of the bond reserve and Toll Road renewal and replacement funds, which are invested with an average duration of five years or less.

Section 6.06. District Clerk Registry Funds

Registry Funds are held in trust by the Harris County District Clerk. These Funds may be invested no longer than ten years. The average duration is seven years or less. The investment strategies used in this fund are the Matching and Barbell Approaches.

Section 6.07. County Clerk Registry Funds

Registry Funds held in trust by the Harris County, County Clerk. These funds may be invested no longer than ten years. The average duration is seven years or less. The investment strategies used in this fund are the Matching and Barbell Approaches.

Section 6.08. Harris County & Metro Joint Escrow Funds

These funds may be invested for a period not to exceed the terms of the Agreement. The average duration is fifteen years or less. The investment strategies used in this fund are the Matching and Barbell Approaches.

ARTICLE VII
MISCELLANEOUS

Section 7.01. Superseding Clause

This Policy supersedes any prior policies adopted by Commissioners Court regarding investment or securitization of County funds.

Section 7.02. Open Meeting

Commissioners Court officially finds, determines and declares that this Investment Policy was reviewed, carefully considered, and adopted at a regular meeting of Commissioners Court, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted as required by the Open Meetings Act, Chapter 55, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon. Commissioner's Court further ratifies, approves and confirms such written notice and the contents and posting thereof. Reference Exhibit "D".
Exhibit "A"

Authorized Designees of Harris County to Purchase Investments

Investment Officer:

Director of the Harris County Office of Financial Services

Investment Officer's Designees:

Deputy Director of the Harris County Office of Financial Services
The Investment Manager of the Harris County Office of Financial Services
All Investment Officers of the Harris County Office of Financial Services
List of Approved Banks, Broker/ Dealers, Money Market Funds, and Investment Pool for Investment of the County's Funds

Approved Banks and Broker/ Dealers:

Amherst Securities
Apex Securities
Bank of America, N.A.
Banc One Capital Markets, Inc.
Citigroup Global Markets
Coastal Securities, Inc.
Compass Capital Markets, Inc.
Credit Swiss First Boston Corporation
RBC Dain Rauscher
Duncan-Williams Inc.
First Southwest Company
First Tennessee Bank
HSBC Securities
J. P. Morgan Securities of Texas, Inc.
Legg Mason
Lehman Brothers
Merrill Lynch Government Securities, Inc.
Morgan Keegan & Company
Morgan Stanley
MBIA Inc.
Raymond James & Associates, Inc.
Seattle Northwest Securities Corp.
Siebert Brandford Shank & Co.
Southwest Bank of Texas, N. A.
UBS Financial Services, Inc.
Vining Sparks IBG
Wachovia Securities, Inc.
Walton Johnson & Co.
Weller, Anderson & Company, Ltd.
Zions First National Bank/Capital Markets
Money Market Mutual Funds (Rated AAA by Moody's Investor Rating Service):

Fidelity Investments
Goldman Sachs & Co.
Investors Cash Trust Co.
Provident Institutional Funds
SEI Liquidity Management
AIM Funds

Investment Pools (Rated AAA by Moody's Investor Rating Service):

Tex-Pool
MBIA- Texas CLASS
EXHIBIT "C"

APPROVED FEDERAL AGENCIES

List of Approved Federal Agencies:

Federal Agricultural Mortgage Company (FAMCA)
Federal Farm Credit Bank (FFCB)
Federal Home Loan Bank (FHLB)
Federal National Mortgage Association (FNMA)
Federal Home Loan Mortgage Corporation (FHLMC)
Student Loan Marketing Association (SLMA)
Tennessee Valley Authority (TVA)