

**Deer Park Community Development Corporation  
Annual Investment Policy Review – 2016  
Record of Changes**

To comply with the Texas Public Funds Investment Act, Government Code Ch. 2256 as amended (the "Act"), the governing body of an investing entity shall (1) review its investment policy and investment strategies not less than annually, and (2) adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies. The written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

The investment policy for the Deer Park Community Development Corporation (the "Corporation") was last reviewed and updated in January 2016.

The Corporation, having entered into an agreement with the City of Deer Park (the "City") whereby the City shall perform administrative services for the Corporation, has elected to comply with the Act and has established a policy comparable to the investment policy of the City. The City has recently updated and adopted its investment policy in accordance with the Act making several changes to consolidate or improve policy language, remove duplicate references, etc. These changes have been incorporated in the Corporation's investment policy and are summarized below:

III. Objectives and Strategy – This section has been edited primarily for clarity, including better and more concise wording. Subsection (f) has been modified relative to the benchmark yield changing "average yield of the current three-month U.S. Treasury Bill" to "rolling average yield of the three-month U.S. Treasury Bill", which provides a more accurate focus for evaluating quarterly results.

IV. Authorization – This section has been changed to officially add the City Manager and Assistant City Manager as investment officers. Currently, the City's Director of Finance is named as the investment officer. With the addition of the City Manager and Assistant City Manager as investment officers, the Director of Finance is designated as the "primary" investment officer. Throughout the policy, references to "investment officer" have been updated to the either/or "investment officer(s)" prior to this change and the plural "investment officers" after this change.

VI. Ethics and Conflicts of Interest – This section has been edited to clarify that the statement related to personal business relationships shall also be filed with "the Corporation's Board of Directors" rather than simply "the Corporation."

VII. Investment Training – This section includes minor edits for better wording and formats the approved organizations and associations designated to provide the required investment training in a list rather than as part of the narrative. These designated organizations are as follows:

Government Finance Officers Association of Texas  
Government Treasurer's Organization of Texas  
Texas Municipal League  
The University of North Texas Center for Public Management

VIII. Authorized Investments – The narrative was revised for better wording and (1) to remove Collateralized Mortgage Obligations because the City does not and does not plan to invest in these types of investments; (2) to simplify and consolidate language relative to the investment pools; and (3) to remove the catchall "such other investments as permitted by the Act and not specifically prohibited by this policy".

The following was better suited in another section of the policy and was moved and/or consolidated to eliminate duplicate references:

"Applicable investment transactions will be completed on a delivery versus payment ("DVP") basis. The investment officer is authorized to solicit bids for investments orally, in writing, electronically, or in any combination of these methods. No investment of Corporation funds shall be authorized unless it conforms to this investment policy and the seller of the investment has executed a Certification Form in favor of the Corporation as set forth in this policy." is now addressed in Sec. XIX. Custody and Safekeeping.

"An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. The investment officer shall take all prudent measures consistent with this policy to liquidate any investment that does not have the minimum rating." is now addressed in Sec. X. Existing Investments and Minimum Rating Requirements.

X. Existing Investments and Minimum Rating Requirements – This section includes the addition of "and Minimum Rating Requirements" to the section heading. In conjunction with the expanded section heading, "An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating." was moved from Sec. VIII. Authorized Investments.

XI. Investment Advisors – This section heading was changed to the plural "Advisors" to better fit the narrative.

XII. Investment Limits and Diversification – This section has been edited primarily for clarity, including reorganization of the narrative for better and more concise wording.

XIII. Investment Management – This section includes minor edits for better wording. "The investment officers are authorized to solicit quotes for investments orally, in writing, electronically, or in any combination of these methods." was moved from Sec. VIII. Authorized Investments. Also added was the requirement that any sale of a security prior to maturity or for less than book value must be approved by the City Manager or Assistant City Manager.

XIV. Qualified Financial Institutions and Broker/Dealers – This section includes minor edits for better wording and revisions for terminology used in the Act (e.g., business organizations). Because broker/dealers are not required to have an office in Texas, that reference was deleted. Also, the authorized broker/dealers are now being presented in a list format rather than as part of the narrative.

The following broker/dealers are authorized to engage in investment transactions with the City:

Coastal Securities, Inc.  
Duncan-Williams, Inc.  
Hilltop Securities (formerly First Southwest Company)  
Wells Fargo Securities, LLC

XV. Reporting – The references to specific information used to prepare the quarterly investment report were removed since the Corporation's investments are included in the City's report and a separate report is not prepared for the Corporation.

XVI. Internal Controls – This section includes minor edits only for better wording.

XVIII. Collateral – This section has been updated to address collateral requirements for different types of investments now that the City is investing in certificates of deposit and other forms of deposit. The requirement that collateral meet or exceed 102 percent of the market value ("haircut") is most applicable to pledged securities. As written, the policy does not address the use of letters of credit, which are typically used as collateral for a certificate of deposit. These letters of credit are written for the amount of the principal plus accrued interest and do suffice as collateral on these forms of deposit. The policy language has been updated as follows: "For pledged securities, the market value of the principal portion of collateral pledged for deposits must at all times be equal to or greater than 102 percent (102%) of the total amount of deposits plus any accrued interest, less the insurance amount provided by the Federal Deposit Insurance Corporation ("FDIC"). For certificates of deposit or other forms of deposit, the Corporation may accept a letter of credit issued by a U.S. Agency or Instrumentality. The value of the letter of credit must be equal to or greater than 100 percent (100%) of the total amount of deposits plus any accrued interest."

Because the Corporation's current depository is unable to fully comply with the provision related to substitution of collateral, the following was removed to avoid a compliance issue: "Collateralized deposits may require substitution of securities. Any depository institution requesting substitution of collateral must contact the City's Director of Finance for approval. Written approval is required before any pledged security is released. The value of the substituted security will be calculated and substitution approved if the substitution maintains the required collateral level." (Note: The bank has indicated it will notify the City if excess collateral is being removed from the account, but that has not happened. Presently, the Corporation's current depository is the only bank available to serve the Corporation because it is within the city limits. Other options may be explored in the future.

XIX. Custody and Safekeeping – This section has been edited primarily to better differentiate the functions and responsibilities of custody and safekeeping. Several minor edits result in better wording. The requirement for delivery versus payment ("DVP") was moved from Sec. VIII. Authorized Investments.

XXI. Certification Form – This section includes revisions for terminology used in the Act (e.g., business organizations). Additionally, the sample form has been removed and replaced with the reference to the form requirements as stated in the Act, which is more appropriate given that the different types of organizations may use different terminology while still prescribing to the requirements of the Act.