

CITY OF SAMPLE
INVESTMENT TRADING RELATIONSHIP AGREEMENT

In consideration of and as a prerequisite to conducting investment business with the City of Sample, North Carolina, the undersigned investment/financial firm (hereafter firm) agrees to the following terms and conditions:

ELIGIBLE INVESTMENT SECURITIES

The firm acknowledges that it has reviewed and is aware of the North Carolina State Statutes governing the investments which are eligible for purchase by local governments in North Carolina. The firm agrees to offer no investment to the City of Sample that does not meet these statutory and regulatory guidelines. North Carolina State Statute 159-30 is listed below.

§ 159-30. Investment of idle funds.

(a) *A local government or public authority may deposit at interest or invest all or part of the cash balance of any fund. The finance officer shall manage investments subject to whatever restrictions and directions the governing board may impose. The finance officer shall have the power to purchase, sell, and exchange securities on behalf of the governing board. The investment program shall be so managed that investments and deposits can be converted into cash when needed.*

(b) *Moneys may be deposited at interest in any bank, savings and loan association, or trust company in this State in the form of certificates of deposit or such other forms of time deposit as the Commission may approve. Investment deposits, including investment deposits of a mutual fund for local government investment established under subdivision (c)(8) of this section, shall be secured as provided in G.S. 159-31(b).*

(b1) *In addition to deposits authorized by subsection (b) of this section, the finance officer may deposit any portion of idle funds in accordance with all of the following conditions:*

- (1) *The funds are initially deposited through a bank or savings and loan association that is an official depository and that is selected by the finance officer.*
- (2) *The selected bank or savings and loan association arranges for the deposit of funds in certificates of deposit for the account of the local government or public authority in one or more federally insured banks or savings and loan associations wherever located, provided that no funds shall be deposited in a bank or savings and loan association that at the time holds other deposits from the local government or public authority.*
- (3) *The full amount of principal and any accrued interest of each certificate of deposit are covered by federal deposit insurance.*
- (4) *The selected bank or savings and loan association acts as custodian for the local government or public authority with*

respect to the certificates of deposit issued for the local government's or public authority's account.

- (5) *At the same time that the local government or public authority funds are deposited and the certificates of deposit are issued, the selected bank or savings and loan association receives an amount of deposits from customers of other federally insured financial institutions wherever located equal to or greater than the amount of the funds invested by the local government or public authority through the selected bank or savings and loan association.*

(c) *Moneys may be invested in the following classes of securities, and no others:*

- (1) *Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.*
- (2) *Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the United States Postal Service.*
- (3) *Obligations of the State of North Carolina.*
- (4) *Bonds and notes of any North Carolina local government or public authority, subject to such restrictions as the secretary may impose.*
- (5) *Savings certificates issued by any savings and loan association organized under the laws of the State of North Carolina or by any federal savings and loan association having its principal office in North Carolina; provided that any principal amount of such certificate in excess of the amount insured by the federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Commissioner of Banks of the Department of Commerce of the State of North Carolina, be fully collateralized.*
- (6) *Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation.*
- (7) *Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that the accepting bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations bearing the highest rating of at least one nationally recognized rating service and not*

bearing a rating below the highest by any nationally recognized rating service which rates the particular obligations.

- (8) Participating shares in a mutual fund for local government investment; provided that the investments of the fund are limited to those qualifying for investment under this subsection (c) and that said fund is certified by the Local Government Commission. The Local Government Commission shall have the authority to issue rules and regulations concerning the establishment and qualifications of any mutual fund for local government investment.*
- (9) A commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3.*
- (10) A commingled investment pool established by inter-local agreement by two or more units of local government pursuant to G.S. 160A-460 through G.S. 160A-464, if the investments of the pool are limited to those qualifying for investment under this subsection (c).*
- (11) Evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of the United States government or obligations the principal of and the interest on which are guaranteed by the United States, which obligations are held by a bank or trust company organized and existing under the laws of the United States or any state in the capacity of custodian.*
- (12) Repurchase agreements with respect to either direct obligations of the United States or obligations the principal of and the interest on which are guaranteed by the United States if entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, which is a dealer recognized as a primary dealer by a Federal Reserve Bank, or any commercial bank, trust company or national banking association, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof if:*

 - a. Such obligations that are subject to such repurchase agreement are delivered (in physical or in book entry form) to the local government or public authority, or any financial institution serving either as trustee for the local government or public authority or as fiscal agent for the local government or public authority or are supported by a safekeeping receipt issued by a depository satisfactory to the local government or public authority, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred percent (100%) of the repurchase price, and, provided further, that the financial institution*

serving either as trustee or as fiscal agent for the local government or public authority holding the obligations subject to the repurchase agreement hereunder or the depository issuing the safekeeping receipt shall not be the provider of the repurchase agreement;

- b. A valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the local government or public authority or its assignee or book entry procedures, conforming, to the extent practicable, with federal regulations and satisfactory to the local government or public authority have been established for the benefit of the local government or public authority or its assignee;*
- c. Such securities are free and clear of any adverse third party claims; and*
- d. Such repurchase agreement is in a form satisfactory to the local government or public authority.*

(13) In connection with funds held by or on behalf of a local government or public authority, which funds are subject to the arbitrage and rebate provisions of the Internal Revenue Code of 1986, as amended, participating shares in tax-exempt mutual funds, to the extent such participation, in whole or in part, is not subject to such rebate provisions, and taxable mutual funds, to the extent such fund provides services in connection with the calculation of arbitrage rebate requirements under federal income tax law; provided, the investments of any such fund are limited to those bearing one of the two highest ratings of at least one nationally recognized rating service and not bearing a rating below one of the two highest ratings by any nationally recognized rating service which rates the particular fund.

(d) Investment securities may be bought, sold, and traded by private negotiation, and local governments and public authorities may pay all incidental costs thereof and all reasonable costs of administering the investment and deposit program. Securities and deposit certificates shall be in the custody of the finance officer who shall be responsible for their safekeeping and for keeping accurate investment accounts and records.

(e) Interest earned on deposits and investments shall be credited to the fund whose cash is deposited or invested. Cash of several funds may be combined for deposit or investment if not otherwise prohibited by law; and when such joint deposits or investments are made, interest earned shall be prorated and credited to the various funds on the basis of the amounts thereof invested, figured according to an average periodic balance or some other sound accounting principle. Interest earned on the deposit or investment of bond funds shall be deemed a part of the bond proceeds.

(f) Registered securities acquired for investment may be released from registration and transferred by signature of the finance officer. (1957, c. 864, s. 1;

1967, c. 798, ss. 1, 2; 1969, c. 862; 1971, c. 780, s. 1; 1973, c. 474, ss. 24, 25; 1975, c. 481; 1977, c. 575; 1979, c. 717, s. 2; 1981, c. 445, ss. 1-3; 1983, c. 158, ss. 1, 2; 1987, c. 672, s. 1; 1989, c. 76, s. 31; c. 751, s. 7(46); 1991 (Reg. Sess., 1992), c. 959, s. 77; c. 1007, s. 40; 1993, c. 553, s. 55; 2001-193, s. 16; 2001-487, s. 14(o); 2005-394, s. 2.)

CONFIRMATION AND MONTHLY STATEMENTS

The firm agrees that it will send confirmation of every transaction promptly to the following email address:

Happy.accountant@cityofsample

DELIVERY INSTRUCTIONS

The firm agrees to deliver securities to the City of Sample delivery versus payment (payment and transfer of the security occur simultaneously). Standard delivery instructions to the City's safekeeping account are as follows:

(Whatever they are for your unit of government)

FINANCIAL STATEMENTS

The firm agrees to send its annual audited financial statements to the Finance Director within a reasonable time after the end of each fiscal year. This information should be sent to:

(Whoever they should be sent to at your unit of government)

CANCELLATION

This agreement may be immediately canceled upon written notification by the firm or by the City of Sample.

DESIGNATED INDIVIDUALS WHO MAY EXECUTE INVESTMENT TRANSACTION

The firm agrees to execute investment transactions for the City of Sample only with the following individuals, except that the Finance Director may add to or delete from this list by written notification.

Marvelous Manager, City Manager
Financial Wizard, Finance Director
Happy Accountant, Accounting Manager

The undersigned authorized representative of the firm agrees, on behalf of the firm, that the provisions of this agreement will be followed and that if the City sustains losses as a result of the firm's failure to abide by this agreement, then the firm will be liable for these losses and will reimburse the City the amount of these losses. The firm also agrees that any changes to this agreement will not be effective unless authorized in writing by the Finance Director.

Firm: _____

Address: _____

Date: _____

Person Authorized to Bind Firm

Position/Title

AUTHORIZED FIRM REPRESENTATIVES

The following individuals are authorized to execute investment trades.

City of Sample
P O Box 1234
Sample, NC 12345

Date: _____

Finance Director, City of Sample