

**CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE**



**INVESTMENT POLICY**  
*August 28, 2013*

**CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE  
INVESTMENT POLICY**

**TABLE OF CONTENTS**

Section No.	Title	Page No.
1.00	General Policy Statement	1
2.00	Scope of Investment Policy	1
3.00	Prudent Investment Standards	1
4.00	Investment Objectives	2
5.00	Delegation of Authority	2
6.00	Authorized Financial Dealers	3
7.00	Authorized & Suitable Investments	4
8.00	Investment Pools	4
9.00	Collateralization	5
10.00	Safekeeping and Custody	5
11.00	Diversification	6
12.00	Maximum Maturities	6
13.00	Internal Control	6
14.00	Performance Standards	6
15.00	Reporting	6
16.00	Master Repurchase Agreements	7
17.00	Investment Policy Adoption	7
	Glossary of Terms	8
	Appendix A - Sample Master Repurchase Agreement	12

**CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE  
INVESTMENT POLICY**

**SECTION 1.00 General Policy Statement:**

The general investment policy of the City of Baton Rouge and Parish of East Baton Rouge shall be to invest all public funds under its jurisdiction in such a manner so as to provide the highest investment return with the maximum security while at the same time meeting the daily cash flow requirements of the City of Baton Rouge and Parish of East Baton Rouge, (City-Parish), and conforming to all state, parish and local statutes governing the investment of public funds.

**SECTION 2.00 Scope of Investment Policy:**

Section 8.02 of the Plan of Government empowers the Council Administrator/Treasurer to invest all monies relating to the following:

2.01 General Funds

2.02 Special Revenue Funds

2.03 Debt Service Funds

2.04 Enterprise Funds

2.05 Internal Service Funds

2.06 Capital Project Funds

2.07 Trust and Agency Funds

2.08 Any other Fund created not specifically exempted

**3.00 Prudent Investment Standards:**

All investments made shall be with judgement and care, under circumstances then prevailing, which 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. However, under all circumstances, the overriding concern shall be safety of the principal amounts invested.

### 3.01 "Prudent Person Standard"

The standard of prudence to be used by the Council Administrator/ Treasurer or his designee shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Council Administrator/Treasurer or his designee acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual investment's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## **4.00 Investment Objectives:**

The Primary objectives, in order of priority, of the City of Baton Rouge and Parish of East Baton Rouge shall be:

### 4.10 Safety

Safety of principal is the foremost objective of the investment program. To attain this objective, diversification of allowable investment instruments as well as depositories of City-Parish funds will be maintained. Additionally, stringent collateralization requirements will be maintained for all deposits.

### 4.20 Liquidity

The City-Parish's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated.

### 4.30 Return on Investment

The City-Parish's investment portfolio shall be designed with the objective of attaining a market rate of return throughout various economic cycles, taking into account the City-Parish's risk constraints and cash flow needs.

## **5.00 Delegation of Authority:**

Authority to manage the City-Parish's investment program is granted specifically by Section 8.02 of the Plan of Government for the City of Baton Rouge and Parish of East Baton Rouge to the Council Administrator/Treasurer. The Council Administrator/Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such

procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Council Administrator/Treasurer. The Council Administrator/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Council Administrator/Treasurer and all subordinates responsible for the investment of funds shall be bonded to the extent deemed necessary by the Risk Management Department. The Risk Management Department will periodically review these limits and adjust them accordingly.

#### **6.00 Authorized Financial Dealers and Institutions:**

The Council Administrator/Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness, who maintain an office in the State of Louisiana and City of Baton Rouge. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state law.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Council Administrator/Treasurer with the following where applicable as determined by the Council Administrator/Treasurer:

- Current audited financial statements.  
**Provide a copy of annual Financial Industry Regulatory Authority (FINRA) reports.**
- Proof of state registration.
- Certification of having read City-Parish's Investment Policy.
- All necessary depository contracts and agreements.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Council Administrator/Treasurer. Bank analysis will be conducted on a quarterly basis by reviewing the most recent rating by Standard and Poor's, Inc. rating service or such other rating agency as approved by the Council Administrator/Treasurer. The City-Parish reserves the right to eliminate from its qualified institution list any bank that has an overall rating lower than (BBB-). Current audited financial statements are required to be on file for each financial institution and broker/dealer in which the City-Parish invests or makes deposits.

## **7.00 Authorized and Suitable Investments:**

The Council Administrator/Treasurer is authorized by L.R.S. 39:1211-1245 and 33:2955 to invest temporarily idle monies on deposit in the following:

- a. United States Treasury Bonds
- b. United States Treasury Notes
- c. United States Treasury Bills
- d. Obligations of U.S. Government Agencies, including such instruments as Federal Home Loan Bank bonds, Government National Mortgage Association bonds, or a variety of "Federal Farm Credit" bonds.
- c. Fully collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana.
- d. Fully collateralized repurchase agreements. (See Section 15.00)
- e. Fully collateralized interest bearing checking accounts.
- f. Mutual or Trust Fund institutions which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States Government or its agencies.
- g. Any other investment allowed by state statute for local governments.
- h. Louisiana Asset Management Pool (LAMP)

## **8.00 Investment Pools:**

Before the Council Administrator/Treasurer shall invest in any investment pool as authorized in Section 7.00, he shall conduct a thorough investigation of the pool and will monitor the pool on a continuing basis considering the following items:

- a. A description of eligible securities, and a written statement of investment policy and objectives.
- b. A description of interest calculations and how it is distributed, and how gains and losses are treated.
- c. A description of how securities are safeguarded and how often are the securities priced and the program audited.
- d. A description of who may invest in the program, how often, etc.
- e. A schedule for receiving statements and portfolio listings.
- f. Are reserves, retained earnings, etc. utilized by the fund?
- g. A fee schedule, and when and how is it assessed.
- h. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds.
- l. Any other information deemed relevant by the Council Administrator/Treasurer.

## **9.00 Collateralization:**

Collateral will be required for all deposits held by any qualified financial institution in accordance with state law. In order to anticipate market fluctuation of pledged securities and to provide a level of security for all funds, the collateralization level will be not less than (103%) of market value of deposits, principal plus total interest due. Financial institutions will be required to post sufficient collateral the same day deposits are received evidenced by safekeeping receipts.

The City-Parish chooses to limit collateral to direct obligations of the U.S. Government, i.e. U.S. T-Bills, U.S. T-Notes, U.S. T-Bonds, and obligations of U.S. Government Agencies, including mortgage backed securities issued by U.S. Government Agencies, i.e. Federal Home Loan Bank bonds, Government National Mortgage Association bonds, and a variety of Federal Farm Credit bonds. All pledged collateral must be able to be “priced” utilizing independent pricing services such as Bloomberg or IDC.

Collateral will always be held by an independent third party with whom the City-Parish has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) reflecting the City-Parish’s position as a “Pledgee” must be supplied to the City-Parish and retained. The independent third party custodian must provide a monthly pledge report indicating by financial institution which securities are pledged to the City-Parish with their corresponding par values and CUSIP numbers listed. Additionally, each financial institution that holds deposits for the City-Parish and consequently has collateral pledged to the City-Parish must provide a monthly pledge report indicating which securities are pledged to the City-Parish along with their corresponding par values, current market values, and CUSIP numbers.

## **10.00 Safekeeping and Custody:**

All security transactions, including collateral for repurchase agreements, entered into by the City-Parish shall be conducted on a Delivery-Versus-Payment (DVP) basis. Securities will be held by a third party custodian approved by the Council Administrator/Treasurer and evidenced by safekeeping receipts. In all cases, security transactions entered into will seek to be classified as a type 1 credit risk as defined by GASB Statement No. 3.

### **11.00 Diversification:**

The City-Parish will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City-Parish's total investment portfolio will be invested in a single security type or with a single financial institution. The Council Administrator/Treasurer is authorized to vary the mix of the portfolio as market conditions dictate.

### **12.00 Maximum Maturities:**

To the extent possible, the City-Parish will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City-Parish will not directly invest in securities maturing more than one year from the date of purchase. However, the City-Parish may collateralize its repurchase agreements using longer dated investments not to exceed 10 years to maturity.

Reserve funds may be invested in securities exceeding 1 year if the maturity if such investments are made to coincide as nearly as practicable with the expected use of the funds.

### **13.00 Internal Control:**

The Director of Finance shall cause an independent audit to be made of the investments owned as reflected by the records of the banks and to reconcile such investments as reflected by the books and records maintained by the City-Parish. This audit shall be conducted by the City-Parish's external Certified Public Accountant at least once per year and by the Finance Department's Internal Audit Division at least once every three years. This review will provide internal control by assuring compliance with established policies and procedures.

### **14.00 Performance Standards:**

As stated in section 4.03, the investment portfolio will be designed to obtain a market average rate of return during various economic cycles, taking into account the City-Parish's investment risk constraints and cash flow needs. The City-Parish's investment strategy is passive. Given this strategy, the basis used by the Council Administrator/Treasurer to determine whether market yields are being achieved shall be, ***for short term investments***, the 3 month U.S. Treasury Bill and the average Fed Funds rate, ***and for long term investments, the 2 year U.S. Treasury Note*** .

### **15.00 Reporting:**

The Council Administrator/Treasurer shall provide to the members of the Metropolitan Council on a quarterly basis a written report of the status of all City-Parish investments. This report should include comments regarding restrictions on the percentage of investment by categories and possible changes in the portfolio structure going forward. The following schedules should likewise be included:

- a. Schedule of investments held-Maturity Schedule
- b. Market Comparison Schedule indicating the portfolio average maturity and average yield as compared to various benchmarks.
- c. Cash/Investments Report showing by financial institution the amount of funds on deposit or invested along with dollar value of pledged collateral, and percentage of investment portfolio represented by each investment category.

### **16.00 Master Repurchase Agreement:**

All authorized financial dealers and institutions with which the City-Parish invests in repurchase agreements shall be required to execute a "Master Repurchase Agreement" with the City-Parish as per the sample included in Appendix A.

### **17.00 Investment Policy Adoption:**

The City-Parish's investment policy shall be adopted by resolution of the Metropolitan Council. The policy shall be reviewed on an annual basis by the Council Administrator\Treasurer and the Finance Director and any modifications made thereto must be approved by the Metropolitan Council.

## GLOSSARY OF TERMS

**AGENCIES:** Federal agency securities.

**ASKED:** The Price at which securities are offered.

**BID:** The price offered for securities.

**BROKER:** A broker brings buyers and sellers together for a commission paid by both sides; he does not position. In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**CERTIFICATES OF DEPOSIT:** A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

**CITY-PARISH:** The combined City and Parish governments for the City of Baton Rouge and Parish of East Baton Rouge authorized under its Plan of Government.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DELIVERY VS. PAYMENT:** There are two methods of delivery of securities: delivery vs. payment and delivery vs. receipt (also called free). Delivery vs. payment is delivery of securities with an

exchange of money for the securities. Delivery vs. receipt is delivery of securities with an exchange of assigned receipt for the securities.

**DISCOUNT:** The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**DISCOUNT SECURITIES:** Non-Interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury bills.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns.

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal Government set up to supply credit to various classes of institutions and individuals, e.g. S&L's, small business firms, students, farmers, etc.

**FEDERAL FUNDS RATE:** The rate of interest at which Fed funds are traded.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington D.C., 12 Regional Banks and

about 5,700 commercial banks that are members of the system.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$100,000 per depositor.

**FEDERAL HOME LOAN BANKS (FHLB):** The institutions that regulate and lend to savings and loan associations. The FHLB play an important role analogous to that played by the Federal Reserve Banks vis-a-vis member commercial banks.

**FEDERAL NATIONAL MORTGAGE ASSN. (FNMA):** FNMA was chartered under the Federal National Mortgage Act in 1938. FNMA is a federal corporation working under the auspices of the Dept. of Housing & Urban Development, H.U.D. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA):** Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, S&L's, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. GNMA

securities are backed by the FHA, VA, or FMHM mortgages. The term pass-throughs is often used to describe GNMA's.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without substantial loss of value.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase, reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET:** The market in which short-term debt instruments are issued and traded.

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and

stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PLAN OF GOVERNMENT:** The official legal document that the City of Baton Rouge and the Parish of East Baton Rouge operates under. Adopted in 1947 to become effective January 1, 1949 and amended periodically since.

**PORTFOLIO:** Collection of securities held by an investor.

**PRUDENT PERSON RULE:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities authorized by state statute. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**PRIMARY DEALER:** A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

**QUALIFIED PUBLIC DEPOSITORIES:** A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of Louisiana, which

has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**REPURCHASE AGREEMENTS:** A holder of securities sells the securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

**SAFEKEEPING:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**SECURITIES & EXCHANGE COMMISSION:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**TREASURY BILLS:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued in 3 months, 6 months, or one year.

**TREASURY BOND:** Long term U.S. Treasury securities having initial maturities of more than 10 years.

**TREASURY NOTES:** Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from 1 to 10 years.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities. One reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted to cash.

**APPENDIX A**  
**MASTER REPURCHASE AGREEMENT**

---

**Dated:** \_\_\_\_\_

**Between:**

PARISH OF EAST BATON ROUGE and  
CITY OF BATON ROUGE (Buyer)

**and**

\_\_\_\_\_ (Seller)

**1. Applicability**

From time to time the parties hereto may enter into transactions in which one party ("Seller") agrees to transfer to the other ("Buyer") securities or financial instruments ("Securities") against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such securities at a date certain or on demand, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a "Transaction" and shall be governed by this Agreement, unless otherwise agreed in writing.

**2. Definitions**

- (a) "Act of Insolvency", with respect to any party, (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, reorganization, liquidation, dissolution or similar law, or such party seeking the appointment of a receiver, trustee, custodian or similar official for such party or any substantial part of its property, or (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment, or the filing against a party of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) the making by a party of a general assignment for the benefit of creditors, or (iv) the admission in writing by a party of such party's inability to pay such party's debts as they become due;

- (b) "Additional Purchased Securities", securities provided by Seller to Buyer pursuant to Paragraph 4(a) hereof;
- (c) "Buyer's Margin Account", with respect to any Transaction as of any date, the amount obtained by application of a percentage (which may be equal to the percentage that is agreed to as the Seller's Margin Amount under subparagraph (q) of this Paragraph), agreed to by Buyer and Seller prior to entering into the Transaction to the Repurchase Price for such Transaction as of such date;
- (d) "Confirmation", the meaning specified in Paragraph 3(b) hereof;
- (e) "Income", with respect to any Security at any time, any principal thereof then payable and all interest, dividends or other distributions thereon;
- (f) "Margin Deficit", the meaning specified in Paragraph 4(a) hereof;
- (g) "Margin Excess", the meaning specified in Paragraph 4(b) hereof;
- (h) "Market Value", with respect to any Securities as of any date, the price for such Securities on such date obtained from a generally recognized source agreed to by the parties or the most recent closing bid quotation from such a source, plus accrued Income to the extent not included therein (other than any Income credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof) as of such date (unless contrary to market practice for such Securities);
- (i) "Price Differential", with respect to any Transaction hereunder as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction on a 360 day per year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction);
- (j) "Pricing Rate", the per annum percentage rate for determination of the Price Differential;
- (k) "Prime Rate", the prime rate of U.S. money center commercial banks as published in The Wall Street Journal;
- (l) "Purchase Date", the date on which Purchased Securities are transferred by Seller to Buyer;

- (m) "Purchase Price", (i) on the Purchase Date, the price at which Purchased Securities are transferred by Seller to Buyer, and (ii) thereafter, such price increased by the amount of any cash transferred by Buyer to Seller pursuant to Paragraph 4(b) hereof and decreased by the amount of any cash transferred by Seller to Buyer pursuant to Paragraph 4(a) hereof or applied to reduce Seller's obligations under clause (ii) of Paragraph 5 hereof.;
- (n) "Purchased Securities", the Securities transferred by Seller to Buyer in a Transaction hereunder, and any Securities substituted therefor in accordance with Paragraph 9 hereof. The term "Purchased Securities" with respect to any Transaction at any time also shall include Additional Purchased Securities delivered pursuant to Paragraph 4(a) and shall exclude Securities returned pursuant to Paragraph 4(b);
- (o) "Repurchase Date", the date on which Seller is to repurchase the Purchased Securities from Buyer, including any date determined by application of the provisions of Paragraph 3(c) or 11 hereof;
- (p) "Repurchase Price", the price at which Purchased Securities are to be transferred from Buyer to Seller upon termination of a Transaction, which will be determined in each case (including transactions terminable upon demand) as the sum of the Purchase Price and Price Differential as of the date of such determination, increased by any amount determined by the application of the provisions of Paragraph 11 hereof;
- (q) "Seller's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of a percentage (which may be equal to the percentage that is agreed to as the Buyer's Margin Amount under subparagraph (c) of this Paragraph), agreed to by Buyer and Seller prior to entering into the Transaction, to the Repurchase Price for such Transaction as of such date.

### **3. Initiation; Confirmation; Termination**

- (a) An agreement to enter into a Transaction may be made orally or in writing at the initiation of either Buyer or Seller. On the Purchase Date for the Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the transfer of the Purchase Price to an account of Seller.
- (b) Upon agreeing to enter into a Transaction hereunder, Buyer or Seller (or both), as shall be agreed, shall promptly deliver to the other party a written confirmation of each Transaction (a "Confirmation"). The Confirmation shall describe the Purchased Securities (including CUSIP number, if any), identify Buyer and Seller and set forth (i) the Purchase Date, (ii) the Purchase Price, (iii)

the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction not inconsistent with this Agreement. The Confirmation, together with this Agreement, shall constitute conclusive evidence of the terms agreed between Buyer and Seller with respect to the Transaction to which the Confirmation relates, unless with respect to the Confirmation specific objection is made promptly after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, this Agreement shall prevail.

- (c) In the case of Transactions terminable upon demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, by telephone or otherwise on or prior to the business day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having affixed term, termination of the Transaction will be effected by transfer to Seller or its agent of the Purchased Securities and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of Seller pursuant to Paragraph 5 hereof) against the transfer of the Repurchase Price to an account of Buyer.

#### **4. Margin Maintenance**

- (a) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Buyer is less than the aggregate Buyer's Margin Amount, for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Seller's option, to transfer to Buyer cash or additional Securities reasonably acceptable to Buyer ("Additional Purchased Securities"), so that the cash and aggregate Market Value of the Purchased Securities including any such Additional Purchased Securities, will thereupon equal or exceed such aggregate Buyer's Margin Amount (decreased by the amount of any Margin Deficit as of such date arising from any Transactions in which such Buyer is acting as Seller).
- (b) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Seller exceeds the aggregate Seller's Margin Amount for all such Transactions at such time (a "Margin Excess"), then Seller may by notice to Buyer require Buyer in such Transactions, at Buyer's option, to transfer cash or Purchased Securities to Seller, so that the aggregate Market Value of the Purchased Securities, after deduction of any such cash or any Purchased Securities so transferred, will thereupon not exceed such aggregate Seller's Margin Amount (increased by the amount of any Margin Excess as of such date arising from any

Transactions in which such Seller is acting as Buyer).

- (c) Any cash transferred pursuant to this Paragraph shall be attributed to such Transactions as shall be agreed upon by Buyer and Seller.
- (d) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraphs (a) and (b) of this Paragraph may be exercised only where a Margin Deficit or Margin Excess exceeds a specified dollar amount or a specified percentage of the Repurchase Prices for such Transactions (which amount or percentage shall be agreed to by Buyer and Seller prior to entering into any such Transactions).
- (e) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer and Seller under subparagraphs (a) and (b) of this Paragraph to require the elimination of a Margin Deficit or a Margin Excess, as the case may be, may be exercised whenever such a Margin Deficit or Margin Excess exists with respect to any single Transaction hereunder (calculated without regard to any other Transaction outstanding under this Agreement).

## **5. Income Payments**

Where a particular Transaction's term extends over an income payment date on the Securities subject to that Transaction, Buyer shall, as the parties may agree with respect to such Transaction (or, in the absence of any agreement, as Buyer shall reasonably determine in its discretion), on the date such Income is payable either (i) transfer to or credit to the account of Seller an amount equal to such Income payment or payments with respect to any Purchased Securities subject to such Transaction or (ii) apply the Income payment or payments to reduce the amount to be transferred to Buyer by Seller upon termination of the Transaction. Buyer shall not be obligated to take any action pursuant to the preceding sentence to the extent that such action would result in the creation of a Margin Deficit, unless prior thereto or simultaneously therewith Seller transfers to Buyer cash or Additional Purchased Securities sufficient to eliminate such Margin Deficit.

## **6. Security Interest**

Although the parties intend that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, Seller shall be deemed to have pledged to Buyer as security for the performance by Seller of its obligations under each such Transaction and shall be deemed to have granted to Buyer a security interest in, all of the Purchased Securities with respect to all Transactions hereunder and all proceeds thereof.

## **7. Payment and Transfer**

Unless otherwise mutually agreed, all transfers of funds hereunder shall be in immediately available funds. All Securities transferred by one party hereto to the other party (i) shall be in suitable form for transfer or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request, (ii) shall be transferred on the book-entry system of a Federal Reserve Bank, or (iii) shall be transferred by any other method mutually acceptable to Seller and Buyer. As used herein with respect to Securities, "transfer" is intended to have the same meaning as when used in La. R.S.10:8-313 of the Louisiana Uniform Commercial Code.

Notwithstanding anything to the contrary herein, all transfers of Securities from one party hereto to the other party shall be accomplished by segregation by, and identification on the books and records of, Seller to acknowledge Buyer's interest therein, and such transfer shall be deemed to constitute a complete transfer of title to such Securities to Buyer.

## **8. Segregation of Purchased Securities**

All Purchased Securities in the possession of Seller shall be segregated from other securities in its possession and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder, including a financial intermediary or a clearing corporation. Title to all Purchased Securities shall pass to Buyer and, unless otherwise agreed by Buyer and Seller, nothing in this Agreement shall preclude Buyer from engaging in repurchase transactions with the Purchased Securities or otherwise pledging or hypothecating the Purchased Securities, but no such transaction shall relieve Buyer of its obligations to transfer Purchased Securities to Seller pursuant to Paragraphs 3, 4 or 11 hereof, or of Buyer's obligation to credit or pay Income to, or apply Income to the obligations of, Seller pursuant to Paragraph 5 hereof.

Notwithstanding anything to the contrary herein, Buyer agrees not to engage in repurchase transactions with the Purchased Securities and not to pledge or hypothecate the Purchased Securities.

## **9. Substitution**

Seller may, subject to agreement with and acceptance by Buyer, substitute other Securities for any Purchased Securities. Such substitution shall be made by transfer to the Buyer of such other Securities against simultaneous transfer to the Seller of such Purchased Securities. After substitution, the substituted Securities shall be deemed to be Purchased Securities.

## **10. Representations**

Each of Buyer and Seller represents and warrants to the other that (i) it is duly authorized to execute and deliver this Agreement, to enter into the Transactions contemplated hereunder and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance, (ii) it will engage in such Transactions as principal (or, if agreed in writing in advance of any Transaction by the other party hereto, as agent for a disclosed principal), (iii) the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal), (iv) it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions hereunder and such authorizations are in full force and effect and (v) the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. On the Purchase Date for any Transaction Buyer and Seller shall each be deemed to repeat all the foregoing representations made by it.

## **11. Events of Default**

In the event that (i) Seller fails to repurchase or Buyer fails to transfer Purchased Securities upon the applicable Repurchase Date, (ii) Seller or Buyer fails, after one business day's notice, to comply with Paragraph 4 hereof, (iii) Buyer fails to comply with Paragraph 5 hereof, (iv) an Act of Insolvency occurs with respect to Seller or Buyer, (v) any representation made by Seller or Buyer shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, or (vi) Seller or Buyer shall admit to the other its inability to, or its intention not to, perform any of its obligations hereunder (each an "Event of Default"):

- (a) At the option of the nondefaulting party, exercised by written notice to the defaulting party (which option shall be deemed to have been exercised, even if no notice is given, immediately upon the occurrence of an Act of Insolvency), the Repurchase Date for each Transaction hereunder shall be deemed immediately to occur.
  
- (b) In all Transactions in which the defaulting party is acting as Seller, if the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this paragraph, (i) the defaulting party's obligations hereunder to repurchase all Purchased Securities in such Transactions shall thereupon become immediately due and payable, (ii) to the extent permitted by applicable law, the Repurchase Price with respect to each such Transaction shall be increased by the aggregate amount obtained by daily

application of (x) the greater of the Pricing Rate for such Transaction or the Prime Rate to (y) the Repurchase Price for such Transaction as of the Repurchase Date as determined pursuant to subparagraph (a) of this Paragraph (decreased as of any day by (A) any amounts retained by the nondefaulting party with respect to such Repurchase Price pursuant to clause (iii) of this subparagraph, (B) any proceeds from the sale of Purchased Securities pursuant to subparagraph (d)(i) of this paragraph, and (C) any amounts credited to the account of the defaulting party pursuant to subparagraph (e) of this paragraph) on a 360 day per year basis for the actual number of days during the period from the date of the Event of Default giving rise to such option to the date of payment of the Repurchase Price as so increased, (iii) all Income paid after such exercise or deemed exercise shall be retained by the nondefaulting party and applied to the aggregate unpaid Repurchase Prices owed by the defaulting party, and (iv) the defaulting party shall immediately deliver to the nondefaulting party any Purchased Securities subject to such Transactions then in the defaulting party's possession.

- (c) In all Transactions in which the defaulting party is acting as Buyer, upon tender by the nondefaulting Party of payment of the aggregate Repurchase Prices for all such Transactions, the defaulting party's right, title, and interest in all Purchased Securities subject to such Transaction shall be deemed transferred to the nondefaulting party, and the defaulting party shall deliver all such Purchased Securities to the nondefaulting party.
- (d) After one business day's notice to the defaulting party (which notice need not be given if an Act of Insolvency shall have occurred, and which may be the notice given under subparagraph (a) of this Paragraph or the notice referred to in clause (ii) of the first sentence of this Paragraph), the nondefaulting party may:
  - (i) as to Transactions in which the defaulting party is acting as Seller, (A) immediately sell, in a recognized market at such price or prices as the nondefaulting party may reasonably deem satisfactory, any or all Purchased Securities subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder or (B) in its sole discretion elect, in lieu of selling all or a portion of such Purchased Securities, to give the defaulting party credit for such Purchased Securities in an amount equal to the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source, against the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder; and
  - (ii) as to Transactions in which the defaulting party is acting as Buyer, (A)

purchase securities ("Replacement Securities") of the same class and amount as any Purchased Securities that are not delivered by the defaulting party to the nondefaulting party as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Securities, to be deemed to have purchased Replacement Securities at the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source.

- (e) As to Transactions in which the defaulting party is acting as Buyer, the defaulting party shall be liable to the nondefaulting party (i) with respect to Purchased Securities (other than Additional Purchased Securities), for any excess of the price paid (or deemed paid) by the nondefaulting party for Replacement Securities therefor over the Repurchase Price for such Purchased Securities and (ii) with respect to Additional Purchased Securities, for the price paid (or deemed paid) by the nondefaulting party for the Replacement Securities therefor. In addition, the defaulting party shall be liable to the nondefaulting party for interest on such remaining liability with respect to each such purchase (or deemed purchase) of Replacement Securities from the date of such purchase (or deemed purchase) until paid in full by Buyer. Such interest shall be at a rate equal to the greater of the Pricing Rate for such Transaction or the Prime Rate.
- (f) For purposes of this Paragraph 11, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is acting as Buyer shall not increase above the amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercise by the nondefaulting party of its option under subparagraph (a) of this paragraph.
- (g) The defaulting party shall be liable to the nondefaulting party for the amount of all reasonable legal or other expenses incurred by the nondefaulting party in connection with or as a consequence of an Event of Default, together with interest thereon at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the Prime Rate.
- (h) The nondefaulting party shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

## **12. Single Agreement**

Buyer and Seller acknowledge that, and have entered hereunto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each of Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the

performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other Transactions hereunder, and the obligations to make any such payments, deliveries, and other transfers may be applied against each other and netted.

### **13. Notices and Other Communications**

Unless another address is specified in writing by the respective party to whom any notice or other communication is to be given hereunder, all such notices or communications shall be in writing or confirmed in writing and delivered at the respective addresses set forth in Annex I attached hereto.

### **14. Entire Agreement; Severability**

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

### **15. Non-assignability; Termination**

The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned by either party without the prior written consent of the other party. Subject to the foregoing, this Agreement and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. This Agreement may be cancelled by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any Transactions then outstanding.

### **16. Governing Law**

This Agreement shall be governed by the laws of the State of Louisiana.

### **17. No Waivers, Etc.**

No express or implied waiver of any Event of Default by either party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification

or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation on any of the foregoing, the failure to give a notice pursuant to subparagraphs 4(a) or 4(b) hereof will not constitute a waiver of any right to do so at a later date.

## **18. Use of Employee Plan Assets**

- (a) If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security act of 1974 ("ERISA") are intended to be used by either party hereto (the "Plan Party") in a Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.
- (b) Subject to the last sentence of subparagraph (a) of this paragraph, any such Transaction shall proceed only if Seller furnishes or has furnished to Buyer its most recent available audited statement of its financial condition and its most recent subsequent unaudited statement of its financial condition.
- (c) By entering into a Transaction pursuant to this paragraph, Seller shall be deemed (i) to represent to Buyer that since the date of Seller's latest such financial statements, there has been no material adverse change in Seller's financial condition which Seller has not disclosed to Buyer, and (ii) to agree to provide Buyer with future audited and unaudited statements of its financial condition as they are issued, so long as it is a Seller in any outstanding Transaction involving a Plan Party.

## **19. Intent**

- (a) The parties recognize that each Transaction is a "repurchase agreement" as that term is defined in Section 101(39) of Title 11 of the United States Code, as amended (except insofar as the type of Securities subject to such Transaction or the term of such Transaction would render such definition inapplicable), and a "securities contract" as that term is defined in Section 741(7) of Title 11 of the United States Code, as amended.
- (b) It is understood that either party's right to liquidate securities delivered to it in connection with Transaction hereunder or to exercise any other remedies pursuant to Paragraph 11 hereof, is a contractual right to liquidate such Transaction as described in sections 555 and 559 of Title 11 of the United States Code, as amended.

**20. Disclosure Relating to Certain Federal Protections. The parties acknowledge that they have been advised that:**

- (a) in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 (1934 Act"), the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 ("SIPA") do not protect the other party with respect to any Transaction hereunder;
- (b) in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SIPA will not provide protection to the other party with respect to any Transaction hereunder; and
- (c) in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund, as applicable.

**Required Disclosure for Transactions in Which the Seller  
Retains Custody of the Purchased Securities**

Seller is not permitted to substitute other securities for those subject to this Agreement and therefore must keep Buyer's securities segregated at all times, unless in this Agreement Buyer grants Seller the right to substitute other securities. If Buyer grants the right to substitute, this means that Buyer's securities will likely be commingled with Seller's own securities during the trading day. Buyer is advised that, during any trading day that Buyer's securities are commingled with Seller's securities, they (will)\* (may)\*\* be subject to liens granted by Seller to (its clearing bank)\* (third parties)\*\* and may be used by Seller for deliveries on other securities transactions. Whenever the securities are commingled, Seller's ability to resegment substitute securities for Buyer will be subject to Seller's ability to satisfy (the clearing)\* (any)\*\* lien or to obtain substitute securities.

\* Language to be used under 17 C.F.R. §403.4(e) if Seller is a government securities broker or dealer other than a financial institution

\*\* Language to be used under 17 C.F.R. 4,6 403.5(d) if Seller is a financial institution

Note - These Supplemental Provisions to Master Repurchase Agreement are identical to those prepared by the Public Securities Association.

**21. Substitution**

- (a) Seller may, subject to agreement with an acceptance by Buyer, substitute other Securities for any Purchased Securities (as defined below). Such substitution shall be made by transfer to Buyer of such other securities and transfer to Seller of such Purchased Securities. After substitution, the substituted Securities shall be deemed to be Purchased Securities for purposes of this Agreement or any prior Agreement between the parties with respect to Transactions hereunder.
- (b) In Transactions in which the Seller retains custody of Purchased Securities, the parties expressly agree that Buyer shall be deemed, for purposes of subparagraph (a) of this Paragraph, to have agreed to and accepted in this Agreement substitution by Seller of other Securities for Purchased Securities: provided, however, that such other Securities shall have a market value (determined as previously agreed between the parties or, in the absence of any such prior agreement, as the parties may hereafter agree) at least equal to the market value (as so determined) of the Purchased Securities for which they are substituted.
- (c) As used herein, "Purchased Securities" shall mean the Securities transferred by Seller to Buyer in a Transaction hereunder, and any Securities substituted therefor in accordance with this Paragraph. The term "Purchased Securities" shall also include any other Securities delivered to Buyer pursuant to any margin maintenance or similar agreements between the parties and shall exclude any Securities returned pursuant to any such agreements.

PARISH OF EAST BATON ROUGE/  
CITY OF BATON ROUGE

\_\_\_\_\_  
[BANK]

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_