

ILLINOIS FINANCE AUTHORITY

INVESTMENT MANAGEMENT SERVICES SOLICITATION #14-0001

The Illinois Finance Authority (“IFA”) is requesting Offers (bids / proposals) from qualified financial institutions and investment managers (“Managers”) with the experience, capability and expertise in providing investment management and reporting services for the provision of those services as set forth in this document. IFA’s goal is to maximize portfolio returns while preserving principal and ensuring liquidity as prescribed under §30 ILCS 235 Public Fund Investment Act (Exhibit 1 attached) and IFA’s Investment Policy Statement – 30.10.001 (Exhibit 2 attached). Please read the entire solicitation package and submit your Offer for evaluation in accordance with all instructions.

IFA is issuing this solicitation in the following form which Vendor must take that into account when responding:

Invitation for Bids Request for Proposals

The solicitation package consists of the following sections which provide information necessary for submitting an Offer set forth the basic legal and policy requirements associated with this solicitation and tell how Offers will be evaluated.

SECTION 1	INSTRUCTIONS, DATES, RESERVATIONS AND OTHER GENERAL INFORMATION
SECTION 2	EVALUATION OF OFFERS
SECTION 3	SPECIFICATIONS / QUALIFICATIONS / STATEMENT OF WORK
SECTION 4	RESPONSIBILITY FORMS

In this document the Illinois Finance Authority will be referred to as “IFA”, “Authority”, “we” or “us”. The person submitting an Offer will be referred to as “Vendor”, “Contractor” or “You”. “We” is used appropriate to the content.

SECTION 1 - INSTRUCTIONS, DATES, RESERVATIONS AND OTHER GENERAL INFORMATION

1.0 PROJECT CONTACT: If you have a question or suspect an error, you must immediately notify the Project Contact identified in this section. Do not discuss the solicitation or your Offer, directly or indirectly, with any IFA staff other than the project contact.

A Quiet Period will begin upon the posting of this Request for Proposal (“RFP”) on the Illinois Procurement Bulletin and will end upon award of any resulting contracts from this RFP. The objective of the Quiet Period is to ensure that Vendors competing for contracts have equal access to information regarding selection parameters, communication related to selection are consistent and accurate and the process of selecting Vendors is transparent, efficient, diligent and fair. Please do not communicate with IFA Board Members or Staff regarding any product or service related to this RFP throughout the Quiet Period and refrain from offering meals, travel, hotel or anything of value to IFA Board Members or Staff during this time. You may be disqualified from consideration for a knowing violation of the Quiet Period policy.

Terrell Gholston
Illinois Finance Authority
180 North Stetson, Suite 2555
Chicago, IL 60601

Phone: 312-651-1331
Fax: 312-651-1350
TDD: 800-526-0844
E-mail: tgholston@il-fa.com

1.1 VENDOR CONFERENCE / SITE VISIT: Yes No
Date and Time: To be arranged.

Mandatory Attendance: Yes No
Location: Chicago office address above

IFA will provide written responses to questions and only those written responses shall be binding on IFA. If attendance is mandatory you will be disqualified if you (incumbents included) do not attend, are not on time, leave early or fail to sign the attendance sheet. You must allow adequate time to accommodate security screenings at the site.

1.2 OFFER DUE DATE, TIME AND SUBMISSION LOCATION: Due Date: **September 3, 2013** Time: **12:00 PM CST**

DELIVER OFFERS TO:
Illinois Finance Authority
Attn: Terrell Gholston
180 N. Stetson, Suite #2555
Chicago, IL 60601

LABEL OUTSIDE OF ENVELOPE / CONTAINER:
Investment Management Services & Ref. #14-0001
[Due Date: September 3, 2013 & Time: 12:00 PM CST]
[Vendor Name & Address]

Offers must be physically received as specified by the Due Date, Time and Delivery Location, IFA will not accept e-mail, fax or other electronic submissions. Prior to the due date, Vendor may mail or hand-deliver Offers, modifications and withdrawals. Offers, modifications or withdrawals submitted after the due date and time will not be considered. All times are State of Illinois local times.

1.3 NUMBER OF COPIES: Vendors must submit a signed original and three (3) copies of the Offer on CD in PDF formats. If requesting confidential treatment of any submitted information, you must make that request in the form and manner specified elsewhere in this solicitation. A request for confidential treatment will not supersede IFA's legal obligations under Illinois Freedom of Information Act (FOIA) (5 ILCS 140).

1.4 OFFER FIRM TIME: Vendor Offer must remain firm until contract execution.

1.5 PROTEST REVIEW OFFICE:

Illinois Finance Authority

Attn: General Counsel

180 North Stetson, Suite 2555

Chicago, IL 60601

Phone: 312-651-1300

Fax: 312-651-1350

TDD: 800-526-0844

Vendor may submit a written protest of IFA's actions to the PROTEST REVIEW OFFICE as stated above. IFA must physically receive the protest by 5:00pm of the seventh calendar day after the notice of award was published on the Procurement Bulletin.

1.6 PUBLIC CONTRACTS NUMBER: (775 ILCS 5/2-105) If you do not have a Department of Human Rights' (DHR) Public Contracts Number or have not submitted a completed application to DHR for one before opening we may not be able to consider your Offer. Please contact DHR at 312-814-2431 or visit <http://www.state.il.us/dhr/index.htm> for forms and details.

1.7 OUT OF STATE COMPANIES: Non-Illinois Proposers must contact the Illinois Secretary of State (217-782-1834) regarding a Certificate of Authority to Transact Business in Illinois. Additional information is at http://www.cyberdriveillinois.com/departments/business_services/publications_and_forms/bca.html.

1.8 ILLINOIS PROCUREMENT BULLETIN (Bulletin) AND IFA WEBSITE: IFA will publish procurement information (including updates) in the electronic Bulletin (<http://www.purchase.state.il.us>), and on IFA's website (<http://www.il-fa.com>). Procurement information may not be available in any other form or locations. You are responsible for monitoring both the Bulletin and IFA's website; we cannot be held responsible if you fail to receive the optional e-mail notices.

1.9 AWARD: IFA will post a notice to the Bulletin identifying the apparent awardee. The notice extends the Offer Firm Time until IFA signs a contract or determines not to sign a contract. IFA may accept or reject your Offer as submitted, or may require contract negotiations. If negotiations do not result in an acceptable agreement, IFA may reject your Offer and begin negotiations with another Vendor. Protested awards are not final and are subject to resolution of the protest.

1.10 PUBLIC RECORDS AND REQUESTS FOR CONFIDENTIAL TREATMENT: Offers become the property of IFA and will not be returned. All Offers will be open to the public under the Illinois Freedom of Information Act (FOIA) (5 ILCS 140) and other applicable laws and rules, unless you request in your Offer that IFA treat certain information as exempt. A request for confidential treatment will not supersede IFA's legal obligations under FOIA. IFA will not honor requests to exempt entire Offers. Vendor must show specific grounds in FOIA or other law or rule that support exempt treatment. If exempt treatment is requested, vendor must submit an additional copy of the Offer with exempt information deleted. This copy must tell the general nature of the material removed and shall retain as much of the Offer as possible. Vendor will be responsible for any costs or damages associated with our defending your request for exempt treatment. Vendor agrees IFA may copy the Offer to facilitate evaluation, or to respond to requests for public records and warrant that such copying will not violate the rights of any third party.

1.11 RESERVATIONS: IFA reserves the right to amend the solicitation; reject any or all Offers; to award by item, group of items, and to waive minor defects. IFA may request a clarification; request a presentation; or otherwise verify the contents of the Offer, including information about subcontractors and suppliers. IFA may request Best & Final Offers when appropriate and shall make decisions solely in the best interests of IFA. This competitive process requires that you provide additional information and otherwise cooperate with us. If you do not comply with request for information and cooperate, we may reject your Offer. You have no right to an award by submitting an Offer, nor do you have the right to a contract based on our posting your name in a Bulletin notice. IFA is not responsible for and will not pay any costs associated with the preparation and submission of your Offer. If you are the awardee, you shall not commence, and will not be paid for any work prior to the date all parties execute the contract, unless approved in writing in advance by IFA's Procurement Officer (or his designee).

1.12 GOVERNING LAW AND FORUM: Illinois law and rule govern this solicitation and any resulting contract. You must bring any action relating to this solicitation or any resulting contract in the appropriate court in Illinois. We do not allow binding arbitration.

1.13 EMPLOYMENT TAX CREDIT: Vendors who hire qualified veterans and certain ex-offenders may be eligible for tax credits. Please contact the Illinois Dept. of Revenue (312-814-3215) for information about tax credits.

SECTION 2 – EVALUATION OF OFFERS

2.1 OFFER RESPONSE:

IFA will evaluate the information provided in evaluating your Offer: Qualifications, Experience, Responsiveness, Price, and M/W/DBE. Any failure or deficiency may result in the rejection of the Offer.

2.1.1 ADMINISTRATIVE COMPLIANCE: IFA will determine whether your Offer complied with the Instructions for submitting Offers. Except for late submissions, IFA may require a Vendor to correct deficiencies as a condition of further evaluation.

2.1.2 RESPONSIBILITY: IFA will determine whether you are a “Responsible” Vendor; a Vendor with whom IFA can or should do business. Factors that IFA may evaluate to determine Responsibility include, but are not limited to: certifications, conflict of interest, financial disclosures, taxpayer identification number, past performance, references (including those found outside the Offer,) compliance with applicable laws, financial stability and the perceived ability to perform completely as specified. Vendors must at all times have financial resources sufficient, in the opinion of IFA, to ensure performance of the contract and must provide proof upon request. IFA may terminate the Contract, consistent with the termination for cause provision of this Contract, if it feels that the Vendor lacks the financial resources to perform under the Contract.

2.1.3 RESPONSIVENESS: IFA will determine whether the Offer meets the stated requirements. **All responses are limited to 10 pages with the exception of appendices in section 3.5.1.** Minor differences or deviations with negligible impact on the price or suitability of the supply or service to meet IFA’s needs may be accepted or corrections allowed. If no administratively compliant and responsible Vendor meets a particular requirement, IFA may waive such requirement.

2.1.4 PRICE: We will identify the lowest priced offer that meets requirements. We will rank Offers in order of Price.

2.1.5 M/W/DBE: Entity is certified as M/W/DBE by the State of Illinois. Vendors who are certified as M/W/DBE by the State of Illinois will receive 5 points.

2.2 AWARD:

The Vendor whose Offer meets the Qualifications, Experience, Responsive requirement and is considered the best of those submitted (without consideration of price) and with whom IFA is able to negotiate a fair and reasonable price will be recommended for the award.

IFA will attempt to negotiate a fair and reasonable Price with the Vendor with the best Offer. If IFA cannot negotiate a fair and reasonable price, IFA reserves the right to award and negotiate with the next highest ranked Vendor. IFA will determine whether the price is fair and reasonable by considering the Offer, including the Vendor’s qualifications, the Vendor’s reputation, all prices submitted, other known prices, the project budget and other relevant factors based on the criteria described above and the Responsiveness scoring elements described below. The maximum number of points is 100:

Responsiveness Elements

- A. Qualifications [30 points]
- B. Experience [30 points]
- C. Responsiveness [25 points]

IFA may require in-person presentations from certain Vendors based upon our review of proposals submitted in response to this proposal and initial technical scores. IFA will notify and invite only those Vendors who are top contenders based upon technical scores.

SECTION 3 - SPECIFICATIONS / QUALIFICATIONS / STATEMENT OF WORK

3.1 AGENCY'S NEED FOR SERVICES

IFA seeks qualified financial institutions and investment managers to structure and manage a pooled fixed income investment portfolio in excess of \$25 million. Currently these funds are invested in the State of Illinois' Government Investment Pool ("The Illinois Funds") among other authorized investment vehicles. Portfolio mechanics will be of critical importance to ensure portfolio maximization consistent with §30 ILCS 235 Public Fund Investment Act and IFA's Investment Policy Statement.

3.2 SERVICES REQUIRED

Vendor shall develop an investment portfolio of statutorily acceptable securities. IFA shall establish the portion of assets to be managed which may change from time-to-time consistent with IFA's liquidity needs.

Vendor will have independent discretionary authority with respect to the investment of assets managed by the Vendor, subject to federal, state and other legal requirements, including §30 ILCS 235 Public Fund Investment Act, IFA's Investment Policy Statement and such other written limitations as IFA may impose upon the Vendor.

Vendor shall provide reports, including monthly and quarterly valuation, performance, investment outlook, economic forecasts, and other relevant reports to enable IFA to effectively monitor and manage Vendor and portfolio performance.

Vendor shall document all investment transactions with the Custodian in accord with usual and customary standards of practice, and confirm all executed transactions for custodial account records.

3.3 MILESTONES AND DELIVERABLES

To be determined mutually by both the IFA and the Vendor selected. Please provide your recommended milestones and deliverables for IFA's consideration.

3.4 REPORTING, STATUS AND MONITORING

3.4.1 The IFA and the Vendor shall agree on the appropriate benchmark indices for evaluating portfolio performance. At IFA's option, the Parties will work together to monitor performance during the contract term. This may include use of a performance scorecard with conditions, milestones, requirements, or timetables that must be met before additional steps may be taken, or payment is due. The scorecard may also record matters related to price, service, quality and other factors deemed important.

3.4.2 Vendor shall cooperate with IFA in this monitoring activity, which may require that Vendor report progress and problems (with proposed resolutions), provide records of its performance, allow random inspections of its facilities, participate in scheduled meetings and provide management reports as requested by IFA.

3.5 VENDOR AND STAFF REQUIREMENTS

3.5.1 Organization and Personnel:

- a. Provide an overview of your firm, services/products offered and financial strength including why your firm should be considered favorably over other firms?
- b. Provide the names and biographies of team members who will be assigned to this account, including experience relevant to this service. Biographies can be submitted as an appendix.
- c. Provide a complete description of the ownership of your firm. Include information on all "related" firms and pending changes in this structure (Form – Step 2)

- d. Provide details of past or pending litigation relating to your firm, personnel, or to the management of client assets, including details of any SEC or state regulatory action against your firm, its owners or personnel.
- e. Complete the following chart:

Job Category	Count	Years /Industry	Years /Firm
Portfolio Managers			
Research Analysts			
Client Service			
Compliance			
Trading			
Administration			
TOTAL			

- f. **Minimum Qualifications:** In order to be considered for selection as Investment Manager, Vendor must document the following minimum qualifications:
1. Vendor is registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended, and that such registration is current.
 2. Vendor and its personnel have all authorizations, permits, licenses, and certifications as may be required under federal, state or local law to perform the services specified herein.
 3. Vendor is authorized to conduct business in the State of Illinois.
 4. Portfolio manager assigned to the relationship must have managed at least \$25,000,000 in a similar portfolio for at least three (3) years, as of July 31, 2013.
 5. Vendor has adequate errors and omissions insurance or other fiduciary insurance to cover the firm's negligent acts or omissions.
 6. Vendor understands and agrees to act as fiduciary with respect to all services provided as a result of this solicitation.

3.5.2 Investment Philosophy and Style:

Describe your fixed income investment philosophy and style; including a discussion of (1) Universe of fixed income securities considered, (2) Diversification/number of securities held in each portfolio and (3) Investment time horizon/portfolio turnover policy.

- a) Compare your Fixed Income Composite (that most closely resembles the portfolio described in this RFP) for the year ending June 30, 2012 with the 1-3 Year Government Index benchmark.

	Composite	Benchmark
Duration		
Quality		
Total Return		
Yield to Maturity		
Average Maturity		
Average Coupon		
Number of Issues		

- b) How much discretion does your portfolio manager have to buy/sell securities or to construct the portfolio? Describe the quantitative/qualitative factors that are used in buy/ sell decisions. Describe how you control portfolio and portfolio manager risk.

- c) What is the main source of research used in the portfolio management process? Are portfolio managers responsible for firm's investment research if applicable, describe your reliance on in-house research in the context of firm personnel skills and experience.

3.5.3 Account Management:

- a) Will portfolio be managed by an individual, or team of portfolio managers?
 b) Describe account size managed by your firm:

Largest Fixed Income Separate	\$
Smallest Fixed Income Separate	\$
Average Fixed Income Separate	\$

- c) Separate Account Assets Under Management (AUM) as of June 30, 2012.

	Total # of Accounts	Average Account Size	Total AUM
Public			
Corporate			
Other			
TOTAL			

- d) Provide a breakdown of Fixed Income Separate Accounts by asset size as of June 30, 2012.

	Total # of Accounts	Average Account Size	Total AUM
Under \$10 million			
\$10 to \$50 million			
Over \$50 million			

- e) Provide performance annualized for 1, 3, 5 years and since inception ending June 30, 2012:

	1 Year	3 Years	5 Years	Since Inception	2008
Returns Net of Fees					
Benchmark					
Difference					

1. Are your performance GIPS compliant?
2. Discuss performance attribution for your strategy over each of the last 12 quarters, showing the value added (percentages) from asset allocation, issue selection, duration management, trading, etc.

g) Provide AUM gained/lost as of December 31, 2012:

Year	Clients Gained			Clients Lost		
	Num	Value (\$)	% of Assets	Num	Value (\$)	% of Assets
2012						
2011						
2010						

h) Provide the following Portfolio Characteristics and Weighting with regards to Question 3.5.2(b):

Credit Quality Allocation (by percent held)

	2012	2011	2010
AAA			
AA			
A			
BBB			
BB			
Below BB or Not Rated			

Term Structure by Duration (by percent held)

	2012	2011	2010
Less than 1 year (cash)			
1 to 5 years			
5 to 10 years			
Greater than 10 years			

Sector Weightings (by percent held)

	2012	2011	2010
Treasuries			
Agencies			
Corporates			
Mortgages			
Other (please specify)			

3.5.4 Performance Management:

- Describe your recommended portfolio strategy, performance benchmarks and estimated annual rate of return for one, three and five years based on §30 ILCS 235 Public Fund Investment Act and IFA's Investment Policy Statement.
- What is the minimum account value and transaction size that you will accept for the recommended investment strategy?
- Do you utilize subadviser(s)? If so, you must disclose any subadviser(s) utilized and for what period.

3.6 FEES:

Managers shall be entitled to receive quarterly compensation based upon the fair market value on the last business day of each quarter as reported by the Custodian appointed by the Authority. Each proposal must state the fees to be charged for this service according to the following schedule:

Market Value	Per Annum	Estimated Fees
First \$ 25,000,000	_____ %	\$ _____
Over \$25,000,000	_____ %	\$ _____

3.7 REFERENCES:

Provide three (3) examples of engagements where similar activities have been undertaken for clients, including the name, contact information and a description of the services provided.

3.8 TERM OF CONTRACT

To be determined, provided however, in no event shall the initial term of the Contract and all renewals extend beyond 5 years. The resulting Contract may be renewed at IFA's sole discretion for a total of two (2) years at the same terms and conditions as the original Contract.

SECTION 4 – RESPONSIBILITY FORMS

FINANCIAL DISCLOSURES AND CONFLICTS OF INTEREST

The Financial Disclosures and Conflicts of Interest form (“form”) must be accurately completed and submitted by the Vendor, parent entity(ies), and subcontractors. There are **nine** steps to this form and each must be completed as instructed in the step heading and within the step. A bid, offer, or proposal that does not include this form shall be considered non-responsive. We will consider this form when evaluating the bid, offer, or proposal or awarding the contract.

The requirement of disclosure of financial interests and conflicts of interest is a continuing obligation. If circumstances change and the disclosure is no longer accurate, then disclosing entities must provide an updated form.

Separate forms are required for the Vendor, parent entity(ies), and subcontractors.

This disclosure is submitted for:

- Vendor
- Vendor’s Parent Entity(ies) (100% ownership)
- Subcontractor(s) >\$50,000
- Subcontractor’s Parent Entity(ies) (100% ownership) > \$50,000

Project Name	
Illinois Procurement Bulletin Number	
Contract Number	
Vendor Name	
Doing Business As (DBA)	
Disclosing Entity	
Disclosing Entity’s Parent Entity	
Subcontractor	
Instrument of Ownership or Beneficial Interest	<input type="checkbox"/> If you selected Other, please describe:

STEP 1

SUPPORTING DOCUMENTATION SUBMITTAL

(All Vendors complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

You must select one of the six options below and select the documentation you are submitting. You must provide the documentation the applicable section requires with this form.

Option 1 – Publicly Traded Entities

- 1.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 1.B. Attach a copy of the Federal 10-K, and skip to Step 3.

Option 2 – Privately Held Entities with more than 200 Shareholders

- 2.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 2.B. Complete Step 2, Option A for each qualifying individual or entity holding any ownership share in excess of 5% and attach the information Federal 10-K reporting companies are required to report under 17 CFR 229.401.

Option 3 – All other Privately Held Entities, not including Sole Proprietorships

- 3.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

Option 4 – Foreign Entities

- 4.A. Complete Step 2, Option A for each qualifying individual or entity holding any ownership or distributive income share in excess of 5% or an amount greater than 60% (\$106,447.20) of the annual salary of the Governor.

OR

- 4.B. Attach a copy of the Securities Exchange Commission Form 20-F or 40-F and skip to Step 3.

Option 5 – Not-for-Profit Entities

- Complete Step 2, Option B.

Option 6 – Sole Proprietorships

- Skip to Step 3.

STEP 2

DISCLOSURE OF FINANCIAL INTEREST OR BOARD OF DIRECTORS

(All Vendors, except sole proprietorships, must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Complete **either** Option A (for all entities other than not-for-profits) or Option B (for not-for-profits). Additional rows may be inserted into the tables or an attachment may be provided if needed.

OPTION A – Ownership Share and Distributive Income

Ownership Share – If you selected Option 1.A., 2.A., 2.B., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of ownership if said percentage exceeds 5%, or the dollar value of their ownership if said dollar value exceeds \$106,447.20.

Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – X

Name	Address	Percentage of Ownership	\$ Value of Ownership

Distributive Income – If you selected Option 1.A., 2.A., 3.A., or 4.A. in Step 1, provide the name and address of each individual or entity and their percentage of the disclosing Proposer’s total distributive income if said percentage exceeds 5% of the total distributive income of the disclosing entity, or the dollar value of their distributive income if said dollar value exceeds \$106,447.20.

Check here if including an attachment with requested information in a format substantially similar to the format below.

TABLE – Y

Name	Address	% of Distributive Income	\$ Value of Distributive Income

Please certify that the following statements are true.

I have disclosed all individuals or entities that hold an ownership interest of greater than 5% or greater than \$106,447.20.

Yes No

I have disclosed all individuals or entities that were entitled to receive distributive income in an amount greater than \$106,447.20 or greater than 5% of the total distributive income of the disclosing entity.

Yes No

OPTION B – Disclosure of Board of Directors (Not-for-Profits)

If you selected Option 5 in Step 1, list members of your board of directors. Please include an attachment if necessary.

TABLE – Z	
Name	Address

STEP 3
DISCLOSURE OF LOBBYIST OR AGENT
 (Complete only if bid, offer, or contract has an annual value over \$25,000)
 (Subcontractors with subcontract annual value of more than \$50,000 must complete)

Yes No. Is your company represented by or do you employ a lobbyist required to register under the Lobbyist Registration Act (lobbyist must be registered pursuant to the Act with the Secretary of State) or other agent who is not identified through Step 2, Option A above and who has communicated, is communicating, or may communicate with any State/Public University officer or employee concerning the bid or offer? If yes, please identify each lobbyist and agent, including the name and address below.

If you have a lobbyist that does not meet the criteria, then you do not have to disclose the lobbyist’s information.

Name	Address	Relationship to Disclosing Entity

Describe all costs/fees/compensation/reimbursements related to the assistance provided by each representative lobbyist or other agent to obtain this contract:

STEP 4

PROHIBITED CONFLICTS OF INTEREST

(All Proposers must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 4 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above. Please provide the name of the person for which responses are provided:

1. Do you hold or are you the spouse or minor child who holds an elective office in the State of Illinois or hold a seat in the General Assembly? Yes No
2. Have you, your spouse, or minor child been appointed to or employed in any offices or agencies of State government and receive compensation for such employment in excess of 60% (\$106,447.20) of the salary of the Governor? Yes No
3. Are you the spouse or minor child of an officer or employee of the Capital Development Board or the Illinois Toll Highway Authority? Yes No
4. Have you, your spouse, or an immediate family member who lives in your residence currently or who lived in your residence within the last 12 months been appointed as a member of a board, commission, authority, or task force authorized or created by State law or by executive order of the Governor? Yes No
5. If you answered yes to any question in 1-4 above, please answer the following: Do you, your spouse, or minor child receive from the Proposer more than 7.5% of the Proposer's total distributable income or an amount of distributable income in excess of the salary of the Governor (\$177,412.00)? Yes No
6. If you answered yes to any question in 1-4 above, please answer the following: Is there a combined interest of self with spouse or minor child more than 15% (\$354,824.00) in the aggregate of the Proposer's distributable income or an amount of distributable income in excess of two times the salary of the Governor? Yes No

STEP 5

POTENTIAL CONFLICTS OF INTEREST RELATING TO PERSONAL RELATIONSHIPS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

Step 5 must be completed for each person disclosed in Step 2, Option A and for sole proprietors identified in Step 1, Option 6 above.

Please provide the name of the person for which responses are provided:

1. Do you currently have, or in the previous 3 years have you had State employment, including contractual employment of services? Yes No
2. Has your spouse, father, mother, son, or daughter, had State employment, including contractual employment for services, in the previous 2 years? Yes No
3. Do you hold currently or have you held in the previous 3 years elective office of the State of Illinois, the government of the United States, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois? Yes No
4. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding elective office currently or in the previous 2 years? Yes No
5. Do you hold or have you held in the previous 3 years any appointive government office of the State of Illinois, the United States of America, or any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois, which office entitles the holder to compensation in excess of expenses incurred in the discharge of that? Yes No
6. Do you have a relationship to anyone (spouse, father, mother, son, or daughter) holding appointive office currently or in the previous 2 years? Yes No
7. Do you currently have or in the previous 3 years had employment as or by any registered lobbyist of the State government? Yes No
8. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) that is or was a registered lobbyist? Yes No
9. Do you currently have or in the previous 3 years had compensated employment by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? Yes No
10. Do you currently have or in the previous 2 years had a relationship to anyone (spouse, father, mother, son, or daughter) who is or was a compensated employee of any registered election or reelection committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections? Yes No

STEP 6

EXPLANATION OF AFFIRMATIVE RESPONSES

(All Vendors must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you answered "Yes" in Step 4 or Step 5, please provide on an additional page a detailed explanation that includes, but is not limited to the name, salary, State agency or university, and position title of each individual.

STEP 7

POTENTIAL CONFLICTS OF INTEREST RELATING TO DEBARMENT & LEGAL PROCEEDINGS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This step must be completed for each person disclosed in Step 2, Option A, Step 3, and for each entity and sole proprietor disclosed in Step 1.

Please provide the name of the person or entity for which responses are provided:

1. Within the previous ten years, have you had debarment from contracting with any governmental entity? Yes No
2. Within the previous ten years, have you had any professional licensure discipline? Yes No
3. Within the previous ten years, have you had any bankruptcies? Yes No
4. Within the previous ten years, have you had any adverse civil judgments and administrative findings? Yes No
5. Within the previous ten years, have you had any criminal felony convictions? Yes No

If you answered "Yes", please provide a detailed explanation that includes, but is not limited to the name, State agency or university, and position title of each individual.

STEP 8

DISCLOSURE OF CURRENT AND PENDING CONTRACTS

(Complete only if bid, offer, or contract has an annual value over \$25,000)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

If you selected Option 1, 2, 3, 4, or 6 in Step 1, do you have any contracts, pending contracts, bids, proposals, subcontracts, leases or other ongoing procurement relationships with units of State of Illinois government?

Yes No.

If "Yes", please specify below. Attach an additional page in the same format as provided below, if desired.

Agency/University	Project Title	Status	Value	Contract Reference/P.O./Illinois Procurement Bulletin #

Please explain the procurement relationship:

STEP 9

SIGN THE DISCLOSURE

(All Proposers must complete regardless of annual bid, offer, or contract value)
(Subcontractors with subcontract annual value of more than \$50,000 must complete)

This disclosure is signed, and made under penalty of perjury for all for-profit entities, by an authorized officer or employee on behalf of the bidder or offeror pursuant to Sections 50-13 and 50-35 of the Illinois Procurement Code. This disclosure information is submitted on behalf of:

Name of Disclosing Entity:

Signature: _____

Date:

Printed Name:

Title:

Phone Number:

Email Address:

State Board of Elections Registration

Section 50-37 of the Illinois Procurement Code prohibits political contributions of certain Vendors, bidders and offerors. Additionally, section 9-35 of the Illinois Election Code governs provisions relating to reporting and making contributions to state officeholders, declared candidates for State offices and covered political organizations that promote the candidacy of an officeholder or declared candidate for office. IFA may declare any resultant contract void if these Acts are violated.

Generally, if a Vendor, bidder, or offeror is an entity doing business for profit (i.e. sole proprietorship, partnership, corporation, limited liability company or partnership, or otherwise) and has contracts with State agencies that annually total more than \$50,000 or who has aggregate pending bids or proposals and current State contracts that total more than \$50,000, the Proposer, bidder, or offeror is prohibited from making political contributions and must register with the State Board of Elections.

EVIDENCE OF REGISTRATION WITH THE STATE BOARD OF ELECTIONS IS THE CERTIFICATE OF REGISTRATION




AUTHORIZED TO DO BUSINESS IN ILLINOIS

A person, other than an individual acting as a sole proprietor, must be a duly constituted legal entity and authorized to do business in Illinois prior to submitting an offer.

For information on registering to conduct business in Illinois, please visit the Illinois Secretary of State's Department of Business Services at their website at (http://cyberdriveillinois.com/departments/business_services/home.html) or your home county clerk.

EVIDENCE OF BEING AUTHORIZED TO DO BUSINESS IS THE SECRETARY OF STATE'S CERTIFICATE OF GOOD STANDING

File Number 776-383-1




To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

XYZ CONSULTING, INC. INCORPORATED IN GEORGIA AND LICENSED TO TRANACT BUSINESS IN THIS STATE ON JANUARY 20, 2011, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES AND AS OF THIS DATE IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 7TH day of JUNE A.D. 2011 .



Jesse White

ALPHAWHITE 8 - 115841234
APPROVED BY: <http://www.cyberdriveillinois.com>

Illinois Finance Authority
Taxpayer Identification Number

I certify that:

The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and

I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

I am a U.S. person (including a U.S. resident alien).

- If you are an individual, enter your name/ SSN as it appears on your Social Security Card.
- If you are a sole proprietor, enter the owner's name on the name line followed by the name of the business and the owner's SSN or EIN.
- If you are a single-member LLC that is disregarded as an entity separate from its owner, enter the owner's name on the name line and the D/B/A on the business name line and enter the owner's SSN or EIN.
- If the LLC is a corporation or partnership, enter the entity's business name and EIN and for corporations, attach IRS acceptance letter (CP261 or CP277).
- For all other entities, enter the name of the entity as used to apply for the entity's EIN and the EIN.

Name: _____

Business Name: _____

Taxpayer Identification Number:

Social Security Number: _____

or

Employer Identification Number: _____

Legal Status (check one):

- | | |
|--|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Governmental |
| <input type="checkbox"/> Sole Proprietor | <input type="checkbox"/> Nonresident alien |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Estate or trust |
| <input type="checkbox"/> Legal Services Corporation | <input type="checkbox"/> Pharmacy (Non-Corp.) |
| <input type="checkbox"/> Tax-exempt | <input type="checkbox"/> Pharmacy/Funeral Home/Cemetery (Corp.) |
| <input type="checkbox"/> Corporation providing or billing
medical and/or health care services | <input type="checkbox"/> Limited Liability Company
(select applicable tax classification) |
| <input type="checkbox"/> Corporation NOT providing or billing
medical and/or health care services | <input type="checkbox"/> D = disregarded entity |
| <input type="checkbox"/> P = partnership | <input type="checkbox"/> C = corporation |

Signature of Authorized Representative _____ Date: _____

(Exhibit 1)

(30 ILCS 235/) Public Funds Investment Act.

(30 ILCS 235/0.01) (from Ch. 85, par. 900)

Sec. 0.01. Short title. This Act may be cited as the Public Funds Investment Act.

(Source: P.A. 86-1324.)

(30 ILCS 235/1) (from Ch. 85, par. 901)

Sec. 1. The words "public funds", as used in this Act, mean current operating funds, special funds, interest and sinking funds, and funds of any kind or character belonging to or in the custody of any public agency.

The words "public agency", as used in this Act, mean the State of Illinois, the various counties, townships, cities, towns, villages, school districts, educational service regions, special road districts, public water supply districts, fire protection districts, drainage districts, levee districts, sewer districts, housing authorities, the Illinois Bank Examiners' Education Foundation, the Chicago Park District, and all other political corporations or subdivisions of the State of Illinois, now or hereafter created, whether herein specifically mentioned or not. This Act does not apply to the Illinois Prepaid Tuition Trust Fund, private funds collected by the Illinois Conservation Foundation, or pension funds or retirement systems established under the Illinois Pension Code, except as otherwise provided in that Code.

(Source: P.A. 91-669, eff. 1-1-00; 92-797, eff. 8-15-02.)

(30 ILCS 235/2) (from Ch. 85, par. 902)

Sec. 2. Authorized investments.

(a) Any public agency may invest any public funds as follows:

(1) in bonds, notes, certificates of indebtedness,

treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;

(2) in bonds, notes, debentures, or other similar

obligations of the United States of America, its agencies, and its instrumentalities;

(3) in interest-bearing savings accounts,

interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;

(4) in short term obligations of corporations

organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations; or

(5) in money market mutual funds registered under the

Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to agreements to repurchase such obligations.

(a-1) In addition to any other investments authorized under this Act, a municipality or a county may invest its public funds in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the municipality or county or held under a

custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

(b) Investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation. Any public agency may invest any public funds in short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of such governing authority, the public funds so invested will be required for expenditure by such public agency or its governing authority. The expressed judgment of any such governing authority as to the time when any public funds will be required for expenditure or be redeemable is final and conclusive. Any public agency may invest any public funds in dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

(c) For purposes of this Section, the term "agencies of the United States of America" includes: (i) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto; (ii) the federal home loan banks and the federal home loan mortgage corporation; and (iii) any other agency created by Act of Congress.

(d) Except for pecuniary interests permitted under subsection (f) of Section 3-14-4 of the Illinois Municipal Code or under Section 3.2 of the Public Officer Prohibited Practices Act, no person acting as treasurer or financial officer or who is employed in any similar capacity by or for a public agency may do any of the following:

- (1) have any interest, directly or indirectly, in any investments in which the agency is authorized to invest.
- (2) have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.
- (3) receive, in any manner, compensation of any kind from any investments in which the agency is authorized to invest.

(e) Any public agency may also invest any public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. Any public agency may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.

(f) To the extent a public agency has custody of funds not owned by it or another public agency and does not otherwise have authority to invest such funds, the public agency may invest such funds as if they were its own. Such funds must be released to the appropriate person at the earliest reasonable time, but in no case exceeding 31 days, after the private person becomes entitled to the receipt of them. All earnings accruing on any investments or deposits made pursuant to the provisions of this Act shall be credited to the public agency by or for which such investments or deposits were made, except as provided otherwise in Section 4.1 of the State Finance Act or the Local Governmental Tax Collection Act, and except where by specific statutory provisions such earnings are directed to be credited to and paid to a particular fund.

(g) A public agency may purchase or invest in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the public agency, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

(h) Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, as now or hereafter amended or succeeded, no public agency may purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of any public agency unless the instrument and the transaction meet the following requirements:

(1) The securities, unless registered or inscribed in the name of the public agency, are purchased through banks or trust companies authorized to do business in the State of Illinois.

(2) An authorized public officer after ascertaining which firm will give the most favorable rate of interest, directs the custodial bank to "purchase" specified securities from a designated institution. The "custodial bank" is the bank or trust company, or agency of government, which acts for the public agency in connection with repurchase agreements involving the investment of funds by the public agency. The State Treasurer may act as custodial bank for public agencies executing repurchase agreements. To the extent the Treasurer acts in this capacity, he is hereby authorized to pass through to such public agencies any charges assessed by the Federal Reserve Bank.

(3) A custodial bank must be a member bank of the Federal Reserve System or maintain accounts with member banks. All transfers of book-entry securities must be accomplished on a Reserve Bank's computer records through a member bank of the Federal Reserve System. These securities must be credited to the public agency on the records of the custodial bank and the transaction must be confirmed in writing to the public agency by the custodial bank.

(4) Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to registered primary reporting dealers.

(5) The security interest must be perfected.

(6) The public agency enters into a written master repurchase agreement which outlines the basic responsibilities and liabilities of both buyer and seller.

(7) Agreements shall be for periods of 330 days or less.

(8) The authorized public officer of the public agency informs the custodial bank in writing of the maturity details of the repurchase agreement.

(9) The custodial bank must take delivery of and maintain the securities in its custody for the account of the public agency and confirm the transaction in writing to the public agency. The Custodial Undertaking shall provide that the custodian takes possession of the securities exclusively for the public agency; that the securities are free of any claims against the trading partner; and any claims by the custodian are subordinate to the public agency's claims to rights to those securities.

(10) The obligations purchased by a public agency may only be sold or presented for redemption or payment by the fiscal agent bank or trust company holding the obligations upon the written instruction of the public agency or officer authorized to make such investments.

(11) The custodial bank shall be liable to the public agency for any monetary loss suffered by the public agency due to the failure of the

custodial bank to take and maintain possession of such securities.

(i) Notwithstanding the foregoing restrictions on investment in instruments constituting repurchase agreements the Illinois Housing Development Authority may invest in, and any financial institution with capital of at least \$250,000,000 may act as custodian for, instruments that constitute repurchase agreements, provided that the Illinois Housing Development Authority, in making each such investment, complies with the safety and soundness guidelines for engaging in repurchase transactions applicable to federally insured banks, savings banks, savings and loan associations or other depository institutions as set forth in the Federal Financial Institutions Examination Council Policy Statement Regarding Repurchase Agreements and any regulations issued, or which may be issued by the supervisory federal authority pertaining thereto and any amendments thereto; provided further that the securities shall be either (i) direct general obligations of, or obligations the payment of the principal of and/or interest on which are unconditionally guaranteed by, the United States of America or (ii) any obligations of any agency, corporation or subsidiary thereof controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States and provided further that the security interest must be perfected by either the Illinois Housing Development Authority, its custodian or its agent receiving possession of the securities either physically or transferred through a nationally recognized book entry system.

(j) In addition to all other investments authorized under this Section, a community college district may invest public funds in any mutual funds that invest primarily in corporate investment grade or global government short term bonds. Purchases of mutual funds that invest primarily in global government short term bonds shall be limited to funds with assets of at least \$100 million and that are rated at the time of purchase as one of the 10 highest classifications established by a recognized rating service. The investments shall be subject to approval by the local community college board of trustees. Each community college board of trustees shall develop a policy regarding the percentage of the college's investment portfolio that can be invested in such funds.

Nothing in this Section shall be construed to authorize an intergovernmental risk management entity to accept the deposit of public funds except for risk management purposes.

(Source: P.A. 96-741, eff. 8-25-09; 97-129, eff. 7-14-11.)

(30 ILCS 235/2.5)

Sec. 2.5. Investment policy.

(a) Investment of public funds by a public agency shall be governed by a written investment policy adopted by the public agency. The level of detail and complexity of the investment policy shall be appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio. The policy shall address safety of principal, liquidity of funds, and return on investment and shall require that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. In addition, the investment policy shall include or address the following:

- (1) a listing of authorized investments;
- (2) a rule, such as the "prudent person rule",

establishing the standard of care that must be maintained by the persons investing the public funds;

(3) investment guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;

(4) a policy regarding diversification of the investment portfolio that is appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;

(5) guidelines regarding collateral requirements, if

any, for the deposit of public funds in a financial institution made pursuant to this Act, and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral;

(6) a policy regarding the establishment of a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity;

(7) identification of the chief investment officer who is responsible for establishing the internal controls and written procedures for the operation of the investment program;

(8) performance measures that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;

(9) a policy regarding appropriate periodic review of the investment portfolio, its effectiveness in meeting the public agency's needs for safety, liquidity, rate of return, and diversification, and its general performance;

(10) a policy establishing at least quarterly written reports of investment activities by the public agency's chief financial officer for submission to the governing body and chief executive officer of the public agency. The reports shall include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date;

(11) a policy regarding the selection of investment advisors, money managers, and financial institutions; and

(12) a policy regarding ethics and conflicts of interest.

(b) For purposes of the State or a county, the investment policy shall be adopted by the elected treasurer and presented to the chief executive officer and the governing body. For purposes of any other public agency, the investment policy shall be adopted by the governing body of the public agency.

(c) The investment policy shall be made available to the public at the main administrative office of the public agency.

(d) The written investment policy required under this Section shall be developed and implemented by January 1, 2000.

(Source: P.A. 90-688, eff. 7-31-98.)

(30 ILCS 235/2.10)

Sec. 2.10. Unit of local government; deposit at reduced rate of interest. The treasurer of a unit of local government may, in his or her discretion, deposit public moneys of that unit of local government in a financial institution pursuant to an agreement that provides for a reduced rate of interest, provided that the institution agrees to expend an amount of money equal to the amount of the reduction for senior centers.

(Source: P.A. 93-246, eff. 7-22-03.)

(30 ILCS 235/3) (from Ch. 85, par. 903)

Sec. 3. If any securities, purchased under authority of Section 2 hereof, are issuable to a designated payee or to the order of a designated payee, then the public agency shall be so designated, and further, if such securities are purchased with money taken from a particular fund of a public agency, the name of such fund shall be added to that of such public agency. If any such securities are registerable, either as to principal or interest, or both, then such securities shall be so registered in the name of the public agency, and in the name of the fund to which they are to be credited. (Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/4) (from Ch. 85, par. 904)

Sec. 4. All securities purchased under the authority of this Act shall be held for the benefit of the public agency which purchased them, and if purchased with money taken from a particular fund, such securities shall be credited to and deemed to be a part of such fund, and shall be held for the benefit thereof. All securities so purchased shall

be deposited and held in a safe place by the person or persons having custody of the fund to which they are credited, and such person or persons are responsible upon his or their official bond or bonds for the safekeeping of all such securities. Any securities purchased by any such public agency under authority of this Act, may be sold at any time, at the then current market price thereof, by the governing authority of such public agency. Except as provided in Section 4.1 of "An Act in relation to State finance", all payments received as principal or interest, or otherwise, derived from any such securities shall be credited to the public agency and to the fund by or for which such securities were purchased.

(Source: P.A. 84-1378.)

(30 ILCS 235/5) (from Ch. 85, par. 905)

Sec. 5. This Act, without reference to any other statute, shall be deemed full and complete authority for the investment of public funds, as hereinabove provided, and shall be construed as an additional and alternative method therefor.

(Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/6) (from Ch. 85, par. 906)

Sec. 6. Report of financial institutions.

(a) No bank shall receive any public funds unless it has furnished the corporate authorities of a public agency submitting a deposit with copies of the last two sworn statements of resources and liabilities which the bank is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency. Each bank designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency; provided, that if such funds or moneys are deposited in a bank, the amount of all such deposits not collateralized or insured by an agency of the federal government shall not exceed 75% of the capital stock and surplus of such bank, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any bank in excess of such limitation.

(b) No savings bank or savings and loan association shall receive public funds unless it has furnished the corporate authorities of a public agency submitting a deposit with copies of the last 2 sworn statements of resources and liabilities which the savings bank or savings and loan association is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation. Each savings bank or savings and loan association designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation; provided, that if such funds or moneys are deposited in a savings bank or savings and loan association, the amount of all such deposits not collateralized or insured by an agency of the federal government shall not exceed 75% of the net worth of such savings bank or savings and loan association as defined by the Federal Deposit Insurance Corporation, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any savings bank or savings and loan association in excess of such limitation.

(c) No credit union shall receive public funds unless it has furnished the corporate authorities of a public agency submitting a share deposit with copies of the last two reports of examination prepared by or submitted to the Illinois Department of Financial Institutions or the National Credit Union Administration. Each credit union designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all reports of examination prepared by or furnished to the Illinois Department of Financial Institutions or the National Credit Union Administration; provided that if such funds or moneys are invested in a credit union account, the amount of all such investments not collateralized or insured by an agency of the federal government or other approved share insurer shall not exceed 50% of the unimpaired capital and surplus of such credit union, which shall include shares, reserves and undivided earnings and the corporate authorities of a public agency making an investment shall not be discharged from responsibility for any funds or moneys invested in a credit union in excess of such limitation.

(d) Whenever a public agency deposits any public funds in a financial institution, the public agency may enter into an agreement with the financial institution requiring any funds not insured by the Federal Deposit Insurance

Corporation or the National Credit Union Administration or other approved share insurer to be collateralized by any of the following classes of securities, provided there has been no default in the payment of principal or interest thereon:

(1) Bonds, notes, or other securities constituting

direct and general obligations of the United States, the bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, the interest and principal of which is unconditionally guaranteed by the United States, and bonds, notes, or other securities or evidence of indebtedness constituting the obligation of a U.S. agency or instrumentality.

(2) Direct and general obligation bonds of the State of Illinois or of any other state of the United States.

(3) Revenue bonds of this State or any authority, board, commission, or similar agency thereof.

(4) Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state, the debt service of which is payable from general ad valorem taxes.

(5) Revenue bonds of any city, town, county, or school district of the State of Illinois.

(6) Obligations issued, assumed, or guaranteed by the International Finance Corporation, the principal of which is not amortized during the life of the obligation, but no such obligation shall be accepted at more than 90% of its market value.

(7) Illinois Affordable Housing Program Trust Fund Bonds or Notes as defined in and issued pursuant to the Illinois Housing Development Act.

(8) In an amount equal to at least market value of that amount of funds deposited exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer: (i) securities, (ii) mortgages, (iii) letters of credit issued by a Federal Home Loan Bank, or (iv) loans covered by a State Guarantee under the Illinois Farm Development Act, if that guarantee has been assumed by the Illinois Finance Authority under Section 845-75 of the Illinois Finance Authority Act, and loans covered by a State Guarantee under Article 830 of the Illinois Finance Authority Act.

(9) Certificates of deposit or share certificates issued to the depository institution pledging them as security. The public agency may require security in the amount of 125% of the value of the public agency deposit. Such certificate of deposit or share certificate shall:

(i) be fully insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund or issued by a depository institution which is rated within the 3 highest classifications established by at least one of the 2 standard rating services;

(ii) be issued by a financial institution having assets of \$15,000,000 or more; and

(iii) be issued by either a savings and loan association having a capital to asset ratio of at least 2%, by a bank having a capital to asset ratio of at least 6% or by a credit union having a capital to asset ratio of at least 4%.

The depository institution shall effect the assignment of the certificate of deposit or share certificate to the public agency and shall agree that, in the event the issuer of the certificate fails to maintain the capital to asset ratio required by this Section, such certificate of deposit or share certificate shall be replaced by additional suitable security.

(e) The public agency may accept a system established by the State Treasurer to aggregate permissible securities received as collateral from financial institutions in a

collateral pool to secure public deposits of the institutions that have pledged securities to the pool.

(f) The public agency may at any time declare any particular security ineligible to qualify as collateral when, in the public agency's judgment, it is deemed desirable to do so.

(g) Notwithstanding any other provision of this Section, as security a public agency may, at its discretion, accept a bond, executed by a company authorized to transact the kinds of business described in clause (g) of Section 4 of the Illinois Insurance Code, in an amount not less than the amount of the deposits required by this Section to be secured, payable to the public agency for the benefit of the People of the unit of government, in a form that is acceptable to the public agency.

(h) Paragraphs (a), (b), (c), (d), (e), (f), and (g) of this Section do not apply to the University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, the Cooperative Computer Center and public community colleges. (Source: P.A. 95-331, eff. 8-21-07.)

(30 ILCS 235/6.5)

Sec. 6.5. Federally insured deposits at Illinois financial institutions.

(a) Notwithstanding any other provision of this Act or any other statute, whenever a public agency invests public funds in an interest-bearing savings account, interest-bearing certificate of deposit, or interest-bearing time deposit under Section 2 of this Act, the provisions of Section 6 of this Act and any other statutory requirements pertaining to the eligibility of a bank to receive or hold public deposits or to the pledging of collateral by a bank to secure public deposits do not apply to any bank receiving or holding all or part of the invested public funds if (i) the public agency initiates the investment at or through a bank located in Illinois and (ii) the invested public funds are at all time fully insured by an agency or instrumentality of the federal government.

(b) Nothing in this Section is intended to:

(1) prohibit a public agency from requiring the bank

at or through which the investment of public funds is initiated to provide the public agency with the information otherwise required by subsections (a), (b), or (c) of Section 6 of this Act as a condition of investing the public funds at or through that bank; or

(2) permit a bank to receive or hold public deposits if that bank is prohibited from doing so by any rule, sanction, or order issued by a regulatory agency or by a court.

(c) For purposes of this Section, the term "bank" includes any person doing a banking business whether subject to the laws of this or any other jurisdiction.

(Source: P.A. 93-756, eff. 7-16-04.)

(30 ILCS 235/7) (from Ch. 85, par. 907)

Sec. 7. When investing or depositing public funds, each custodian shall, to the extent permitted by this Act and by the lawful and reasonable performance of his custodial duties, invest or deposit such funds with or in minority-owned financial institutions within this State. (Source: P.A. 84-754.)

(30 ILCS 235/8)

Sec. 8. Consideration of financial institution's commitment to its community.

(a) In addition to any other requirements of this Act, a public agency is authorized to consider the financial institution's record and current level of financial commitment to its local community when deciding whether to deposit public funds in that financial institution. The public agency may consider factors including, but not necessarily limited to:

(1) for financial institutions subject to the federal Community Reinvestment Act of 1977, the current and historical ratings that the financial institution has received, to the extent that those ratings are publicly available, under the federal Community Reinvestment Act of 1977;

(2) any changes in ownership, management, policies, or practices of the financial institution that may affect the level of the financial institution's commitment to its community;

(3) the financial impact that the withdrawal or denial of deposits of public funds might have on the financial institution;

(4) the financial impact to the public agency as a result of withdrawing public funds or refusing to deposit additional public funds in the financial institution; and

(5) any additional burden on the resources of the public agency that might result from ceasing to maintain deposits of public funds at the financial institution under consideration.

(b) Nothing in this Section shall be construed as authorizing the public agency to conduct an examination or investigation of a financial institution or to receive information that is not publicly available and the disclosure of which is otherwise prohibited by law.

(Source: P.A. 93-251, eff. 7-1-04.)

(Exhibit 2)

POLICY AND PROCEDURE NUMBER: 30.10.001

SUBJECT: Investment Policy

I. Governing Authority

Legality

The investment program shall be operated in conformance with federal, state, and other legal requirements, including § 30 ILCS 235 Public Fund Investment Act and bond documents as applicable.

II. Scope

This policy applies to the investment of all funds, excluding the investment of employees' retirement funds, funds committed to credit enhancement and funds held by bond trustees that are governed by the provisions of bond agreements. The investment of these funds is governed by the applicable authorizing statutes.

Pooling of Funds

Except for cash in certain restricted and special funds, the IFA will consolidate cash and reserve balances from all funds to the extent permitted by law to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles monthly.

III. General Objectives

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to preserve the investment principal by minimizing credit and interest rate risk, provide liquidity for working capital needs and grow unencumbered portfolio balances through prudent management.

Credit Risk

The IFA will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII [Suitable and Authorized Investments] of this Investment Policy.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the IFA will do business in accordance with the Illinois Procurement Code §30 ILCS 500.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest Rate Risk

The IFA will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy [see section VIII – Investment Parameters].

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands [static liquidity]. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets [dynamic

liquidity]. Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration of the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

4. Local Considerations

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State. The IFA may accept a proposal from an eligible institution which provides for a reduce rate of interest provided that such institution documents the use of deposited funds for community development projects.

IV. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment Officer acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The “prudent person” standard states that, “Investments shall be made with judgment, 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.”

2. Ethics and Conflicts of Interest

Officers, Employees and External Investment Managers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial /investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the IFA.

3. Delegation of Authority

Authority to manage the investment program is granted to the Treasurer, hereinafter referred to as Investment Officer and derived from the following § 20 ILCS 3501 Section 845-40. Responsibility for the operation of the investment program is hereby designated to the Investment Officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Officers will prepare monthly investment reports and other special reports as may be deemed necessary. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

The IFA may seek to establish an investment committee to provide guidance to investments officers. The IFA may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with the Authority's objectives. Such external manager may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisors Act of 1940.

V. Authorized Financial Institutions, Depositories, and Broker/Dealers

1. Authorized Financial Institutions, Depositories, and Broker/Dealers

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers and investment management firms selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

- The Investment Officer shall determine which financial institutions are authorized to provide investment services to the Authority. Institutions eligible to transact investment business with the Authority include:

- a. Primary government dealers as designated by the Federal Reserve Bank;
- b. National or state-chartered banks;
- c. The Federal Reserve Bank; and
- d. Direct issuers of securities eligible for purchase.

- Selection of financial institutions and broker/dealers authorized to engage in transactions with the Authority shall be at the sole discretion of the Authority.

- All broker/dealers who desire to become qualified for investment transactions must supply the following (as appropriate):

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.
- Proof of FINRA certification
- Proof of state registration.
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the Authority's investment policy.
- All financial institutions who desire to become depositories must supply the following (as appropriate):

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.
- Proof of state registration
- Evidence of adequate insurance coverage.
- A periodic review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the Investment Officer.

2. Minority, Emerging and Community Financial Institutions

From time to time, the Investment Officer may choose to invest in instruments offered by minority, emerging and community financial institutions. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state and local law.

3. Competitive Transactions

- The Investment Officer shall obtain competitive bid information on all purchases of investment instruments purchased on the secondary market. A competitive bid can be executed through a bidding process involving at least three separate broker/financial institutions or through the use of a nationally recognized trading platform.

- If the Authority is offered a security for which there is no readily available competitive offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities.

When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

- If the Authority hires an investment adviser to provide investment management services, the adviser must provide documentation of competitive pricing execution on each transaction. The investment adviser will retain documentation and provide upon request.

VI. Safekeeping and Custody

1. Delivery vs. Payment

All trades or marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to release of funds.

2. Third-Party Safekeeping

Securities will be held by an independent third-party custodian selected by the entity as evidenced by safekeeping receipts in the IFA's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls – Service Organization Control Reports (formerly 70 or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011).

3. Internal Controls

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the IFA are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an investment procedures manual that shall be reviewed and updated periodically by the Investment Officer. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points at a minimum:

- Control of collusion.
- Separation of transaction authority from accounting and recordkeeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of transactions for investments and wire transfers.
- Dual authorizations of wire transfers.
- Staff training and
- Review, maintenance and monitoring of security procedures both manual and automated.

Accordingly, the Investment Officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures and to prevent losses of funds arising from failure to comply with provisions of the Public Funds Investment Act § 30 ILCS 235, fraud, employee error, misrepresentation by third parties or imprudent actions by employees or officers of the firm or alternatively, compliance should be assured through the IFA's annual independent audit by the Office of the Inspector General.

VII. Suitable and Authorized Investments

1. Investment Types

Consistent with Government Finance Officers Association ("GFOA") Policy Statement on State and Local Laws Concerning Investment Practices, the Investment Officer or designee may invest in any type of security allowed by Illinois Law. See 30 ILCS 235/2 for a listing of permissible investments.

- If § 30 ILCS 235 Public Funds Investment Act is amended and one or more investments are no longer permissible, the investment will be removed from the list of Permissible

Investments. Under this circumstance, any newly ineligible investments will be allowed to mature or can be sold immediately at the Investment Officer's discretion.

- If § 30 ILCS 235 Public Funds Investment Act is amended to add new investments, the new investments will automatically be added to the list of Permissible Investments, but not recommended for use until approved by the Executive Director.

2. Collateralization

Where allowed by state law and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization equal to 100 to 110% of the uninsured deposit will be required on all demand deposit accounts, including checking accounts, savings accounts, money market accounts and non-negotiable certificates of deposit.

Acceptable collateral for bank deposits and repurchase agreements shall include only:

- Obligations of the U.S. Government, its agencies and GSEs, including mortgage backed securities.
- Obligations of any state, city, county or authority rated at least AA by two nationally recognized statistical rating organizations.

VIII. Investment Parameters

1. Diversification

It is the policy of the IFA to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer or class of securities, all cash and cash equivalent assets in all IFA funds shall be diversified by maturity, issuer, and class of security. [See Appendix B, Diversification Strategies] Diversification strategies shall be determined and revised periodically by the Investment Committee/Investment Officer for all funds except for the employee retirement fund and those funds for which the IFA has no investment responsibility.

2. Maximum Maturities

To the extent possible, the IFA shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the IFA will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The IFA shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest securities with longer maturities shall be disclosed in writing to the Board of Directors.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

IX. Reporting

1. Methods

The Investment Officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter. This management summary will be prepared in a manner which will allow the IFA to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the entity's Executive Director, the Board of Directors, the investment committee and any pool participants. The report will include the following:

- Listing of individual securities held at the end of the reporting period.

- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and the risks undertaken, and shall have a similar weighted average maturity as the portfolio.

3. Marking to Market

The market value of the portfolio shall be calculated monthly and a statement of the market value of the portfolio shall be issued quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on “Mark to Market Practices for State and Local Government Investment Portfolios and Investment Pools.”

4. Reconciliation

The portfolio shall be reconciled against the holdings of the custodian on a monthly basis.

X. Policy Considerations

1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the Investment Officer and any other appropriate authority, as well as the individuals charged with maintaining internal controls.

XI. Approval of Investment Policy

The investment policy shall be formally approved and adopted by the governing body of the IFA and reviewed annually.

XII. Miscellaneous

1. List of Attachments

The following documents, as applicable, are attached to this policy:

- Listing of authorized personnel.
- Relevant investment statutes and ordinances.
- § 20 ILCS 3501 IFA Act
- § 30 ILCS 235/2 Public Funds Investment Act
- Listing of authorized broker/dealers and financial institutions.
- Internal controls. [To be developed]
- Investment Procedures Manual [To be developed]

2. Other Documentation

- Master Repurchase Agreement, other repurchase agreements and tri-party agreements.
- Investment Management Services Request for Proposal [when issued]
- Safekeeping agreements.

- Wire transfer agreements.
- Sample investment reports. [To be developed]
- Methodology for calculating rate of return. [To be developed]

GFOA Recommended Policies Treasury and Investment Management

- Using Safekeeping and Third-Party Custodian Services (2010)
- Collateralizing Public Deposits (1984, 1987, 1993, 2000,2007, 2010)
- Using Mutual Funds for Cash Management Purposes (2003, 2006 and 2012)
- Diversification of Investments in a Portfolio (2002 and 2007)
- Managing Market Risk in Investment Portfolios (2007 and 2009)
- Establishing a Policy for Repurchase Agreements (2003, 2006, 2008 and 2010)

Adopting Policies for the Frequency of Purchased Securities Valuation in Repurchase Agreements (1999, 2003, 2006, 2008 and 2010)

Authorized Personnel

The following personnel are authorized to conduct investment transactions on behalf of the Authority:

Executive Director

Treasurer

Assistant Treasurer

Authorized Broker/Dealers

[To be inserted]

Authorized Financial Institutions

The following financial institutions have been authorized to provide financial services to the Authority:

- Bank of America Merrill Lynch
- Banterra Bank
- JPMorgan Asset Management
- The Illinois Funds/U.S. Bank, N.A.

APPENDIX B

Diversification Strategy

It is the policy of the Illinois Finance Authority (the "IFA" or the "Authority") to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, assets in all IFA funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment committee/investment officer for all funds.

Diversification Constraints on Total Holdings

Issuer Type	Maximum % of Holdings
U.S. Treasury Obligations	100%
U.S. Agency (GSE) Securities	85%
Local Government Investment Pool – The Illinois Funds	100%
Money Market Mutual Funds (1)	25%
Certificates of Deposit/Bank Deposits/Savings	40%
Repurchase Agreements	50%
Prime Commercial Paper	50%
Corporate Bonds	20%
Tax-Exempt Obligations	20%

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations. No more than 5% of the total portfolio shall be invested in any one issuer of commercial paper, tax-exempt obligations or corporate bonds.

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular issuer or investment type. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure the appropriate diversification is maintained.

Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The IFA recognizes that, over time, longer-term/core portfolios have higher volatility of return. The Authority shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The Authority further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The Authority, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. The Authority shall maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements;
2. The maximum percent of callable securities in the portfolio shall be 15%;
3. The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy; and
4. Liquidity funds will be held in The Illinois Funds or in money market instruments maturing one year and shorter;

5. Longer term/Core funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5 years and will be only invested in higher quality and liquid securities.
6. The duration of the portfolio shall at all times be approximately equal to the duration (plus or minus 10%) of a Market Benchmark Index selected by the Authority based on the Authority's investment objectives, constraints and risk tolerances. The Authority's current Benchmark shall be documented in an Investment Procedures Manual [To be developed].

The following diversification limitations shall be imposed on the IFA portfolio:

1. **Maturity:** No more than 25% of the portfolio may be invested beyond 3 years.
2. **Duration:** The weighted average duration of the portfolio is expected to be less than 2 .5 years
3. **Default risk:** No more than 5% of the overall portfolio may be invested in the securities of a single issuer, except for securities of the U.S. Treasury. No more than 40% of the total portfolio may be invested in non-government securities.
4. **Liquidity risk:** At least 10% of the portfolio shall be invested in overnight or in marketable securities which can be sold to raise case in one day's notice.

Total Portfolio Maturity Constraints

Minimum % of Total Portfolio

1 year or less	25%
3 to 5 years	50%
Maximum 1 to 5 years	75%
WAM (weighted average maturity)	2.5 years

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest securities with longer 148 maturities shall be disclosed in writing to the Board of Directors.

Unless matched to a specific cash flow, the IFA will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The IFA shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives. Note: Restricted to money market mutual funds registered under the Investment Company Act of 1940, that are invested in Treasuries guaranteed by the full faith of the United States of America as to principal and interest or similar obligations of the United States of America, its agencies and its instrumentalities.