

TexSTAR



INFORMATION STATEMENT (CASH RESERVE FUND)

INVESTMENT SERVICE FOR TEXAS LOCAL GOVERNMENTS

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No person or entity has been authorized to provide or communicate any information or to make any representations other than those contained in this Information Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by TEXSTAR, its Board of Directors, the program administrators or any agent of the foregoing. The attachments are part of this Information Statement. The information contained in this document is subject to change without prior notice.

The TexSTAR Information Statement should be read carefully before investing. Investors should consider the investment objectives, risks, charges and expenses associated with this or any security prior to investing. Investments in TexSTAR are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency and although TexSTAR seeks to preserve the value of the investment at a fixed price, it is possible to lose money by investing in the fund. For further information, contact TexSTAR Participant Services at (800) 839-7827.

TexSTAR is distributed by Hilltop Securities Inc., a registered broker dealer, member FINRA/SIPC. If you have any questions regarding this material, please contact:

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Organization and Structure

Texas Short Term Asset Reserve Program (“TEXSTAR”) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the “PFIA”). These two acts provide for the creation of public funds investment pools (including TEXSTAR) and authorize eligible governmental entities (“Participants”) to invest their public funds and funds under their control through the investment pools. TexSTAR is governed by a board of directors (the “Board”).

The Board may establish separate Funds within TEXSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants’ assets in the Funds are represented by units of beneficial interest (“units”). The Board may issue an unlimited number of units in each Fund.

This Information Statement provides information relating to investments in the TexSTAR Cash Reserve Fund (the “Fund”).

Public Funds Investment Act Disclosure Items

Section 2256.016 of the PFIA requires investment pools to provide an information statement to the investment officer or other authorized representative of an investing entity. This section provides the required information for TEXSTAR.

1. **Objectives of TEXSTAR.** The primary objectives of TEXSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participants’ needs, and yield. There is no sales charge and no investment minimum. TEXSTAR will invest only in instruments authorized under both the Public Funds Investment Act and the current TEXSTAR Investment Policy. See Item 2 of this section for a description of authorized TEXSTAR investments.

As a secondary objective to safety and liquidity, the Fund will be directed toward achieving a competitive rate of return for Participants. Efforts will be made to minimize market and credit risk through investment diversification.

2. **Types of Investments Authorized for TEXSTAR Cash Reserve Fund.** The investment policies and composition guidelines for the TEXSTAR Cash Reserve Fund are summarized below. The TEXSTAR Investment Policy restricts investment of the Fund portfolio as follows:

Authorized Investments:

- A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, and obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies or instrumentalities,

including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, except as prohibited by the PFIA;

- B. Fully collateralized repurchase agreements with a defined termination date not to exceed 95 calendar days and reverse repurchase agreements with a defined termination date not to exceed 90 days (unless the repurchase agreement has a put option that allows the fund to liquidate the position at principal plus accrued interest with no more than 7 days notice to the counterparty) and secured by cash or any obligations, including letters of credit, of the United States or its agencies or instrumentalities, including the Federal Home Loan Banks. The repurchase and reverse repurchase agreements must be placed with primary government securities dealers and/or financial institutions doing business in the State of Texas.
- C. No-load money market mutual funds which meet the requirements of the PFIA and which (1) are registered with and regulated by the United States Securities and Exchange Commission (SEC), (2) provide a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, (3) comply with SEC Rule 2a-7, (4) include in their investment objectives the maintenance of a stable net asset value of \$1 per share, and (5) invest only in obligations of the United States, its agencies and/or instrumentalities or repurchase agreements collateralized by obligations of the United States, its agencies and/or instrumentalities.

Prohibited Investments:

The TEXSTAR Cash Reserve Fund *will not* invest in:

- A. Derivatives, which include instruments which have embedded features that alter their character or income stream or allow holders to hedge or speculate on a market or spreads between markets that are external to the issuer or are not correlated on a one-on-one basis to the associated index or market.
- B. Commercial paper.
- C. Certificates of deposit.

Diversification Guidelines:

Specific Fund diversification limitations govern investments of the TEXSTAR Cash Reserve Fund portfolio, applied at the time of purchase.

- A. 100% of the Fund may be invested in obligations of, unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies or instrumentalities, including the Federal Home Loan Banks.
- B. 100% of the Fund may be invested in repurchase agreements. Not more than 25% of the Fund may be invested in term repurchase agreements.

- C. Reverse repurchase agreements will be used primarily to enhance Fund return and may not total more than one-third (1/3) of the total Fund assets.
 - D. A maximum of 10% of the Fund may be invested in any one money market mutual fund, and the Fund's investment in any one money market mutual fund may not exceed 10% of the total assets of that money market mutual fund.
 - E. A maximum of 60 percent (60%) of the Fund may be invested in eligible variable rate notes.
3. **Maximum Average Dollar-Weighted Maturity.** The dollar weighted average maturity of the TEXSTAR Cash Reserve Fund portfolio may not exceed (1) sixty (60) days calculated utilizing the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made, and may utilize the interest rate reset date for variable or floating rate securities; or (2) one hundred twenty (120) days calculated taking into account the period remaining until the date on which, in accordance with the terms of each security, the principal amount must unconditionally be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made.
 4. **Maximum Stated Maturity Date.** The maximum stated maturity for any securities that are obligations of or guaranteed or insured by the United States, its agencies or instrumentalities in the TEXSTAR Cash Reserve Fund portfolio is limited to 397 days for fixed rate securities and 24 months for variable rate notes.
 5. **Size of the Pool.** The current size of the TexSTAR Cash Reserve Fund is provided in the TEXSTAR monthly newsletter on the TexSTAR website at www.texstar.org or by contacting TEXSTAR Participant Services. A copy of the most recent newsletter may be obtained in connection with and in addition to this Information Statement.
 6. **TEXSTAR Advisory Board.** Section 2256.016(g)(1) of the Public Funds Investment Act requires TEXSTAR to establish and maintain an advisory board composed of Participants in TEXSTAR and other persons who do not have a business relationship with TEXSTAR. Members are appointed and serve at the will of the Board. The names of the Advisory Board members are available on the TexSTAR website at www.texstar.org.
 7. **Custodian and Transfer Agent for TEXSTAR.** Custodial, fund accounting and depository services for TexSTAR are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. JPMorgan Chase Bank, N.A. is the principal banking affiliate of JPMorgan Chase & Co. Transfer agency services are provided by DST Asset Manager Solutions, Inc. (DST). DST and JPMorgan Chase Bank, N.A. may provide certain services, including those described herein, through the use of subcontractors or delegates. DST will receive and disburse all Participant deposits and withdrawals and JPMorgan Chase Bank, N.A. or a subcustodian will settle all Fund trades, safekeep securities, and collect all income or any other payments due in connection with purchased securities for TEXSTAR.

8. **Net Asset Value.** The TEXSTAR Cash Reserve Fund seeks to maintain a net asset value of \$1.00 per unit (rounded to the nearest whole cent) and is designed to be used by Participants for investment of funds that require daily liquidity availability.
9. **Source of Payment.** The only source of payment to Participants is the market value of the assets of the TEXSTAR Fund in which they invest and the income and profits derived from those assets. There is no secondary source of payment such as insurance or guarantees.
10. **Independent Auditor.** TEXSTAR is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. PricewaterhouseCoopers LLP has been retained to provide independent auditing services for TEXSTAR. Its address is 1201 Louisiana Street, Suite 2900, Houston, Texas 77002.
11. **Operating Procedures.** Deposits and withdrawals may be made by wire transfer or automated clearinghouse (ACH) transfer according to established operating procedures. The requirements for TEXSTAR deposits and withdrawals, deadlines, and other operating procedures are summarized under the section entitled "Summary of Operating Procedures" later in this Information Statement.
12. **Performance History.** The performance history, including yield, weighted average maturity, expense ratios and average balance for the TEXSTAR Cash Reserve Fund are available on the TEXSTAR website at www.texstar.org.
13. **Policy on Holding Deposits in Cash.** To respond to unusual market conditions in a prudent manner, TexSTAR may be required to hold all or most of its total assets in cash, including for the purpose of assuring sufficient liquidity or due to the lack of eligible securities, among other circumstances. This may result in a lower yield and prevent the Fund portfolio from meeting all its investment objectives.
14. **Administrators.** J.P. Morgan Investment Management Inc. (JPMIM), Hilltop Securities Inc. (HTS), and Hilltop Securities Asset Management, LLC (HSAM) serve as Administrators for TexSTAR under a contract that may be extended periodically to a term of two years or less. JPMIM provides investment management services, HTS provides marketing and distribution, and HSAM provides participant and administrative services for TexSTAR. JPMIM is an investment adviser registered under the Investment Advisers Act of 1940, as amended, and a subsidiary of JPMorgan Chase & Co. HTS is a registered broker dealer, member of the Financial Industry Regulatory Authority ("FINRA"), Municipal Securities Rulemaking Board ("MSRB") and Securities Investor Protection Corporation ("SIPC"). The parent company of HTS and HSAM is Hilltop Holdings Inc.

The Administrators may be replaced by the Board for cause and they may resign. Unless their replacements are affiliates, any replacements must be approved by Participants owning two-thirds of the units in TexSTAR.

JPMIM and HTS may provide certain services, including those described herein, through the use of subcontractors or delegates.

Understanding the Risks Associated with Investing in TEXSTAR

Unlike money market mutual funds which are registered with the Securities and Exchange Commission, TexSTAR operates in compliance with the PFIA and not with Rule 2a-7 of the Investment Company of 1940. The Cash Reserve Fund is subject to various risks, including those listed below, any of which may adversely affect the Fund's performance and ability to meet its investment objectives.

Interest Rate Risk. The prices of bonds and other debt securities in which the Cash Reserve Fund will invest, including bonds and debt securities issued by the U.S. Government, its agencies and instrumentalities, will change in value, that is, market price based on changes in interest rates. If rates increase, the value of these investments generally declines. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. The Cash Reserve Fund may invest in variable and floating rate securities. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate and variable securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates.

The London InterBank Offered Rate ("LIBOR") is the reference rate used to set the interest rate on many securities. It is scheduled to terminate at the end of 2021. Currently public and private sector initiatives are underway to identify a new reference rate to replace LIBOR; however, there may be anomalies between rates during the transition period and a new rate may not have the same liquidity or volume as LIBOR, which may affect the value or liquidity or return on certain of the Fund's investments.

During periods when interest rates are low or there are negative interest rates, the Fund's yield (and total return) also may be low or the Fund may be unable to maintain positive returns or a stable net asset value of \$1.00 per unit.

Credit Risk. Credit risk is the possibility that an issuer of a fixed income security held by the Cash Reserve Fund will default on the security by failing to pay principal or interest when due. Any class of investment is subject to this risk. Remedies against a defaulting issuer of securities are limited, and the Cash Reserve Fund may not be successful in securing repayment. A deterioration in credit quality or perceived credit quality of an investment held by the Cash Reserve Fund could reduce the market price at which the Cash Reserve Fund could sell the investment. The Investment Manager assesses the credit quality of the investments made for the Cash Reserve Fund.

U.S. Treasury securities are backed by the full faith and credit of the U.S. government, meaning that the U.S. government is required to repay the principal when due. Other types of securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may not be backed by the full faith and credit of the U.S. Government. In this case, payment is due from the agency or instrumentality only.

The Fund enters into repurchase agreements collateralized by cash or securities with approved counterparties. The Fund may be affected in the event a repurchase agreement counterparty fails to make payment or defaults completely. The Cash Reserve Fund should be able to take possession of and sell the securities securing the counterparty's obligations; however, a loss may be realized on the sale of the underlying securities to the extent that

the proceeds from the sale are less than the resale price provided in the repurchase agreement. Should a counterparty declare bankruptcy or become insolvent, the Cash Reserve Fund may incur delays and costs in selling the underlying securities. The Fund may transfer uninvested cash into joint accounts which are utilized by multiple funds managed by the investment manager or its affiliates and used to purchase repurchase agreements. Under these joint accounts, the Fund has a pro rata interest in the repurchase agreements with the other participants in the joint account pursuant to joint allocation procedures approved by all the participants. In this case any losses from a default by a counterparty or its insolvency or bankruptcy would be allocated on a pro rata basis among the participants in the joint account.

Market Risk. The market price of securities owned by the Cash Reserve Fund may rapidly or unpredictably decline due to factors affecting securities markets generally or particular industries. Global events that may affect the market price of securities include war, terrorism, environmental disasters, natural disasters or events, country instability and infectious disease epidemics or pandemics, such as COVID-19. Geopolitical events that may affect the price of securities include inflation, deflation, debt crises and downgrades, embargoes, tariffs, and other governmental trade or market control programs. The U.S. government and other issuers of securities do not guarantee the market price of their securities.

Management Risk. The Cash Reserve Fund is subject to management risk and it may not achieve its objective if the Investment Manager's expectations regarding particular instruments or interest rates are not met.

Stable Net Asset Value Risk. The Cash Reserve Fund seeks to preserve the net asset value (NAV) of the Participants' investment at \$1.00 per unit. The Administrators have policies and procedures in place to monitor the Fund's NAV and to take action to minimize market risk; however, the Fund cannot guarantee a \$1.00 NAV. The value of the Fund portfolio is dependent on timely receipt of the amounts due on the obligations in the Fund. Any delays or failures in receipt of payments may adversely affect the NAV of the Fund and may cause a loss of principal and interest to the Participants. An investment in the Cash Reserve Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Transactions Risk. The Cash Reserve Fund could experience a loss and its liquidity may be negatively impacted when selling securities to meet withdrawal requests by Participants. The risk of loss increases if the withdrawal requests are unusually large or frequent or occur in times of overall market turmoil or declining prices. Similarly, large deposits may adversely affect the Cash Reserve Fund's performance to the extent that the Cash Reserve Fund is delayed in investing new cash and is required to maintain a larger cash position than it ordinarily would.

Cybersecurity Risk. Use of technology to conduct business could subject the Fund and its third-party service providers (including the Administrators) to risks associated with cybersecurity. If a cybersecurity attack is successful, an unauthorized person could misappropriate assets or sensitive information, corrupt data, or cause operational disruption. The Administrators have developed technological safeguards and business continuity plans to prevent or reduce the impact of potential cybersecurity incidents. Despite these measures, a cybersecurity incident still has the potential to cause harm to the Fund and its Participants.

Administration of TexSTAR

- TexSTAR Board.** By executing and submitting an application to open an account, a Participant designates the Board as its agent for investing deposited funds. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR.

The business and affairs of TexSTAR are managed by the Board in accordance with its bylaws (the "Bylaws"). The Bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements.

The Bylaws provide for a five-member Board consisting of three representatives of Participants and one member employed by JPMIM or an affiliate and one member employed by HTS, HSAM or an affiliate. Board members serve for staggered three-year terms. Replacement Board members (other than the Administrator representatives) are appointed by the Board or may be elected by the Participants in accordance with the Bylaws. Board members serve without compensation but are entitled to reimbursement of reasonable out-of-pocket expenses incurred in the performance of Board duties. The names, terms, and affiliations of Board members are listed on the TexSTAR website.

- Investment Management.** TexSTAR's Board has adopted (and will review and revise at least annually) a list of brokers that are authorized to engage in investment transactions with TexSTAR.

A qualified representative of TexSTAR's investment manager must certify that the investment manager has received and reviewed the TexSTAR Investment Policy and the investment manager has implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by the TexSTAR Investment Policy, except to the extent that this authorization requires interpretation of subjective investment standards.

The investment manager may dispose of securities without regard to the time they have been held when such actions, for defensive or other fund management reasons, appear advisable. Investments may be sold by one fund to another fund at prevailing market prices.

All securities purchased on behalf of TexSTAR must be delivered versus payment to the custodian bank for TexSTAR. All book entry securities, whether purchased outright or under repurchase agreements, shall be held in a custodial account at the Federal Reserve Bank. All securities not held in book entry form shall be held by the Custodian or its agent. Third party institutions must issue original safekeeping receipts to the Custodian. The Custodian shall keep accurate records reflecting TexSTAR's ownership of the securities. Money market fund accounts must be in the name of TexSTAR.

- Ratings.** In compliance with Section 2256.016(h) of the Public Funds Investment Act, TexSTAR will operate to maintain a AAA, AAA-m or equivalent rating for the Fund from at least one nationally recognized rating agency. As of the date hereof,

the Fund was rated AAAM by Standard and Poor's Rating Service. An explanation of the significance of such rating may be obtained from Standard & Poor's at 1221 Avenue of the Americas, New York, New York 10020. Promptly upon notice, TEXSTAR will post on its website any change to the Fund's rating.

- Determination of Net Income and Net Asset Values.** The net interest income of the Fund shall be determined each business day, and consists of (i) the sum of (a) interest accrued, (b) discount earned (including both original issue and market discount), and (c) realized capital gains (amortized over a period not to exceed 30 days) less (ii) the sum of (a) amortization of premium, (b) the estimated expenses of the Fund applicable to that distribution period, and (c) realized capital losses (amortized over a period not to exceed 30 days). All net income of the Fund so determined is declared as earnings to Participants each day. Earnings accrue throughout the month and are distributed as of the close of business on the last business day of the month. On the first business day of the following month, the earnings are reinvested as additional Units at the current Net Asset Value (expected to be \$1.00), unless the Participant has elected to have them paid out. If the entire balance in an account is withdrawn during the month, the accrued distributions will be paid on or before the first business day of the following month.

The Net Asset Value per Unit of the Fund is calculated each business day by adding the amortized book value of the Fund's securities and other assets, deducting accrued expenses and arrearages, and dividing by the number of Units outstanding. The result of this computation will be rounded to the nearest whole cent.

- Valuation of TexSTAR Assets.** The objective of the TexSTAR Cash Reserve Fund is to maintain a stable value of \$1.00 per unit (rounded to the nearest whole cent). Although all securities in the Fund are marked to market daily using the fair value method, amortized cost, which generally approximates the market value of securities, is utilized. The Board, in its discretion, may elect to cease utilizing amortized accounting and to commence utilizing the fair value method at any time. To the extent that the Board elects to utilize a net asset value per share determined by using available market quotations in lieu of amortized accounting, the Fund will reflect market fluctuations and any unrealized gains and losses resulting from those fluctuations on a daily basis.

If, upon a daily calculation, the investment manager finds that the deviation between the amortized cost and market-determined values or the deviation between market-determined values and \$1.00 per unit of the Fund's assets exceeds \$0.0030, it shall promptly notify the Board. In the event that the deviation of market-determined values from amortized cost or \$1.00 per unit exceeds \$0.0040, the Board shall direct the investment manager to take such action, if any, as it determines is necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing Participants. Notwithstanding the foregoing, absent contrary instructions from the Board, the investment manager shall cause the subject investments to be sold promptly to attempt to bring the deviation back within the desired value band. However, the \$1.00 per unit value is not guaranteed or insured by TexSTAR or the Administrators. There can be no assurance that the Fund will maintain a stable net asset value of \$1.00.

- **Ethics and Conflicts of Interest.** Each Administrator is required to maintain a code of ethics which requires its employees working with TexSTAR to place the interests of TexSTAR before their personal interests and to avoid any actual or potential conflicts of interest. Each Administrator must promptly report any material non-compliance with such requirements to the Board.

JPMIM acts as a fiduciary when providing investment management services to TexSTAR. JPMIM may order the purchase of investments from either itself, HTS, or their affiliates only on terms and conditions approved by a majority of the Participant members of the Board.

JPMIM has provided the following disclosures concerning its practices:

JPMIM and/or its affiliates (“JPMorgan Chase”) perform investment services, including rendering investment advice, to varied clients. JPMIM, JPMorgan Chase and its or their directors, officers, agents, and/or employees may render similar or differing investment advisory services to clients and may give advice or exercise investment responsibility and take such other action with respect to any of their other clients that differs from the advice given or the timing or nature of action taken with respect to another client or group of clients. It is JPMIM's policy, to the extent practicable, to allocate, within its reasonable discretion, investment opportunities among clients over a period of time on a fair and equitable basis. One or more of JPMIM's other client accounts may at any time hold, acquire, increase, decrease, dispose, or otherwise deal with positions in investments in which another client account may have an interest from time-to-time.

JPMIM, JPMorgan Chase, and any of its or their directors, partners, officers, agents or employees, may also buy, sell, or trade securities for their own accounts or the proprietary accounts of JPMIM and/or JPMorgan Chase. JPMIM and/or JPMorgan Chase, within their discretion, may make different investment decisions and other actions with respect to their own proprietary accounts than those made for client accounts, including the timing or nature of such investment decisions or actions. Further, JPMIM is not required to purchase or sell for any client account securities that it, JPMorgan Chase, and any of its or their employees, principals, or agents may purchase or sell for their own accounts or the proprietary accounts of JPMIM, or JPMorgan Chase or its clients.

JPMIM and its related persons may recommend securities to clients that JPMIM and its related persons may also purchase or sell. As a result, positions taken by JPMIM and its related persons may be the same as or different from, or made contemporaneously or at different times than, positions taken for clients of JPMIM. As these situations may involve potential conflicts of interest, JPMIM has adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding preclearance of employee trading, reporting requirements and supervisory procedures that are designed to address potential conflicts of interest with respect to the activities and relationships of related persons that might interfere or appear to interfere with making decisions in the best interest of clients, including the prevention of front-running. In addition, JPMIM has

implemented monitoring systems designed to ensure compliance with these policies and procedures.

HTS and HSAM have provided the following disclosures concerning their practices:

Certain employees of HTS and HSAM may also serve as officials of TexSTAR. Employees of HTS and HSAM who are also officials of TexSTAR must still abide by the code of ethics required of each Administrator.

- **Fees and Expenses.** In return for contracted service, TEXSTAR has agreed to pay service fees to the Administrators and custodian totaling twelve (12) basis points per year, calculated daily on the total fund balances. The Administrators may (but are not obligated to) waive all or a portion of their fees from time to time. The service fees cover all normal services provided to the Board by the Administrators, the custodian and the transfer agent. Additional expenses required to attain TEXSTAR objectives and conduct on-going operations will be incurred by TEXSTAR. These include expenses for independent auditors, legal representation, liability insurance, board meeting attendance, and ratings.

The TEXSTAR service fee and other expenses are deducted from the gross interest earnings daily and charged monthly. There is no direct reduction to the Participant's principal account related to the payment of fees and expenses, but only the remaining net income after deduction of the applicable fees and expenses is credited to the Participant's account. All TEXSTAR rates are quoted net of fees and expenses. There are no hidden costs or additional reductions to Participants' accounts. In the event a Fund does not earn adequate interest income and profits to cover allocable expenses and fees for a given month or period, the deficit will be carried over to future months or periods when adequate income and profits have been received.

- **Liability.** TEXSTAR directors and officers will not be liable for (and TEXSTAR earnings may be applied to indemnify them against) loss and liability that may arise from or in connection with any of their acts or omissions, including acts and omissions caused by their negligence, to the extent permitted by law.

Participation in TEXSTAR

Participation in TEXSTAR is limited to eligible governmental entities that have authorized, executed, and submitted an application to participate in TEXSTAR.

- **Eligibility to Invest.** Only eligible local governments and agencies of the State of Texas may become Participants. Eligible local governments include any municipality, school district, county, special district, junior college district, or other legally constituted political subdivision of the State or a combination of political subdivisions (e.g., a combination by means of an interlocal agreement). Eligible state agencies generally include any office, department, commission, board or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

- Establishment of Accounts.** To participate in TEXSTAR, an eligible local government or state agency must duly authorize, complete, execute, and submit an application for participation. By executing and submitting an application, a Participant agrees to the terms and conditions governing TEXSTAR as well as its Bylaws, Investment Policy, and Operating Procedures. Application forms (including forms of authorizing resolutions) may be obtained from TEXSTAR Participant Services. In their applications, Participants must designate authorized representatives who have authority to transfer funds for investment, to withdraw funds, to issue letters of instructions, and to take all other actions necessary or appropriate for the investment of funds in TEXSTAR. A Participant must also provide a separate bank information sheet for each account and sub-account, signed by two authorized Participant representatives unless otherwise permitted by the Operating Procedures. The Operating Procedures describe in detail the procedures required for the establishment of account(s), deposits to and withdrawals from TEXSTAR, and related information. A copy of the Operating Procedures may be obtained from TEXSTAR Participant Services.
- Amendments.** The Board may amend the TEXSTAR terms and conditions, Bylaws, Investment Policy, and Operating Procedures. It must give Participants at least 30 days advance notice of each amendment. Participants are deemed to have accepted the amendments unless they withdraw from TEXSTAR before the amendments are effective.

Summary of Operating Procedures

Deposits to and withdrawals from TEXSTAR may be made by wire transfer or automated clearinghouse (ACH) transfer according to established operating procedures. Excerpts from the current Operating Procedures are provided below.

- Wire Transfers.** Wire transfer requests will be executed on the same day as initiated if requested in accordance with the daily transaction deadlines for the pool. TEXSTAR must be notified of any wire transaction requests by **4:00 p.m. CST** if using the pool's internet transaction system or by **3:30 p.m. CST** when contacting a Participant Services Representative. All incoming wire deposits must be received by **4:00 p.m. CST**, to earn interest for that day. In addition, any wire deposits received after **4:00 p.m. CST** will not be invested until the following business day. Outgoing wire transfers from TEXSTAR received by the transfer agent by 10:30 a.m. are typically sent for processing between 12:00 noon and 12:30 p.m. central time. Some delay may occur, depending on unforeseen circumstances, including, but not limited to, delays or failures unrelated to TEXSTAR.

TEXSTAR reserves the right to suspend the right of withdrawal or to postpone the date of payment in the event that the Federal Reserve is closed other than for customary weekend and holiday closings, in the event of a general suspension of trading in any securities market which affects TEXSTAR operations, or if, in the opinion of the Board, an emergency exists so that the disposal of TEXSTAR's securities or determination of its net asset value is not reasonably practical.

TEXSTAR will process deposits and withdrawal requests only on the days the Federal Reserve is open for business. TEXSTAR may also be closed or have limited

trading hours on any Friday preceding or Monday following a weekend, which includes a national holiday provided that notice has been given to Participants at least 30 days prior to such a day, or whenever The Bond Market Association recommends that markets for fixed income securities close.

- **Automated Clearing House (“ACH”) Transfers.** ACH transaction requests will be executed on the business day following the date the transaction was initiated if requested in accordance with the daily transaction deadlines for the pool. TEXSTAR must be notified of any next day ACH transaction requests by **4:00 p.m. CST** if using the pool’s internet transaction system or by **3:30 p.m. CST** when contacting a Participant Services Representative for all ACH transfer activity, one day prior to the actual settlement of the funds. ACH transfer withdrawals are sent in accordance with the prearranged Participant information as provided on the bank information sheet corresponding to that specific TEXSTAR account or subaccount. In the event of an ACH rejection, TEXSTAR will contact the Participant to confirm the rejection. TEXSTAR will credit/debit the Participant’s account accordingly.
- **Account to Account Transfers.** Funds may be transferred between TexSTAR accounts in the same Fund without transferring the money to the Participant’s local bank. Transactions transferring funds between accounts will be executed as of the close of business on the same day as initiated, if received by the deadline. TexSTAR must be notified of any same day interaccount transaction activity by **4:00 p.m. CST** if using the pool’s internet transaction system or by **3:30 p.m. CST** when contacting a Participant Services Representative.
- **Methods of Notification.** Participants may notify TEXSTAR of wire transfer or ACH activity by:
 - a. Internet access system; or
 - b. Verbal notification to a TEXSTAR Participant Services representative followed by a fax confirmation.
- **Reports.** A Participant’s monthly statement will be mailed within the first five (5) business days of the respective succeeding month. The monthly statement will include a detailed listing of the balance in the Participant’s accounts as of the date of the statement; all account activity for the previous month, including deposits and withdrawals; daily and monthly yield information; and any special fees and expenses charged to the Participant. Additionally, copies of the Participant’s reports will be maintained and made available for a minimum of three prior TEXSTAR fiscal years in either physical or electronic form.

A complete copy of the TEXSTAR Operating Procedures may be obtained by contacting TEXSTAR Participant Services.

March 2022



PROGRAM FEATURES

TexSTAR provides a variety of features to Texas local governments:

- Conservatively managed investment pool providing daily liquidity & competitive yields
- Created by local governments for local governments in full compliance with the Texas Public Funds Investment Act and rated AAAM by Standard & Poor's
- Recognized Program Administrators with a proven track record in government investment pool management (HilltopSecurities and JPMorgan Investment Management, Inc.)
- User-friendly operating systems (including internet transaction systems) powered by leading-edge technology
- Responsive Texas-based customer service staff
- Late day transaction deadlines until 4 p.m. CST

OBJECTIVES OF TEXSTAR

The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participants' needs, diversification, and yield.

TYPES OF INVESTMENTS AUTHORIZED AND PROHIBITED FOR TEXSTAR CASH RESERVE FUND

Authorized Investments for the Cash Reserve Fund:

- A. Obligations of or guaranteed or insured by the United States Government or its agencies and instrumentalities
- B. Fully collateralized repurchase agreements with a primary dealer and secured by any obligation of the United States or its agencies or instrumentalities
- C. SEC registered, AAA rated no-load money market mutual funds which maintain a stable net asset value of \$1 per share and a weighted average maturity of 90 days or less

Prohibited Investments for the Cash Reserve Fund:

- A. Derivatives (see TexSTAR investment policy for detailed definition)
- B. Commercial paper
- C. Certificates of deposit

MAXIMUM AVERAGE DOLLAR-WEIGHTED MATURITY

The dollar weighted average maturity of the TexSTAR Cash Reserve Fund portfolio may not exceed sixty (60) days calculated in accordance with SEC Rule 2a-7 or one hundred twenty (120) days based on the stated maturity of Fund investments.

MAXIMUM STATED MATURITY DATE

The maximum maturity for any individual security in the TexSTAR portfolio is limited to 397 days for fixed rate securities and 24 months for variable rate notes.

PROGRAM OVERSIGHT

TexSTAR Board of Directors:

Monte Mercer, North Central Texas Council of Governments

David Pate, Richardson ISD

Anita Cothran, City of Frisco

David Medanich, Hilltop Securities Inc.

Jennifer Novak, J.P. Morgan Asset Management

The TexSTAR Cash Reserve Fund is monitored on a weekly basis by Standard & Poor's to confirm compliance with the fund's AAAM rating requirements.

CUSTODIAN FOR TEXSTAR

JPMorgan Chase Bank serves as custodian to TexSTAR.



NET ASSET VALUE

The TexSTAR Cash Reserve Fund seeks to maintain a net asset value of \$1.00 per unit and is designed to be used by Participants for investment of funds that require daily liquidity availability.

INDEPENDENT AUDITOR

TexSTAR is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. PricewaterhouseCoopers LLC has been retained to provide independent auditing services for TexSTAR.

TRANSACTION DEADLINES

TexSTAR will accept wire transactions until 4 p.m. daily for same day settlement; ACH transactions until 4 p.m. for next day settlement; and internal account transfers until 4 p.m. for same day settlement.

PERFORMANCE HISTORY

The performance history, including yield, weighted average maturity and average balance for the TexSTAR Cash Reserve Fund is available by calling 1.800.839.7827 or by accessing the program web site at www.texstar.org.

MANAGEMENT FEE

The maximum management fee authorized for the TexSTAR Cash Reserve Fund is 12 basis points. This fee may be waived in full or in part at the discretion of the TexSTAR Co-Administrators at any time as provided for in the TexSTAR Information Statement. The current management fee assessed is 6 basis points.

ADMINISTRATORS/INVESTMENT MANAGER

HilltopSecurities and JPMorgan Investment Management, Inc. serve as co-administrators for TexSTAR under an agreement with the TexSTAR Board of Directors. JPMorgan Investment Management provides investment management, custody, fund accounting, and transfer agency services. HilltopSecurities provides administrative, participant and distribution services.

HOW TO JOIN

- A. Submit the Resolution entitled “Application for Participation in TexSTAR” to the entity’s governing body for approval.
- B. Complete a “Bank Information Sheet” for each individual account to be opened.
- C. Return the “Application for Participation” and “Bank Information Sheet” along with the most current investment policy for the entity to TexSTAR Participant Services, 717 N. Harwood St., Suite 3400, Dallas, Texas 75201.

These enrollment documents can be obtained by contacting TexSTAR Participant Services (HilltopSecurities) at 1.800.839.7827 or from the TexSTAR web site at www.texstar.org.

This material is for informational purposes only and is not intended to be an offer to buy or sell a security. Investors should consider the investment objectives, risks, and expenses associated with this or any security prior to investing. Information about these and other program details are in the fund’s Information Statement which should be read carefully before investing. The assets of TexSTAR Investment Pool are the only source of payment to the participants. An investment in TexSTAR Investment Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other secondary source of payment and although the pools seek to preserve the value of the investment at a fixed share price of \$1, there can be no assurances that the net asset value will not vary from this price. JPMorgan Asset Management and HilltopSecurities are separate entities.



TexSTAR ENROLLMENT STEPS

In order for a governmental entity to enroll in TEXSTAR, the following procedures should be performed.

1. Submit the *Resolution* in the form entitled ***Application for Participation in TEXSTAR*** to the entity's governing body for approval.
2. Complete the ***Application for Participation in TEXSTAR***.
3. Complete a ***Bank Instruction Form*** for each account to be opened.
4. Send all completed documentation with original signatures and ***an approved investment policy of the enrolling entity*** to our email or fax number below:

Email: texstar@hilltopsecurities.com

Fax: 214.953.8878

5. Enrollment documentation will ordinarily be processed within five (5) business days of receipt.

SAMPLE AGENDA LANGUAGE

Short versions:

(1) Approval of TexSTAR Investment Pool as an Authorized Investment

(2) Approval of Application for Participation in the Texas Short Term Asset Reserve Program (TexSTAR)

Or

Longer versions:

(1) Recommendation to Approve an Application for Participation in the Texas Short Term Asset Reserve Program (TexSTAR).

Included in the agenda exhibit is information pertaining to the application. It is recommended that the Board approve the application as submitted.

(2) Recommendation to Approve an Application for Participation in the Texas Short Term Asset Reserve Program (TexSTAR).

Included in the agenda exhibit is information pertaining to the application. It is recommended that the Board approve the application as submitted to provide the district with an additional investment option emphasizing safety and liquidity.



APPLICATION FOR PARTICIPATION IN TEXSTAR

The undersigned local government (Applicant) applies and agrees to become a Participant in the Texas Short Term Asset Reserve Program (TEXSTAR).

- 1. Authorization.** The governing body of Applicant has duly authorized this application by adopting the following resolution at a meeting of such governing body duly called, noticed, and held in accordance with the Texas Open Meeting Law, chapter 551, Texas Government Code, on _____, 20__:

WHEREAS, it is in the best interests of this governmental unit ("*Applicant*") to invest its funds jointly with other Texas local governments in the Texas Short Term Asset Reserve Program (TEXSTAR) in order better to preserve and safeguard the principal and liquidity of such funds and to earn an acceptable yield; and

WHEREAS, Applicant is authorized to invest its public funds and funds under its control in TEXSTAR and to enter into the participation agreement authorized herein;

NOW, THEREFORE, BE IT RESOLVED THAT:

SECTION 1. The form of application for participation in TEXSTAR attached to this resolution is approved. The officers of Applicant specified in the application are authorized to execute and submit the application, to open accounts, to deposit and withdraw funds, to agree to the terms for use of the website for online transactions, to designate other authorized representatives, and to take all other action required or permitted by Applicant under the Agreement created by the application, all in the name and on behalf of Applicant.

SECTION 2. This resolution will continue in full force and effect until amended or revoked by Applicant and written notice of the amendment or revocation is delivered to the TEXSTAR Board.

SECTION 3. Terms used in this resolution have the meanings given to them by the application."

- 2. Agreement.** Applicant agrees with other TEXSTAR Participants and the TEXSTAR Board to the Terms and Conditions of Participation in TEXSTAR, effective on this date, which are incorporated herein by reference. Applicant makes the representations, designations, delegations, and representations described in the Terms and Conditions of Participation.

- 3. Taxpayer Identification Number.** Applicant's taxpayer identification number is _____

- 4. Contact Information.**

Applicant primary mailing address: _____

Applicant physical address (if different): _____

Applicant main phone number: _____

Applicants main fax number: _____

- 5. Authorized Representatives.** Each of the following Participant officials is designated as Participant's Authorized Representative authorized to give notices and instructions to the Board in accordance with the Agreement, the Bylaws, the Investment Policy, and the Operating Procedures:

1. Name: _____ Title: _____

Signature: _____ Phone: _____

Email: _____

2. Name: _____ Title: _____

Signature: _____ Phone: _____

Email: _____

3. Name: _____ Title: _____

Signature: _____ Phone: _____

Email: _____

4. Name: _____ Title: _____

Signature: _____ Phone: _____

Email: _____

{REQUIRED} PRIMARY CONTACT: List the name of the Authorized Representative **listed above** that will be designated as the Primary Contact and will receive all TexSTAR correspondence including transaction confirmations and monthly statements

Name: _____

{OPTIONAL} INQUIRY ONLY CONTACT: In addition, the following additional Participant representative (**not listed above**) is designated as an ***Inquiry Only*** Representative authorized to obtain account information:

Name: _____ Title _____

Signature: _____ Phone: _____

Email: _____

Applicant may designate other authorized representatives by written instrument signed by an existing Applicant Authorized Representative or Applicant's chief executive officer.

DATED _____

REQUIRED
PLACE OFFICIAL SEAL OF ENTITY HERE

(NAME OF ENTITY/APPLICANT)

SIGNED BY:

(Signature of official)

(Printed name and title)

ATTESTED BY:

(Signature of official)

(Printed name and title)

FOR INTERNAL USE ONLY
APPROVED AND ACCEPTED: TEXAS SHORT TERM ASSET RESERVE FUND
.....
AUTHORIZED SIGNER V082011

BANK INSTRUCTION FORM



PLEASE SELECT ONE OF THE FOLLOWING:

- NEW ACCOUNT: NAME _____
- CHANGE EXISTING ACCT: _____
- APPLY CHANGE TO ALL ACCOUNTS

EFFECTIVE DATE: _____

PARTICIPANT NAME: _____

ACCOUNT NUMBER: _____

Add Bank Instruction:

PLEASE INDICATE IF THIS WILL BE THE PRIMARY BANK INSTRUCTION OR ADDITIONAL BANK INSTRUCTION

SELECT ONE OF THE FOLLOWING WIRE AND ACH WIRE ONLY ACH ONLY

Bank Name: _____ City: _____

Bank ABA Number (9 digits): _____ Bank ABA for ACH (if different) (9 digits): _____

Bank Account Number: _____ Bank Account Name: _____

Correspondent Bank Name (if any): _____

Correspondent Bank ABA Number: _____ Account Number: _____

Delete Bank Instruction:

PLEASE INDICATE IF THIS WILL BE THE PRIMARY BANK INSTRUCTION OR ADDITIONAL BANK INSTRUCTION

SELECT ONE OF THE FOLLOWING WIRE AND ACH WIRE ONLY ACH ONLY

Bank Name: _____ City: _____

Bank ABA Number (9 digits): _____ Bank ABA for ACH (if different) (9 digits): _____

Bank Account Number: _____ Bank Account Name: _____

Correspondent Bank Name (if any): _____

Correspondent Bank ABA Number: _____ Account Number: _____

** If ACH availability is selected, I hereby authorize JPMorgan Chase Bank, N.A. to directly deposit and withdraw funds by means of ACH electronic transfer to and from the financial institution and the account designated above ("Designated Account"). I agree that this authorization may be withdrawn with at least 45-days advance written notice to TexSTAR Participant Services. I understand that TexSTAR reserves the right to discontinue ACH electronic transfer without advance notice. I also authorize JPMorgan Chase Bank, N.A. to deduct from the Designated Account or from subsequent deposits made to the Designated Account all amounts deposited in error. I authorize JPMorgan Chase Bank, N.A. to credit all amounts withdrawn in error to Designated Account.*

NOTE: This authorization must be executed by two current Authorized Representatives of the Participant on file with TexSTAR. As a current Authorized Representative, I certify that the above information is both true and correct.

_____ Authorized Representative Signature	_____ Printed Name	_____ Title	_____ Date
_____ Authorized Representative Signature	_____ Printed Name	_____ Title	_____ Date

Please complete this form either all typed or all handwritten. Forms with alterations (i.e. white out, mark out, etc.) will **NOT** be accepted.
TexSTAR Representative will call to verify instructions and USER ID with both Authorized Representatives.
TexSTAR Participant Services
Email forms to: texstar@hilltopsecurities.com
Phone: 800.839.7827 * Fax: 214.953.8878