

CITY OF PEMBROKE PINES
GENERAL EMPLOYEES PENSION
INVESTMENT POLICY



PREPARED BY THE
Investment Committee

ORDINANCE No. ~~1515~~ _____ Adopted ~~May 18, 2005~~ December 6, 2023

CITY OF PEMBROKE PINES

INVESTMENT/PORTFOLIO POLICY

PURPOSE

It is the intent of this policy to provide the Investment Manager sufficient latitude to effectively manage the City's financial assets so as to protect the principal, provide sufficient liquidity and maximize the return on investments within an acceptable exposure to risk. In an effort to accomplish the aforementioned, this policy identifies various portfolio parameters addressing investment instruments, issuer diversification, maturity constraints, investment ratings and liquidity.

SCOPE

This investment policy applies to the general employees pension financial assets held or controlled by the City of Pembroke Pines.

INVESTMENT OBJECTIVES

The portfolio of the Plan shall be managed to maximize return over the long term in a manner that is consistent with prudent investment practices and conservation of principal. In general, the plan seeks to yield more than the custom benchmark index over the long-term. At a minimum, the plan seeks to yield more than the earnings assumption specified in the most recent actuarial report over the long term. All funds will be invested in accordance with §112.662, Florida Statutes. Only pecuniary factors may be considered. The weight afforded to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns. Any interests or other factors may not be considered or afforded consideration if doing so would result in sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor.

PERFORMANCE MEASUREMENT

The City has developed the following performance measures as objective criteria for evaluating effectiveness of the plan manager:

| <u>Portfolio</u> | <u>Index</u> |
|------------------|---|
| Total | Customized Benchmark – (34% Lehman Bros. Aggregate Bond Index, 48% Russell 3000 Index, 10% MSCI EAFE Index, and 8% Customized Real Estate Index). |

By Asset Class

| | |
|--------------------|--|
| Fixed Income | Lehman Bros. Aggregate Bond Index |
| Domestic Equity | Russell 3000 Index |
| Foreign Equity | MCSI EAFE |
| Index | |
| Real Estate and | Customized Real Estate Index (75% - NCREIF Property Index 25% Wilshire REIT Index). |

INVESTMENT AND FIDUCIARY STANDARDS

The standard of prudence to be applied by the Investment Manager shall be the "Prudent Person" rule, which states: "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 from the investment. The "Prudent Person" rule can be applied in the context of managing the overall portfolio.

The Investment Manager and staff, acting in accordance with the written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

AUTHORIZED INVESTMENTS

- A. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government and its agencies.
- B. Non-negotiable interest-bearing time certificates of deposits or savings accounts in state or federal banks, state or federal savings and loan associations as permitted and/or prescribed by Chapter 280 of the Florida Statutes.
- C. Government Sponsored Enterprises including but not limited to Federal Farm Credit Banks, Federal Home Loan Bank or its district banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation Participation Certificates, ~~Student Loan Marketing Association~~ ~~or obligations guaranteed by the Government National Mortgage Association.~~
- D. Prime commercial paper. Commercial Paper of U.S. Corporations having a maturity of 90 days or less shall require one of the following three minimum ratings: A-1, P-1 or F-1, as rated by Standard & Poors, Moody's, and/or Fitch Investors Service rating services. Prime commercial paper of U.S. Corporations having a maturity in excess of 90 days shall require two of the three above-mentioned ratings.

- E. Repurchase agreements comprised of only those investment instruments as otherwise authorized herein.
- F. State or local government taxable and ~~tax-exempted~~tax-exempt debt, general obligation and/or revenue bonds rated at least "Aa" by Moody's and "AA" by Standard & Poor's for long-term debt or rated at least MIG-2 by Moody's and SP-2 Standard & Poor's for short-term debt.
- G. Securities or, other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio meets the City's investment policy.
- H. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- I. Corporate obligations or corporate notes of U.S. Corporations should be governed by the following:
 - 1. The purchase of individual corporate obligations or corporate notes of U.S. Corporations by the City should only be investment grade securities as determined by the median rating of Fitch, Moody's, and Standard & Poor's (S&P's).
 - 2. For fixed income securities held in a co-mingled investment option purchased by the plan, such as a mutual fund, insurance company separate account, or bank trust, the overall portfolio should maintain a rating from Standard and Poor's of A- or higher and hold no more than 15% of its portfolio in below investment grade bonds.
- J. Equities listed on one of the following exchanges:
 - 1. New York Stock Exchange
 - 2. American Stock Exchange
 - 3. NASDAQ Exchange
 - 4. Various recognized Regional Exchanges
- K. Foreign securities must be dollar denominated and listed on a recognized US Exchange.
- L. Other co-mingled investment options, such as insurance separate accounts or bank trusts.
- M. All the separate accounts offered by the Principal Financial Group. In the event that the Principal Financial Group deems it necessary to offer or discontinue any separate account (s), the City Administration is hereby authorized to execute the necessary documents to implement the change.

MATURITY AND LIQUIDITY REQUIREMENTS

The investment portfolio should be structured in such a manner as to provide liquidity to pay obligations as they come due. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

PORTFOLIO COMPOSITION, RISK AND DIVERSIFICATION

It is the policy of the City of Pembroke Pines to diversify its investment portfolio. Assets held shall be diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, a specific instrument, a class of instruments, and a dealer or bank through whom these investments are bought and sold. The diversification strategy shall be reviewed and revised periodically as deemed necessary by the appropriate management staff.

1. Segment Allocation:

If a segment of the portfolio exceeds the maximum percentage prescribed below due to changes in market value, the Investment Manager will refrain from depositing additional funds in that segment. However, the Investment Manager will not be required to liquidate any portion of that segment until it is deemed to be the best interest of the pension plan.

- A. Equities (stocks)
Equities shall not exceed 60% of the portfolio, of which international equities shall not exceed 20% of the equity portfolio.
- B. Owned Real Estate and/or Real Estate Investment Trusts (REITs)
Properties and/or real estate securities shall not exceed 15% of the total portfolio at cost.
- C. Fixed Income Securities
There shall not be an allocation limitation on fixed income securities.

2. Diversification:

- A. The purchase of a single corporate equity or corporate bond amounting to greater than 10% of the total portfolio is prohibited. However, there are no restrictions for US governments, agencies, and cash investments. This provision also does not apply to well diversified co-mingled investment options.
- B. Industry concentration within equity holdings shall be limited to 35% of the equities portion of the total portfolio. The classification of an industry will be based on the 10 sectors identified by Morningstar: Utilities, Energy, Financials, Industry- Cyclical, Consumer Durables, Consumer Staples, Services, Retail, Health, and Technology.

3. Range of maturities:

- A. The weighted expected average maturity of US governmental and agency securities shall not exceed 10 years.
- B. The weighted expected average maturity of corporate bonds shall not exceed 10 years.

EXPECTED ANNUAL RATE OF RETURN

For each actuarial valuation, the City Commission will determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term. This determination will be filed with the Department of Management Services and with the pension plan's sponsor and the consulting actuary.

THIRD-PARTY CUSTODIAL AGREEMENTS

All securities purchased by the General Employees Pension Fund under this section shall be properly designated as an asset of the City of Pembroke Pines and held in safekeeping by a third party custodial bank or other third party custodial institution. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery versus payment" (D.V.P.) basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. The only exception to this will be for overnight repurchase agreements whose underlying securities are held by the originating institutions.

No withdrawal of such securities, in whole or in part, shall be made from safekeeping except with the written approval of two (2) authorized signers.

The City will execute third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements may include letters of authority from the City, details as to responsibilities of each party, method of notification of security purchases, sales, delivery, procedures related to repurchase agreements and wire transfers, safekeeping and transactions costs, procedures in case of wire failure or other unforeseen mishaps and describing the liability of each party.

MASTER REPURCHASE AGREEMENTS

The Investment Manager may invest in repurchase agreements comprised of only those investment instruments authorized in sub-section e. below.

All firms with whom the City enters into repurchase agreements will have in place and executed a Master Repurchase Agreement with the City. (Attachment A)

Such an agreement will address at a minimum the following issues:

- a. Source of policies allowing repurchase agreements such as state law, local ordinance, written policies, and/or unwritten management practices.
- b. The securities underlying the repurchase agreements must be periodically valued (market-to-market), as prescribed in the Investment Procedures which shall apply to Repurchase Agreements.
- c. Independent third parties acting, as custodians shall hold securities underlying term repurchase agreements separate from its assets as well as from the Seller's assets. "Term" is understood to be defined as a period greater than overnight. Overnight repurchase agreements and their underlying securities will be treated as discussed in Third Party Custodial Agreements.
- d. Each party's rights in repurchase agreements and the significant conditions of those rights. Significant conditions could include:
 - (1) Specifications for the delivery and custody of the underlying securities
 - (2) The rights of the purchaser to liquidate the underlying securities in the event of default by the seller
 - (3) The required margin of market value of the securities over the cost of the agreements
 - (4) Specifications for review (re-pricing) of market value of the underlying securities, as necessary, depending on the term of the repurchase agreement
 - (5) The purchaser's rights to additional securities or a return of cash if the market value of the underlying securities falls below the required amount
 - (6) Rights and/or specifications regarding substitution of securities
 - (7) Remedial action should violation of agreement provisions occur
- e. Securities authorized for purchase are:

Negotiable direct obligations of the U.S. Government, Federal Sponsored Enterprises, and Federal Instruments to include only the following securities:

- US Treasury Bills, Notes and Bonds
- Government National Mortgage Association Notes
- Federal National Mortgage Association Notes
- Federal Home Loan Bank Notes

f. Portfolio Composition

A maximum of 30% of the portfolio may be directly invested in Repurchase Agreements (with exception to agreements of five (5) days or less which are directly related to the restructuring of the City's debt portfolio and backed up with Treasury Bills or Treasury Notes.)

g. Limits on Individual Sellers

A maximum of 5% of the portfolio may be invested in repurchase agreements of any one institution.

h. Limits on Transaction Maturities

The maximum length to maturity of any repurchase agreement is 270 days from date of purchase.

i. Limits on Maturities of Underlying Securities

The maximum expected length to maturity for securities underlying these agreements is ten (10) years for U.S. Treasury securities, eight (8) years for Federal Agency securities and eight (8) years for Government Sponsored Enterprises securities.

SECURITY SELECTION PROCESS (Bid Requirement)

When purchasing or selling securities, the Investment Manager shall select the security which provides the highest rate of return within the parameters of this policy. The Investment Manager shall also consider the current objectives and needs of the General Employees Pension Fund. These selections shall be made utilizing one of the following methods:

1. Competitive bids, wherein the City, or its agent, solicits quotes from a minimum of three firms, shall be used when feasible and appropriate.
2. Comparison to the current market price as indicated by one of the market pricing resources available to the City (such as the City's financial advisors, the Wall Street Journal, or a comparable nationally recognized financial publication providing daily market pricing.)

In most situations, the Investment Manager shall utilize the competitive bid process to purchase fixed income securities. Selection by comparison to current market prices, as indicated above, shall be utilized when, in the judgment of the investment staff, competitive bidding would inhibit the selection process.

Examples of when this might occur are:

- A. When time constraints due to unusual circumstances preclude use of the competitive bidding process.
- B. When a security is unique to a single dealer, for example, a private placement.
- C. When the transaction involves new issues or issues in the "when issued" market.

- D. Purchase of equity securities for which there is market price available from the New York Stock Exchange, the American Stock Exchange or the NASDAQ.
- E. Purchase of co-mingled investment options, including mutual funds, insurance company separate accounts, or bank investment trusts.

When using the competitive bid process, all bids shall become part of the record of the specific security involved. When selection is made based on comparison to current market price, the following information shall become part of the record of the security involved:

- A. Reason for use of this method.
- B. Source of the current market value used.
- C. Price and/or interest rate quoted by said source.

INTERNAL CONTROLS

The operating controls are currently vested in the Principal Financial Group. The Principal Financial Group shall provide the City within 180 days after the end of their fiscal year, the following reports from an independent certified public accountant:

1. Annual Financial Statements
2. Report on compliance with laws, regulations and contracts
3. Report on internal controls
4. Management letter listing the specific recommendations made by the independent certified public accountant.

Additional internal controls, operating procedures and compliance with Chapter 112.661 of the Florida Statutes shall be followed by City personnel and shall be reviewed by independent auditors as part of any financial audit periodically required by the City Commission. The internal control should be designed to prevent losses of funds, which might arise from fraud, error, and misrepresentation, by third parties, or imprudent actions by employees of the City.

The internal controls to be followed by City personnel if applicable, shall be the following:

- a. Separation of functions-
By separating key functions and having different people perform each function, each person can perform a "check and balance" review of the other people in the same area.
- b. Separation of transaction authority from accounting and record keeping-
By separating the person who authorizes or performs the transaction, from the people who record or otherwise account for the transaction, a good separation of duties is achieved.

- c. Custodial safekeeping-
Securities purchased from any bank or dealer, including appropriate collateral, should be placed into a third party bank for custodial safekeeping.
- d. Avoidance of bearer-form securities-
Bearer-form of securities are much easier to convert to personal use, than are securities registered in the name of the custodian in trust for the City of Pembroke Pines.
- e. Avoidance of physical delivery securities-
Book entry securities are much easier to transfer and account for, since actual delivery is never taken. Physical delivery securities must be properly safeguarded, as are any valuable documents. The potential for fraud and loss increases with physical delivery securities.
- f. Clear delegation of authority to subordinate staff members-
Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid any improper actions. Clear delegation of authority also preserves the internal control structure that is built around the various staff positions and their respective responsibilities.
- g. Specific limitations regarding security losses and remedial action-
Security losses may be necessary to implement this Investment Policy. These losses should be restricted to specified purposes and proper documentation, and the required approval should be clearly defined for each staff person.
- h. Written confirmation of telephone transactions for investments and wire transfers- Reduce the potential for error and improprieties by written confirmation and approval by the appropriate person.
- i. Documentation of transactions and strategies-
All transactions and the strategies that may have been used to develop the transactions should be documented in writing and approved by the appropriate person.
- j. Supervising control of employee actions.
- k. Disposition of Securities
 - 1. Every security purchased must be properly earmarked and:
 - i. If registered with the issuer of its agents, must be immediately placed for safekeeping in a location that protects the City's interest in the security.
 - ii. If in book entry form, must be held for the credit of the City by a depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place

of business in the State of Florida as defined in s. 658.12, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or

- iii. If physically issued to the holders but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

2. Trust Receipt and Confirmation

The Finance Director or Investment Manager is authorized to accept on the behalf of and in the name of the City of Pembroke Pines, bank trust receipts, bank safe keeping receipts or confirmations in return for investment of temporarily idle funds as evidence of actual delivery of the obligations or securities. Any such trust receipt or confirmation shall fully describe the various obligations or securities held, together with the specific identification number of each obligation or security held, and that they are held for the City of Pembroke Pines. The actual obligations or securities, whether in book entry or physical form, on which trust receipts or confirmations are issued may be held by a third party custodial bank and/or institution or a designated corresponding bank or custodian institution which has a correspondent relationship to the City's third party custodian or its designated correspondent institution, who is acting on behalf of and under the same obligations as the City's third party custodian. The above shall apply to all investments with the exception of securities underlying overnight repurchase agreements; the custodial relationship for these instruments is described in Third-Party Custodial Agreements.

CONTINUING EDUCATION

It is the policy of the City to provide periodic training in investments for the investment officials responsible for making investment decisions and the Finance Director or his designee through courses and seminars offered by the Government Finance Officers Association and other organizations.

REPORTING

The Finance Director shall generate quarterly reports for management purposes and an annual report to the City Commission. The reports shall include securities in the portfolio by class or type, income earned, and market value as of the report date. Such reports shall be available to the public.

If special circumstances (i.e., e.g., large losses or liquidity problems) occur, a timely report should be brought to the attention of the City Commission.

FILING OF INVESTMENT POLICY

Upon adoption by the City Commission, the investment policy shall be promptly filed with the Department of Management Services, the pension plan's sponsor and consulting actuary. The effective date of the investment policy, and any amendments, shall be the 31st calendar day following the filing date with the plan sponsor.

VALUATION OF ILLIQUID INVESTMENTS

Investments that are considered illiquid (investments for which no organized market exists) shall have their fair market value determined by an appraisal or actuarial valuation. For each actuarial valuation, the City must verify the determination of the fair market value for those investments and ascertain that the determination complies with all applicable state and federal requirements. The City shall disclose to the Department of Management Services and the plan's sponsor each such investment for which the fair market value is not provided.

INVESTMENT COMMITTEE

The City Manager will establish an Investment Committee for the purpose of formulating alternative investment strategies and short-range direction within the guidelines herein set forth and for monitoring the performance and structure of the City's pension plan investment portfolio. Members of the committee shall include the Finance Director and other members as designated by the City Manager.

A designee of the Finance Director will provide the committee members with current market information and an updated portfolio listing and analysis. The Committee, or quorum of the committee, shall meet quarterly, or as often as deemed necessary, under the given conditions, to review, discuss, and affirm or alter the current investment strategy and perform various other functions as herein provided.

The Investment Committee activities shall include but not be limited to review of pension investment operations; review and establish written investment procedures. Review and approve applicable performance measurement services; review and approve documentation regarding issuers, institutions, broker/dealers, and money managers, pension providers and any other function consistent with this policy.

City of Pembroke Pines
~~10100 Pines Boulevard~~ 601 City Center Way-
Pembroke Pines, Florida 330256

ATTACHMENT A

MASTER REPURCHASE AGREEMENT

Dated as of

Between:

And:

1. Applicability

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

2. Definitions

(a) "Act of Insolvency", with respect to any party (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law or such party seeking the appointment of a receiver, trustee, custodian or similar official for such party or any substantial part of its property, or (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment, or the filing against a party of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (6) results in the entry of an order for relief, such an appointment, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) the making by a party of a general assignment for the benefit of creditors, or (iv) the admission in writing by a party of such party's inability to pay such party's debts as they become due;

(b) "Additional Purchased Securities", Securities provided by Seller to Buyer pursuant to Paragraph 4(a) hereof;

(c) Unless otherwise agreed upon by the parties to the transaction, for the purposes of calculating the margin amount, the following ratios shall be applied daily to the market value of Purchased Securities, depending on their maturity.

| Maturity of Security ----- | U.S. Treasury Securities ----- | U.S. Agency Securities ----- | Federal Instruments ----- |
|----------------------------------|--------------------------------------|------------------------------------|---------------------------------|
| 5 years or less | 102% | 102% | 103% |
| Over 5 years | 103% | 104% | 105% |

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

- (n) "Purchased Securities", the Securities transferred by Seller to Buyer in a Transaction hereunder, and any Securities substituted therefor in accordance with Paragraph 9 hereof. The term "Purchased Securities" with respect to any Transaction at any time also shall include Additional Purchased Securities delivered pursuant to Paragraph 4(a) and shall exclude Securities returned pursuant to Paragraph 4(b);
- (o) "Repurchase Date", the date on which Seller is to repurchase the Purchased Securities from Buyer, including any date determined by application of the provisions of Paragraphs 3(c) or 11 hereof;
- (p) "Repurchase Price", the price at which Purchased Securities are to be transferred from Buyer to Seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination, increased by any amount determined by the application of the provisions of Paragraph 11 hereof;

3. Initiation; Confirmation; Termination

- (a) An agreement to enter into a Transaction may be made orally or in writing at the initiation of either Buyer or Seller. On the Purchase Date for the Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the transfer of the Purchase Price to an account of Seller.
- (b) Upon agreeing to enter into a Transaction hereunder, Buyer or Seller (or both), as shall be agreed, shall promptly deliver to the other party a written confirmation of each Transaction (a "Confirmation"). The Confirmation shall describe the Purchased Securities (including CUSIP number, if any), identify Buyer and Seller and set forth
 - (i) the Purchase Date, (ii) the Purchase Price, (iii) the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction not inconsistent with this Agreement. The Confirmation, together with this Agreement, shall constitute conclusive evidence of the terms agreed between Buyer and Seller with respect to the Transaction to which the Confirmation relates, unless with respect to the Confirmation specific objection is made promptly after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, this Agreement shall prevail.
- (c) In the case of Transactions terminable upon demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, by telephone or otherwise on or prior to the business day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having a fixed term, termination of the

Transaction will be effected by transfer to Seller or its agent of the Purchased Securities and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof against the transfer of the Repurchase Price to an account of Buyer.

- (d) Seller shall maintain compliance with applicable federal regulatory standards and guidelines regarding capital adequacy and net capitalization.
- (e) Any transaction undertaken pursuant to this agreement shall proceed only if Seller furnished or has furnished to Buyer its most recent available audited statement of financial condition and its most recent subsequent unaudited statements of financial condition.

4. Margin Maintenance

- (a) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Buyer is less than the aggregate Buyer's Margin Amount for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Seller's option, to transfer to Buyer cash or additional Securities reasonably acceptable to Buyer ("Additional Purchased Securities"), so that the cash and aggregate Market Value of the Purchased Securities, including any such Additional Purchased Securities, will thereupon equal or exceed such aggregate Margin Amount.
- (b) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Seller exceeds the aggregate Seller's Margin Amount for all such Transactions at such time (a "Margin Excess"), then Seller may by notice to Buyer require Buyer in such Transactions, at buyer's option, to transfer cash or Purchased Securities to Seller, so that the aggregate Market Value of the Purchased Securities, after deduction of any such cash or any Purchased Securities so transferred, will thereupon not exceed such aggregate Margin Amount.
- (c) Any cash transferred pursuant to this Paragraph shall be attributed to such Transactions as shall be agreed upon by Buyer and Seller.
- (d) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraphs (a) and (b) of this Paragraph may be exercised only where a Margin Deficit or Margin Excess exceeds a specified dollar amount or a specified percentage of the Repurchase Prices for such Transactions (which amount or percentage shall be agreed to by Buyer and Seller prior to entering into any such Transactions).
- (e) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer and Seller under subparagraphs (a) and (b) of this Paragraph to require the elimination of a Margin Deficit or a Margin Excess, as the case may be, may be exercised whenever such a Margin Deficit or Margin

Excess exists with respect to any single Transaction hereunder (calculated without regard to any other Transaction outstanding under this Agreement).

5. Income Payments

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

6. Security Interest

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

7. Payment and Transfer

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

8. Permissible Purchased Securities

Only the following securities, which are authorized in the City of Pembroke Pines Investment Policy, may be purchased through this agreement. These securities include:

- 1) U.S. Treasury bills, notes and bonds.

2) FNMA, GNMA and Federal Home Loan Mortgage

Association (Zero-coupon instruments are not acceptable due to

excessive volatility)

Unless the parties shall agree to the use of a third-party custodian responsible for margin maintenance, all Purchased Securities should be marketable instruments for which price information is regularly available in The Wall Street Journal, or in other media suitable to the Buyer.

9. Substitution

If Buyer consents to substitution of Purchased Securities, such substituted securities shall consist exclusively of U.S. Treasury bills, and the Seller shall absorb all costs associated with accomplishing such substitutions. Buyer must be provided "same day" written notice of substitution.

10. Representations

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

11. Events of Default

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

- (a) At the option of the non-defaulting party, exercised by written notice to the defaulting party (which option shall be deemed to have been exercised, even if no notice is given, immediately upon the occurrence of an Act of Insolvency),

the Repurchase Date for each Transaction hereunder shall be deemed immediately to occur.

- (b) In all Transactions in which the defaulting party is acting as Seller, if the non-defaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, (i) the defaulting party's obligations hereunder to repurchase all Purchased Securities in such Transactions shall thereupon become immediately due and payable, (ii) to the extent permitted by applicable law, the Repurchase Price with respect to each such Transaction shall be increased by the aggregate amount obtained by daily application of (x) the greater of the Pricing Rate for such Transaction or the Prime Rate to (y) the Repurchase Price for such Transaction as of the Repurchase Date as determined pursuant to subparagraph (a) of this Paragraph (decreased as of any day by (A) any amounts retained by the non- defaulting party with respect to such Repurchase Price pursuant to clause (iii) of this subparagraph, (B) any proceeds from the sale of Purchased Securities pursuant to subparagraph (d)(i) of this Paragraph, and (C) any amounts credited to the account of the defaulting party pursuant to subparagraph (e) of this Paragraph) on a 360 day per year basis for the actual number of days during the period from and including the date of the Event of Default giving rise to such option to but excluding the date of payment of the Repurchase Price as so increased, (iii) all Income paid after such exercise or deemed exercise shall be retained by the non-defaulting party and applied to the aggregate unpaid Repurchase Prices owed by the defaulting party, and (iv) the defaulting party shall immediately deliver to the non-defaulting Party any purchased Securities subject to such Transactions then in the defaulting party's possession.
- (c) In all Transactions in which the defaulting party is acting as Buyer, upon tender by the non-defaulting party of payment of the aggregate Repurchase Prices for all such Transactions, the defaulting party's right, title and interest in all Purchased Securities subject to such Transactions shall be deemed transferred to the non-defaulting party, and the defaulting party shall deliver all such Purchased Securities to the non- defaulting party.
- (d) After one business day's notice to the defaulting party (which notice need not be given if an Act of Insolvency shall have occurred, and which may be the notice given under subparagraph (a) of this Paragraph or the notice referred to in clause (ii) of the first sentence of this Paragraph), the non-defaulting party may:
 - (i) As to Transactions in which the defaulting party is acting as Seller, (A) immediately sell, in a recognized market at such price or prices as the non- defaulting party may reasonably deem satisfactory, any or all Purchased securities subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder or (B) in its sole discretion elect,

in lieu of selling all or a portion of such Purchased Securities, to give the defaulting party credit for such Purchased Securities in an amount equal to the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source, against the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder; and

- (ii) As to Transactions in which the defaulting party is acting as Buyer, (A) purchase securities ("Replacement Securities") of the same class and amount as any Purchased Securities that are not delivered by the defaulting party to the non-defaulting party as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Securities, to be deemed to have purchased Replacement Securities at the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source.
- (e) As to Transactions in which the defaulting party is acting as Buyer, the defaulting party shall be liable to the non-defaulting party (i) with respect to Purchased Securities (other than Additional Purchased Securities), for any excess of the price paid (or deemed paid) by the non-defaulting party for Replacement Securities therefor over the Repurchase Price for such Purchased Securities and (ii) with respect to Additional Purchased Securities, for the price paid (or deemed paid) by the non-defaulting party for the Replacement Securities, therefore. In addition, the defaulting party shall be liable to the non-defaulting party for interest on such remaining liability with respect to each such purchase (or deemed purchase) of Replacement Securities from the date of such purchase (or deemed purchase) until paid in full by Buyer. Such interest shall be at a rate equal to the greater of the Pricing Rate for such Transaction or the Prime Rate.
- (f) For purposes of this Paragraph 11, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is acting as Buyer shall not increase above the amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercise by the non-defaulting party of its option under subparagraph (a) of this Paragraph.
- (g) The defaulting party shall be liable to the non-defaulting party for the amount of all reasonable legal or other expenses incurred by the non-defaulting party in connection with or as a consequence of an Event of Default, together with interest thereon at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the Prime Rate.
- (h) The non-defaulting party shall have, in addition to its rights hereunder; any rights otherwise available to it under any other agreement or applicable law.

12. Single Agreement

Buyer and Seller acknowledge that, and have entered herein and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that; all Transactions

hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all transactions hereunder. (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and

(iii) that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transactions hereunder. The obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

13. Notices and Other Communications

Unless another address is specified in writing by the respective party to whom any notice or other communication is to be given hereunder, all such notices or communications shall be in writing or confirmed in writing and delivered at the respective addresses set forth in Annex 11 attached hereto.

14. Entire Agreement; Severability

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

15. Non-assignability; Termination

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

16. Governing Law

The laws of the State of Florida shall govern all transactions pursuant to this agreement. The parties acknowledge that all Purchased Securities shall be lawful for the purpose of governmental investment by the buyer.

Because buyer is a governmental entity and is prohibited by applicable law from making loans, the parties hereby (i) agree that all transactions conducted pursuant to this agreement must be interpreted as purchases and sales of securities and (ii) expressly reconfirm the provisions of Paragraph 6 of the Agreement.

17. No Waivers, Etc.

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

18. Use of Employee Plan Assets

If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974 ("ERISA") are intended to be used by either party hereto (the "Plan Party") in a Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.

19. Intent

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

20. Disclosure Relating to Certain Federal Protections

The parties acknowledge that they have been advised that:

- (a) In the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 ("1934 Act"), the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 ("SIPA") do not protect the other party with respect to any Transaction hereunder;

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

21. Authorized Personnel

Only those persons identified below may execute transactions pursuant to this agreement. These signatories are those who are legally authorized to sign by resolution of the appropriate governing body or by corporate ordinance.

Seller

Buyer

GLOSSARY

AGENCIES: Federal agency securities

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

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

~~COMPREHENSIVE~~ ANNUAL ~~COMPREHENSIVE~~ FINANCIAL REPORT (ACCAFR): The official annual report for the City of Pembroke Pines. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond issuer promises to pay the bondholder on the bond face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

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

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSES PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

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

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

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

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

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

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

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

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

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers,

commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. GNMA securities are backed by the FHA, VA or FMHM mortgages. The term "passthroughs" is often used to describe GNMA.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

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

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

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

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain securities in the open market by the New York Federal Reserve Bank as directed by FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PECUNIARY FACTOR: Factor that the plan administrator, named fiduciary, board, or board of trustees prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with the investment objectives and funding policy of the retirement system or plan.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and

Exchange Commission (SEC) - registered securities broker-dealers, banks, and a few unregulated firms.

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

QUALIFIED PUBLIC DEPOSITORIES: Any bank, savings bank, or savings association that: (a) is organized and exists under the laws of the United States, the laws of this state or any other state or territory of the United States; (b) has its principal place of business in this state or has a branch office in this state which is authorized under the laws of this state or of the United States to receive deposits in this state; (c) has deposit insurance under the provision of the Federal Deposit Insurance Act, as amended, 12 U.S.C. ss. 1811 et seq.; (d) has procedures and practices for accurate identification, classification, reporting, and collateralization of public deposits; (e) meets all the requirements of Florida Statute Chapter 280; and (f) has been designated by the Treasurer as a qualified public depository.

RATE OF RETURN: The yield obtainable on a security based on its purchase price, its current market price and other cash flows

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

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

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.