"EXHIBIT A"

PREFACE

It is the policy of the City of Midway that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, adopted Investment Policy and adopted Investment Strategy.

Effective cash management is recognized as essential to good fiscal management. Prudent cash management and efficient investment strategy development will be pursued to take advantage of interest earnings as viable and material revenue to all City funds. The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with this Policy.

Investments shall be made with the primary objectives of:

- Preservation of capital
- Safety of City funds
- Maintenance of sufficient liquidity
- Maximization of investment income through effective cash management
- Diversification of investments

I. PURPOSE

A. Formal Adoption

This Investment Policy is authorized by the Midway City Council in accordance with Chapter 2256, Texas Government Code – Public Funds Investment Act.

B. Scope

This Investment Policy applies to all of the investment activities of the City. This Policy establishes guidelines for those who can invest City funds, for how city funds will be invested, and for when and how a periodic review of investments will be made. In addition to this Policy, bond funds (as defined by the Internal Revenue service) shall be managed by their governing resolution and all applicable State and Federal Law.

C. Review and Amendment

This Policy shall be reviewed annually by the City Council. Amendments must be approved by the Investment Offices and adopted by the City Council.

D. Investment Strategy

In conjunction with the annual Policy review, the City Council shall review the separate written investment strategy for each of the City's funds. The investment strategy must describe the investment objectives for each particular fund according to the following priorities:

1) investment suitability,
2) preservation and safety of principal,
3) liquidity,
4) marketability prior to maturity of each investment,
5) diversification, and

6) yield.

II. INVESTMENT OBJECTIVES

A. Safety of Principal

The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio.

B. Maintenance of Adequate Liquidity

The investment portfolio will remain sufficiently liquid to meet the cash flow requirements that might be reasonably anticipated. Liquidity shall be achieved by attempting to match investment maturities with forecasted expenditures where possible and maintaining a minimum of 25% of funds in fully liquid pools, money market funds or bank accounts.

III. INVESTMENT POLICIES

A. Authorized Investments

Investments described below are authorized by the Public Funds Investment Act as eligible securities for the City. The purchase of specific issues may at times be restricted or prohibited by the Investment Officers. City funds governed by this Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities, and any security containing an embedded option.

2. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities and any security containing an embedded option.

3. Collateralized Certificates of Deposits (CDs) issued by the State and national banks and savings banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, secured by obligations that are eligible by the Public Funds Collateral Act. These deposits must be governed by a depository contract that complies with Federal and State regulation.

4. Money market mutual funds registered with and regulated by the Securities & Exchange Commission, with a dollar weighted average portfolio maturity of 90 days or less; that fully invests dollar-for-dollar all City funds with sales commissions or loads; and, whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The City must be provided with a fund prospectus to be eligible under this policy.

5. AAA-rated Public Funds Investment Pools, as defined and in compliance with the Public Funds Investment Act, provided that investment in the particular pool has been authorized by the City Council, and whose weighted average maturity does not exceed 60 days and whose investment objective is to maintain a stable net asset value of $1 dollar per share.

B. Protection of Principal

The City shall seek to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy; by qualifying the Investment Provider with whom the City will transact, by collateralization as required by law; and through portfolio diversification by maturity and type. The settlement of all investment transactions, except investment pools and money market funds, will done on a delivery versus payment basis.

Consistent with the requirements of State law, the City requires all banks and savings and banks deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as City depositories will be required to sign a Depository Agreement with the City and the City's safekeeping agent. The safekeeping portion of the Agreement shall define the City's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations.

Eligible securities for collateralization of deposits are defined by the Public Funds Collateral Act, as amended and meet the constraints of this Policy. All collateral securing bank and savings banks deposits must be held by a third-party banking institution acceptable to and under contract with the City, or by the Federal Reserve Bank. The market value of the principal portion of collateral pledged for collateralized deposit must at all times be equal to or greater than the amount of the deposit plus accrued interest, less the applicable level of FDIC insurance.

C. Investment Providers

Investment Providers eligible to transact investment business with the City shall be presented a written copy of this Investment Policy. Additionally the qualified representative of the business organization offering to engage in an investment transaction shall execute a written instrument substantially to the effect that the qualified representative has:

1) received and reviewed the Investment Policy, and

2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy, except to the extent that that authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards, imprudent investment activities with the City.

The City shall not enter into an investment transaction with an Investment Provider prior to receiving the written instrument described above.

D. Responsibility and Controls

1. Authority to Invest

The Mayor and City Secretary/City Administrator shall be considered the "Investment Officers" of the City. As Investment Officers they are authorized to deposit, withdraw (executed over two signatures), invest, transfer, execute documentation, and otherwise manage City funds according to the rules governing the investment of City funds provided in this Policy.

Those persons designated as Investment Officers, shall attend at least one training session, within twelve (12) months of assuming these duties, and attend an investment training session not less than once in a two-year period and receive not less than ten (10) hours of instruction relating to responsibilities under the Public Funds Investment Act from an independent source approved by the City Council.

2. Prudent Investment Management

The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and internal procedures. Investment Officers acting in good faith and in accordance with these policies and procedures shall be relieved of personal liability. An Investment officer shall be judged on the prudence of the overall portfolio.

3. Standard of Care

The standard of care used by the City shall be the "prudent investor rule" and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The Public Funds Investment Act states:

> "Investments shall be made with judgment and care, under circumstances then prevailing, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

4. Standards of Ethics

The Investment Officers shall adhere to City's Employment Policies. Additionally, all Investment Officers shall file with the Texas Ethics Commission and the City Council a statement disclosing any personal business relationship with an entity seeking to sell investments to the City or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the City. An investment officer has a personal business relationship with a business organization if:

1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns $5,000 or more of the fair market value of the business organization;

2) funds received by the investment from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

3) the investment officer has acquired from the business organization during the previous year investments with a book value of $2,500 or more for the personal account of the investment officer.

IV. INVESTMENT STRATEGY

It is the policy of the City of Midway that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirement and adopted Investment Policy.

For investment purposes, the City's funds are pooled together and share a common strategy.

In accordance with the Public Funds Investment Act, City investment strategy acknowledges the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of the City;
- Preservation and safety of principal;
- Liquidity;
- Marketability of the investment prior to maturity;
- Diversification of the investment portfolio; and
- Yield.

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds.