



October 5, 2016

We have received some questions regarding the modifications to the Government Accounting Standards Board (GASB) accounting guidelines for Local Government Investment Pools (LGIPs) and their impact on TexPool and TexPool Prime. The most pertinent modified GASB guideline is Statement No. 79, which addresses the accounting and financial reporting implications for pools and their participants. We would like to assure you that both pools are fully compliant with these modified guidelines.

GASB 79 delinks money market LGIPs to SEC Rule 2a-7 and enables such pools to continue to utilize amortized cost for valuation and financial reporting so that the \$1.00 per unit value they pursue will not need to change to a fluctuating price. As a prerequisite to continued use of amortized cost, Statement No. 79 puts forth risk-mitigating measures such as limits on certain repo collateral investments, daily and weekly liquidity buckets, and “Know Your Customer” provisions, among others. As both pools’ Investment Policies already incorporate many of these provisions, none of these changes have a material impact on the portfolio construction of either pool. And, in cases where the Texas Public Funds Investment Act is more conservative than the GASB requirement, the pools will preserve the stricter guideline.

Federated appreciates the challenges you face managing public money in this changing landscape. As the investment manager of TexPool and TexPool Prime, Federated is a stakeholder in the implementation of the new guidelines as well as ensuring that the pools’ policies accurately reflect these modifications. Please be assured that we have fully addressed the policy revisions with the Comptroller and revised Investment Policies have been posted to TexPool.com. Finally, we are happy to address any additional questions you may have regarding these changes.

Sincerely,

Your Federated TexPool Team.

16-66709 (10/16)