

Lone Star

Investment Pool

Information Statement and Enrollment Book

Distributed by



Endorsed by



The Lone Star 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. Investment in Lone Star Investment Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency; although Lone Star seeks to preserve the value of the investment at a fixed share price, it is possible to lose money by investing in Lone Star. For further information or for an Information Statement contact First Public at (800) 558-8875.

Table of Contents

Information Statement

Objective	3
Investment Strategy and Guidelines	3
Organization	8
Participation	12
Valuation and Return	15

Enrollment Book

Enrollment Book Instructions	18
Form I, Lone Star Investment Pool Resolution	19
Form II, Investment Agreement	21
Form III, Lone Star Application	29
Form IV, Vendor Payment Authorization	30
Form V, First Public New Account Application	31

This Information Statement is designed to set forth concisely the information you should know about the Lone Star Investment Pool (the Pool) before you invest. It should be retained for future reference. A Statement of Investment Policy, summarized under the Investment Strategy and Guidelines, contains additional information about the management and operation of the Pool and is incorporated by reference into this Information Statement. All enrollment material is included beginning on page 18. For assistance, call 800-758-3927.

No person or entity has been authorized to give any information or to make any representations other than those contained in this Information Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Pool, its Sponsor, the Board, the Advisory Board, the Administrator, the Distributor, the Investment Managers, the Custodian, the Investment Consultant, or any agent of the foregoing.

July 2009

Objective

The Lone Star Investment Pool (hereafter referred to as the Pool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the Investment Act). The objective of the Pool is to maintain the safety of principal, while providing participating government entities (Participants) with the highest possible rate of return for invested funds. Participants in the Pool own pro rata interests in the underlying assets of the fund in which they participate. A Participant's sole source of payment from its investment in the Pool is the market value of such assets; although the Pool seeks to preserve the value of a Participant's investment, it is possible to lose money by investing in the Pool.

Safety of Principal—The Pool will only invest in those investments authorized under the Investment Act. Certain funds within the Pool contain further restrictions on eligible investments. These restrictions are stated in the Investment Strategy and Guidelines section. Each fund within the Pool will be marked-to-market daily to maintain an accurate net asset value. Pool investments will be diversified among a number of individual issues of securities maturing at different times.

Maximum Total Return—With larger amounts of money to invest, the Pool can purchase securities in large denominations, thereby improving yields and reducing transaction costs. Larger investment pools also permit the selection of securities maturing at various times, which can enhance the average yield of the Pool. These strategies, together with the investment advice of professional portfolio managers (see Organization), are designed to maximize the total return earned by each fund within the Pool.

Investment Strategy and Guidelines

Government Overnight Fund

The Government Overnight Fund is designed for funds that may be required for immediate expenditure. The objective of the Government Overnight Fund is to provide participating government entities with safety of principal, daily liquidity, and the highest possible rate of return. The Government Overnight Fund seeks to offer daily liquidity and maintain a net asset value of one dollar. The net asset value of the Government Overnight Fund is determined daily to ensure that the market value of the Government Overnight Fund's assets is maintained at one dollar. The dollar-weighted average maturity of the Government Overnight Fund is 60 days or fewer. The maximum effective maturity of each security acquired by the Government Overnight Fund is 13 months from date of purchase. Because of their short maturities, high quality, and minimal price fluctuations, securities in which the Government

Overnight Fund invests are generally considered to be marketable and very liquid. Though the Government Overnight Fund may hold investments until they mature, it may periodically trade securities to take advantage of perceived disparities between markets for various categories of investments in an effort to increase returns. The Government Overnight Fund may not invest more than one-third of the value of its assets (determined as of the date of investment) in the securities of any single issuer, except for direct obligations of the U.S. Government.

Though the Pool has the authority to invest in all securities authorized under the Investment Act, it is the Board's policy that only the following of such authorized investments will be eligible Government Overnight Fund investments:

- ★ Obligations of the United States or its agencies and instrumentalities.
- ★ Other 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 and instrumentalities.
- ★ Fully collateralized repurchase agreements that meet the following criteria: (1) have a defined termination date; (2) are secured by obligations of the United States or its agencies and instrumentalities; (3) require the securities being purchased by the Government Overnight Fund to be pledged to the Government Overnight Fund, held in the Government Overnight Fund's name, and deposited at the time the investment is made with the Government Overnight Fund or with a third party selected and approved by the Government Overnight Fund; and (4) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state. The market value of repurchase agreement collateral is required to initially be 102 percent of the principal amount of such repurchase agreement. Thereafter, the market value of such collateral will be determined (marked-to-market) daily and reset to 102 percent of the principal amount if the market value of the collateral falls below 100 percent.
- ★ The Government Overnight Fund may lend up to 25 percent of its securities pursuant to a reverse repurchase agreement authorized under the Investment Act. Any funds obtained pursuant to a reverse repurchase agreement must be invested in authorized Government Overnight Fund investments and match the term of the reverse repurchase agreement. The term of any reverse repurchase agreement may not exceed 90 days.
- ★ No-load money market mutual funds regulated by the Securities and Exchange Commission (SEC) that invest exclusively in authorized Government Overnight Fund investments, provided the Government Overnight Fund shall not invest its funds in any one money market mutual fund in an amount that exceeds (i) 25 percent of the Government Overnight Fund's total assets or (ii) 10 percent of the total assets of such money market mutual fund.

Corporate Overnight Fund

The Corporate Overnight Fund is designed for funds that may be required for immediate expenditure. The objective of the Corporate Overnight Fund is to provide participating government entities with safety of principal, daily liquidity, and the highest possible rate of return. The Corporate Overnight Fund seeks to offer daily liquidity and maintain a net asset value of one dollar. The net asset value of the Corporate Overnight Fund is determined daily to ensure that the market value of the Fund's assets is maintained at one dollar. The dollar-weighted average maturity of the Corporate Overnight Fund is 60 days or fewer. The maximum effective maturity of each security acquired by the Corporate Overnight Fund is 13 months from date of purchase. Because of their short maturities, high quality, and minimal price fluctuations, securities in which the Corporate Overnight Fund invests are generally considered to be marketable and very liquid. Though the Corporate Overnight Fund may hold investments until they mature, it may periodically trade securities to take advantage of perceived disparities between markets for various categories of investments in an effort to increase returns.

The Corporate Overnight Fund has the authority to invest in all securities authorized under the Investment Act. However, it is the Board's policy to also have the following restrictions:

- ★ Except for money market mutual funds regulated by the SEC, the Corporate Overnight Fund shall not invest its assets in the securities of any one nongovernmental issuer in an amount that exceeds 5 percent of the Corporate Overnight Fund's total assets at cost.
- ★ If an A-1 or P-1 investment is placed on the watch list with negative implications by a nationally recognized statistical rating organization (NRSRO), the Investment Advisor must sell the investment within one week.
- ★ The Corporate Overnight Fund shall not invest its funds in any one money market mutual fund in an amount that exceeds (i) 25 percent of the Corporate Overnight Fund's total assets or (ii) 10 percent of the total assets of such money market mutual fund.

Corporate Overnight Plus Fund

The Corporate Overnight Plus Fund is designed with similar investment objectives as that of the Corporate Overnight Fund and Government Overnight Fund: safety of principal, daily liquidity, and the highest possible rate of return. The Corporate Overnight Plus Fund typically holds authorized investments with longer maturities than those of the Corporate Overnight Fund and Government Overnight Fund. The Corporate Overnight Plus Fund seeks to maintain a net asset value of 50 cents. The net asset value of the Corporate Overnight Plus Fund will be determined daily to ensure that the market value of the Corporate Overnight Plus Fund's assets is maintained at 50 cents. The dollar-weighted average maturity of the Corporate Overnight Plus Fund is 120 days or fewer. The maximum effective maturity of each security

acquired by the Corporate Overnight Plus Fund is two years from date of purchase unless otherwise restricted by the Investment Act. Because of their short maturities, high quality, and minimal price fluctuations, securities in which the Corporate Overnight Plus Fund invests are generally considered to be marketable and very liquid. Though the Corporate Overnight Plus Fund may hold investments until they mature, it may periodically trade securities to take advantage of perceived disparities between markets for various categories of investments in an effort to increase returns.

The Corporate Overnight Plus Fund has the authority to invest in all securities authorized under the Investment Act. However, it is the Board's policy to also have the following restrictions:

- ★ Except for money market mutual funds regulated by the SEC, the Corporate Overnight Plus Fund shall not invest its assets in the securities of any one nongovernmental issuer in an amount that exceeds 5 percent of the Corporate Overnight Plus Fund's total assets at cost.
- ★ If an A-1 or P-1 investment is placed on the watch list with negative implications by an NRSRO, the Investment Advisor must sell the investment within one week.
- ★ The Corporate Overnight Plus Fund shall not invest its funds in any one money market mutual fund in an amount that exceeds (i) 25 percent of the Corporate Overnight Plus Fund's total assets or (ii) 10 percent of the total assets of such money market mutual fund.

Determining Whether Your Investment Goals Are Consistent with the Pool

Participants should be aware of certain investment risks applicable to all fixed-income securities, including obligations of the U.S. Government. Such risks include credit risk, market risk, liquidity risk, and counter-party risk.

Credit risk. Credit risk is the possibility that the issuer of a bond or other security will fail to make timely payments of interest and principal. The credit risk associated with each fund within the Pool, therefore, depends on the credit quality of the underlying debt instruments held by that fund. In the event of a payment default on a debt instrument held in a fund, the investment return on the fund within the Pool that owns the investment in default will be adversely affected and, in some cases, the fund could experience a loss of principal (i.e., a reduction in the asset value below par value). The pool attempts to manage this risk by purchasing securities issued by the U.S. Government, its agencies, and instrumentalities; fully collateralized repurchase agreements; highly rated no-load money market mutual funds regulated by the SEC; certificates of deposit; and commercial paper that is rated not less than A-1 or P-1 or an equivalent rating by an NRSRO.

Market Risk. Market risk (or interest rate risk) is the potential for a decline in the market value of a debt instrument due to rising interest rates. For example, a bond or other security issued or backed by the U.S.

Government is guaranteed only with regard to the timely payment of interest and principal; its market price is not guaranteed. Just like bonds issued by government entities and corporations, U.S. Government securities will fluctuate in market value as prevailing market interest rates change. In general, the market value of a bond varies inversely with interest rates: If interest rates rise, market prices generally fall; if interest rates fall, market prices generally rise. In addition, for a given change in interest rates, longer-maturity bonds fluctuate more in price (gaining or losing more in market value) than shorter-maturity bonds. To compensate investors for this risk, longer-maturity bonds generally offer higher yields than shorter-maturity bonds (all other factors, including credit quality, being equal).

Liquidity Risk. Liquidity risk is the potential for there not to be a ready market for the securities in which the Pool invests. Lack of ready markets could prevent the Pool from selling securities to provide cash to meet liquidity needs, including amounts required for timely payment of withdrawals requested by participants.

Counterparty risk. Counterparty risk is the risk that a counterparty in a repurchase agreement could fail to honor the terms of its agreement. See also, Credit Risk (above).

Government Overnight Fund—With a dollar-weighted average maturity of 60 days or fewer, the NAV of investments held in the Government Overnight Fund and the NAV of each Participant's pro rata share in the Government Overnight Fund are expected to maintain a stable NAV of \$1.00 per share; however, there is no guarantee that it will be able to do so. The Government Overnight Fund is not registered under the Investment Company Act of 1940 or regulated by the SEC.

Corporate Overnight Fund—With a dollar-weighted average maturity of 60 days or fewer, the net asset value (NAV) of investments held in the Corporate Overnight Fund and the NAV of each Participant's pro rata share in the Corporate Overnight Fund are expected to maintain a stable NAV of \$1.00 per share; however, there is no guarantee that it will be able to do so. The Corporate Overnight Fund is not registered under the Investment Company Act of 1940 or regulated by the SEC.

Corporate Overnight Plus Fund—With a dollar-weighted average maturity of 120 days or fewer, the NAV of investments held in the Corporate Overnight Plus Fund and the NAV of each Participant's pro rata share in the Corporate Overnight Plus Fund are expected to maintain a stable NAV of \$0.50 per share; however, there is no guarantee that it will be able to do so. The Corporate Overnight Plus Fund is not registered under the Investment Company Act of 1940 or regulated by the SEC.

Organization

Pool Structure

By entering into the Investment Agreement (see Enrollment Book), Participants designate the Pool as an agency and instrumentality and its Board of Trustees (the Board) as the governing body of the Pool. The Pool holds legal title to all money, investments, and other assets and, through the Board, has the authority to employ personnel, engage in other administrative activities, and provide other administrative services necessary to accomplish the Pool's objectives.

Board and Bylaws

Pursuant to the Investment Agreement, the business and affairs of the Pool are required to be managed by the Board, and the Board is authorized and directed to adopt and maintain bylaws (the Bylaws) to provide for the governance and administration of the Pool to the extent not otherwise provided in the Investment Agreement; provided, however, that no provision of such Bylaws may be adopted if such provision would adversely affect the legal status of the Pool including the Pool's status as a public funds investment pool pursuant to the Investment Act. The Bylaws set forth procedures governing the selection of and action taken by members of the Board, subject to the requirement in the Investment Agreement that all voting members of the Board be either employees or elected officials of a Participant.

The Bylaws provide for an 11-member Board consisting of individuals representing school districts that have adopted the Investment Agreement, including school board members, school administrators, and school business officials. Any Board member who ceases to be an employee or elected official of a Participant or who represents an entity that ceases to be a Participant is required to vacate his or her position. Any vacancy must be filled for the unexpired term in the same way as the original appointment. If a vacancy is not so filled within 60 days, the Board will take action to fill it. Board members are appointed for staggered, three-year terms after their initial appointment. Board members serve without compensation but are entitled to reimbursement of reasonable out-of-pocket expenses incurred in the performance of Board duties.

The Board holds an annual meeting for the purpose of electing officers for the ensuing year and transacting other business. Officers elected at the annual meeting include the chair and vice-chair, who are required to be Board members, and a secretary and one or more investment officers, who may or may not be Board members. The Board may hold other meetings as deemed appropriate and necessary for transacting business. A majority of the members of the Board constitutes a quorum, and when a quorum is present, concurrence of a majority of those present and voting at any Board meeting is necessary for any official action to be taken, except that a majority of the Board's full membership is required to amend any provision of the Investment Agreement. For purposes of determining whether a quorum is present, vacant Board positions are not counted as part of the full membership of the Board until filled. Valid

Board business may be conducted by meeting, telephone, a combination of the two, or by mail ballot.

Advisory Board

Pursuant to Section 2256.016(g) of the Investment Act, the Pool has established an Advisory Board composed of Participants and other knowledgeable individuals representing public schools, public junior colleges, cities, counties, and other local governments. The purpose of the Advisory Board shall be to gather and exchange information from Participants and non-Participants relating to Pool operation.

Members of the Advisory Board shall be appointed by the president of the Texas Association of School Boards (TASB). Members shall serve without compensation but shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred in the performance of Advisory Board duties.

Administrator/Distributor

The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the Financial Industry Regulatory Authority, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of the Pool's operations (the Administrator). The Administrator is responsible for servicing Participants' accounts on a daily basis; negotiating contracts with investment advisors and consultants, custodian banks, lawyers, accountants, and other service providers; and performing related administrative services. The Administrator employs a supporting staff of management and administrative personnel and provides office space and equipment needed to perform its duties. First Public is also the distributor (the Distributor) of the Pool. In this role, First Public markets the Pool to potential investors and is responsible for preparing and updating this Information Statement and maintaining its consistency with the Statement of Investment Policy. Pursuant to the terms of its agreement with the Board, the Administrator is at all times subject to the direction and oversight of the Board and the Investment Officers.

Investment Managers

American Beacon Advisors, Fort Worth, Texas, and BNY Mellon Cash Investment Strategies, Pittsburgh, Pennsylvania, provide investment management services to the Pool regarding the investment and reinvestment of the Pool's assets.

American Beacon Advisors (Investment Manager) manages over \$37 billion of assets for hundreds of corporate, public fund, and individual clients. American Beacon Advisors offers a wide range of liquidity-oriented, fixed-income strategies designed to meet specific risk parameters, return targets, liquidity needs, and investment guidelines.

BNY Mellon Cash Investment Strategies (Investment Manager), a division of The Dreyfus Corporation, manages over \$429 billion in money market funds and for 270 clients in separately managed accounts, including financial institutions, hedge funds, corporate and public

pension funds, high net worth individuals, trusts, 401(k) plans, endowments, foundations, banks, insurance and healthcare companies.

Custodian

Bank of New York Mellon (the Custodian) serves as custodian bank for the Pool. The Custodian is responsible for holding in a separate account all investment securities and money for the Pool. Subject to the terms and conditions of the Statement of Investment Policy, the Custodian may register or transfer assets of the Pool into the name of the Custodian or the name of one or more nominees, provided that the books and records of the Custodian at all times show that such assets are part of the Pool.

Legal Counsel

Andrews Kurth LLP, a full-service law firm with offices in Houston and Austin, provides advice to the Pool on a range of legal issues. The firm also works on other financing transactions for First Public and is experienced in a variety of public law, securities, and tax matters.

Independent Auditor

Maxwell Locke & Ritter, LLP, a full-service accounting firm, performs an annual audit of the Pool's financial statements. Maxwell Locke & Ritter's office is located at 401 Congress Ave., Suite 1100, Austin, Texas 78701.

Rating Agency

Standard & Poor's, a division of the McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of independent credit ratings, indices, risk evaluation, investment research, data, and valuations. With 8,500 employees located in 23 countries, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions.

Investment Consultant

RBC Wealth Management (the Investment Consultant) is an investment banking company that provides services related to fixed-income securities. The Investment Consultant monitors the Pool's operations and performance, reports its findings to the Administrator and the Board, and recommends changes to the Pool's operations and policies as it deems necessary to comply with the Pool's stated objective. RBC Wealth Management is either registered with or a member of the following: the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Securities Investor Protection Corporation, the Public Securities Association, and the Municipal Advisory Council.

Pool Sponsor

The creation of the Pool was sponsored by the Texas Association of School Boards (TASB). TASB, a voluntary nonprofit, statewide organization established to serve the local school districts in Texas and headquartered in Austin, is a service organization supported through member dues. TASB membership is composed of more than 1,000 Texas

public school districts and county school boards and more than 200 junior colleges, appraisal boards, cooperatives, and education service centers throughout the state. TASB is governed by its members through the annual Delegate Assembly, which is TASB's general policymaking body. Policies and decisions promulgated by this group are translated into action programs (such as the Program) by the TASB Board of Directors, a 42-member body made up of school board members representing every geographic area of Texas.

Operating Expenses

Annual fees based on a fixed percentage of the daily Pool assets are paid to the Administrator, Custodian, Investment Managers, and Consultants to the Pool. Other operating expenses payable out of the Pool's assets include, but are not limited to, sponsorship and endorsement fees, accounting fees, legal fees, and other out-of-pocket expenses. Annual fees are accrued daily and paid monthly out of the Pool's assets and are not expected to exceed 0.06 percent per year based on daily assets for the Government Overnight Fund, Corporate Overnight Fund and the Corporate Overnight Plus Fund.

Other

Neither the Board, the Advisory Board, the Sponsor, the Investment Officers, the Administrator, nor any organization approved by the Board as an endorser of the Pool nor any officers, trustees, employees, or board members of any of the foregoing shall be held liable for any action or failure to act on behalf of the Pool or the Participants unless caused by willful misconduct. The Pool shall indemnify and hold harmless (either directly or through insurance) any such person, to the extent permitted by law, for any and all litigation, claims, or other proceedings, including (but not limited to) reasonable attorney fees, costs, judgments, and settlement payments and penalties arising out of the management and operation of the Pool, unless such litigation, claim, or other proceeding resulted from the willful misconduct of such person.

Any amendment to the Interlocal Investment Agreement, Statement of Investment Policy, or this Information Statement that may have a material effect on Participants' investments may not take effect unless notice thereof is sent to the Participants at least 60 days prior to the effective date.

Copies of the Interlocal Investment Agreement, Statement of Investment Policy, and the Bylaws can be obtained from First Public, 12007 Research Blvd., Austin, Texas 78759.

Participation

Eligibility

Only Government Entities of the State of Texas, including both Local Governments and Agencies may become Participants in the Pool. The term Local Government refers to any school district; county; municipality; special district; junior college district; any other legally constituted political subdivision, authority, public corporation, body politic, or instrumentality of the state; a combination of two or more of those entities (e.g., a combination by means of an interlocal agreement); or any other entity that may be included in the definition of Local Government contained in the Interlocal Cooperation Act or the Investment Act, as the same may be amended or restated from time to time. The term Agency includes the following: (1) a department, board, bureau, commission, court, office, authority, council, or institution; (2) a university, college, or any service or part of a state institution of higher education; and (3) any statewide job or employment training program for disadvantaged youth that is substantially financed by federal funds and that has been created by executive order no later than December 30, 1986.

To become a Participant in the Pool, a Government Entity's governing body (e.g., board of trustees, city council, etc.) must adopt a resolution authorizing the Government Entity to become a Participant and approving an Investment Agreement to which all Participants are parties. In addition, the resolution accomplishes the following:

- ★ Establishes the Pool as an agency and instrumentality.
- ★ Designates the Board as the governing body of the Pool.
- ★ Approves the investment policies of the Pool (as amended from time to time by the Board) and directs that any conflicting local investment policies shall not apply to Pool investments.
- ★ Designates Authorized Representatives and Investment Officers.

Following adoption of the Resolution, the Government Entity must complete and forward to the Administrator: the Lone Star Application, a certified copy of the Resolution, an executed counterpart of the Investment Agreement, and First Public Account Application. All of these documents are included in this Information Statement and Enrollment Book. A Government Entity may become a Participant and open an account with the Pool without being obligated to deposit any money to such account or otherwise actively participate in the Pool. There is no cost for setting up an account in the Pool.

Deposits

Deposits are required to be made by either Automated Clearing House (ACH) electronic funds transfer or wire transfer through the Federal Reserve Bank System (Wire Transfer). Deposits will be accepted by the Pool on any business day (each such day, a Deposit Day). For a

Participant's deposit to the Pool to be credited to its account on a particular Deposit Day, the Participant is required to provide the Administrator with the name of the government entity, identifying access code, Pool account number, verification of the bank's name and the account number from which funds are being transferred, and the amount to be deposited:

- ★ In the case of an ACH deposit, the Participant must notify the Administrator by 4 p.m. CST at least one business day prior to the Deposit Day.

In the case of a Wire Transfer deposit, the Participant must notify the Administrator by 1 p.m. CST on the Deposit Day. In addition to contacting the Administrator and furnishing the information described above, the Participant must instruct its local bank to wire funds to the Custodian. Same-day wire transfer deposit requests received after 1 p.m. CST may be accepted on a case-by-case basis. Under no circumstances will a same-day wire transfer deposit be accepted after the Pool has calculated its Daily NAV per share.

Withdrawals

For a withdrawal from a Participant's account to occur on a particular Withdrawal Day (Withdrawal Day being any business day), the Participant is required to provide the Administrator with the name of the government entity, identifying access code, Pool account number, verification of the bank name and account number, and the amount to be withdrawn. The amount requested to be withdrawn cannot exceed the net asset value of the Participant's account on the date such notice is given. In addition, the amount withdrawn can never exceed the net asset value of a Participant's account on the actual Withdrawal Day. See Valuation and Return beginning on page 15. A Participant may terminate its withdrawal request, in whole or in part, by notifying the Administrator by 4 p.m. CST at least one business day prior to the Withdrawal Day.

A withdrawal may be delayed in whole or in part beyond the scheduled Withdrawal Day in the event that a general suspension of trading in securities shall have occurred on the New York Stock Exchange or other major securities market, a general banking moratorium shall have been declared by banking authorities of the United States or the State of Texas, or some other national or state emergency exists that adversely affects the Pool's liquidity. Alternatively, a withdrawal may be honored in whole or in part by distributing Pool securities that have a current market value equal in amount to a related withdrawal request.

Withdrawals will be permitted each Withdrawal Day.

- ★ In the case of an ACH withdrawal, the Participant must notify the Administrator by 4 p.m. CST at least one business day prior to the Withdrawal Day.
- ★ In the case of a same-day Wire Transfer withdrawal, the Participant must submit a withdrawal request to the Administrator by 1 p.m.

CST on the Withdrawal Day. Same-day wire transfer withdrawal requests received after 1 p.m. CST may be accepted on a case-by-case basis. Under no circumstances will a same-day wire transfer deposit be accepted after the Pool has calculated its Daily NAV per share.

**Minimum
Transaction Amounts**

The minimum amount required for any initial deposit and/or balance in any Pool account is \$50,000. There is no minimum on subsequent deposits or withdrawals. The Pool may, at its option, transfer the balance in any account, if less than \$50,000, to the Participant.

Internet

First Public has an interactive Web Site, www.firstpublic.com, which allows Participants to make deposits to and withdrawals from the Lone Star Investment Pool; view and print account balances and the latest yields; and print transaction confirmations and month-end reports. Transactions can be set up in advance as long as they are transmitted and received by Lone Star no later than 4 p.m. CST on the business day prior to the requested payment date. Same-day wire transfers are permitted as long as they are transmitted and received by Lone Star no later than 1 p.m. CST.

Each system permits Participants to pay vendors directly from their account. This allows Participants to earn interest on their funds until the payment due date. It also reduces the number of checks the Participant processes each month, allowing district personnel to allocate their time to other tasks. To pay vendors, Participants select whom to pay from a predetermined list and enter the amount of payment and due date.

Pool Income

Participants accrue income on their account balances daily. All income received is automatically credited to the Participant's account at the end of each month.

**Reports to the
Participants**

Participants receive a transaction confirmation after each deposit and withdrawal. Each Participant also receives a monthly and quarterly account statement showing current balances and all activity since the prior report. The Pool issues annual audited financial statements; Participants may obtain a copy upon request.

**Participant Fees and
Expenses**

A Participant's account will be directly and automatically charged for the cost of any special services rendered by the Administrator. A Participant's account also will be charged with all actual costs and expenses associated with extraordinary events affecting the account, including (but not limited to) losses of investment income to the Pool associated with ACH returns or failure to transmit a Wire Transfer for deposit in a timely manner.

Valuation and Return

Government Overnight Fund

Each day the Government Overnight Fund determines the Gross Distributable Investment Income (GDII) for that day. The GDII is determined by adjusting the Government Overnight Fund's accrued interest for that day by the amortization of any premiums and/or the accretion of any discounts. The Government Overnight Fund's daily yield is determined by dividing the GDII for that day by the total investable balance of the Government Overnight Fund for that day. The resulting yield is then used to determine the amount of investment income to distribute to each Participant's account. Investment income accrued during the month is credited to each Participant's account at the end of the month.

All investments are stated at amortized cost, which in most cases approximates the market value of the securities due to the short-term nature of the investments. The NAV of each Participant's pro rata share of the investments held in the Government Overnight Fund is expected to be maintained at one-dollar per share. The NAV of the Government Overnight Fund is determined daily (on days that the New York Stock Exchange is open for business) to ensure that the market value of the Government Overnight Fund's assets is within one-half of 1 percent of the amortized cost. If the Government Overnight Fund's amortized cost is above or below the market value by more than one-half of 1 percent, the Investment Officer will take such action as the Investment Officer deems appropriate to maintain a one-dollar net asset value. Gains and losses generated by the sale of a security held by the Government Overnight Fund are allocated to Participant accounts over a period not to exceed 30 days, based on the straight-line amortization method. The only source for payment to Participants in the Government Overnight Fund is the assets of the Government Overnight Fund.

Corporate Overnight Fund

Each day the Corporate Overnight Fund determines the GDII for that day. The GDII is determined by adjusting the Corporate Overnight Fund's accrued interest for that day by the amortization of any premiums and/or the accretion of any discounts. The Corporate Overnight Fund's daily yield is determined by dividing the GDII for that day by the total investable balance of the Corporate Overnight Fund for that day. The resulting yield is then used to determine the amount of investment income to distribute to each Participant's account. Investment income accrued during the month is credited to each Participant's account at the end of the month.

All investments are stated at amortized cost, which in most cases approximates the market value of the securities due to the short-term nature of the investments. The NAV of each Participant's pro rata share of the investments held in the Corporate Overnight Fund is expected to be maintained at one-dollar per share. The NAV of the Corporate

Overnight Fund is determined daily (on days that the New York Stock Exchange is open for business) to ensure that the market value of the Corporate Overnight Fund's assets is within one-half of 1 percent of the amortized cost. If the Corporate Overnight Fund's amortized cost is above or below the market value by more than one-half of 1 percent, the Investment Officer will take such action as the Investment Officer deems appropriate to maintain a one-dollar net asset value. Gains and losses generated by the sale of a security held by the Corporate Overnight Fund are allocated to Participant accounts over a period not to exceed 30 days, based on the straight-line amortization method. The only source for payment to Participants in the Corporate Overnight Fund is the assets of the Corporate Overnight Fund.

Corporate Overnight Plus Fund

Each day the Corporate Overnight Plus Fund determines the GDII for that day. The GDII is determined by adjusting the Corporate Overnight Plus Fund's accrued interest for that day by the amortization of any premiums and/or the accretion of any discounts. The Corporate Overnight Plus Fund's daily yield is determined by dividing the GDII for that day by the total investable balance of the Corporate Overnight Plus Fund for that day. The resulting yield is then used to determine the amount of investment income to distribute to each Participant's account. Investment income accrued during the month is credited to each Participant's account at the end of the month.

The NAV of each Participant's pro rata share of the investments held in the Corporate Overnight Plus Fund is expected to be maintained at 50 cents per share. The NAV of the Corporate Overnight Plus Fund is determined daily (on days that the New York Stock Exchange is open for business) to ensure that the market value of the Corporate Overnight Plus Fund's assets is within one-half of 1 percent of the amortized cost. If the Corporate Overnight Plus Fund's amortized cost is above or below the market value by more than one-half of 1 percent, the Investment Officer will take such action as the Investment Officer deems appropriate to maintain a net asset value of 50 cents. Gains and losses generated by the sale of a security held by the Corporate Overnight Plus Fund are allocated to Participant accounts over a period not to exceed 30 days, based on the straight-line amortization method. The only source for payment to Participants in the Corporate Overnight Plus Fund is the assets of the Corporate Overnight Plus Fund.

Return Information

	<u>Government Overnight</u>	<u>Corporate Overnight</u>	<u>Corporate Overnight Plus</u>
Monthly Return*	0.43%	0.66%	0.66%
7-Day SEC Yield*	0.38%	0.60%	0.60%
WAM*	35 Days	29 Days	35 Days
Assets*	\$4,366,496,112	\$1,258,956,142	\$3,058,929,128
Inception Date	April 1994	August 1995	May 1999

*As of May 31, 2009. Past performance is not indicative of future results.

**Lone Star Investment
Pool Board Members**

Name, Board Position	Affiliation, Position	Term Expiration
Robert Blount, Jr., Chair	Northside ISD, school board official	2/2012
James Wilcox, Vice-Chair	Longview ISD, superintendent	2/2011
Jerry Christian	Irving ISD, school board official	2/2012
David Garcia	Midland ISD, business official	2/2012
Gerald Irons	Conroe ISD, school board official	2/2011
Tami Keeling	Victoria ISD, school board official	2/2011
Art Martin	Lubbock ISD, school business official	2/2011
Joe Munoz	Hays CISD, school board official	2/2010
Rick Reedy	Frisco ISD, superintendent	2/2010
Greg Smith	Clear Creek ISD, superintendent	2/2012
Mark Williams	Austin ISD, school board official	2/2010

**Lone Star Investment
Pool Board Officers**

The current officers of the Pool, who serve at the discretion of the Board, are as follows:

Name, Board Position	Affiliation, Position
Robert Blount, Jr., Chair	Northside ISD, school board official
James Wilcox, Vice-Chair	Longview ISD, superintendent
James B. Crow, Secretary	TASB, Inc., executive director
Chris Szaniszlo, Investment Officer	First Public, managing director
William Mastrodicasa, Investment Officer	First Public, chief compliance officer

**Lone Star Investment
Pool Advisory Board**

Name, Board Position	Affiliation	Term Expiration
John W. Davis III, Chair	Fort Bend ISD	2/2010
James R. Schiele, Vice-Chair	Eagle Mountain-Saginaw ISD	2/2010
David Betancourt	Cameron County	2/2011
Donna Cline	Clint ISD	2/2011
R. Xavier Gonzalez	Corpus Christi ISD	2/2011
Kay Kizziar	Crowley ISD	2/2010
Ismael Mijares	Eagle Pass ISD	2/2011

Enrollment Book Instructions

How to Open a Lone Star Investment Pool Account

Any Government Entity of the State of Texas (as defined in the Information Statement) may join the Pool as a Participant. A Government Entity that wants to open an account with the Pool and become a Participant must adopt the Lone Star Investment Pool Resolution, execute an Investment Agreement, complete the Lone Star Application, and complete the First Public Account Application, all of which are included in this Information Statement and Enrollment Book. Capitalized terms used in this Enrollment Book and not otherwise defined have the same meaning assigned to them in the Investment Agreement.

Pool Resolution and Investment Agreement

The governing body of the Government Entity must adopt the Lone Star Investment Pool Resolution (see **Form I**) authorizing it to become a Participant in the Pool and approving the Investment Agreement (see **Form II**). The Resolution also (1) establishes the Pool as an agency and instrumentality, (2) designates the Board as the governing body of the Pool, (3) approves the investment policies of the Pool (as amended from time to time by the Board) and directs that any conflicting local investment policies shall not apply to Pool investments, and (4) designates “Authorized Representatives” and Investment Officers. All blank spaces in the Resolution must be completed with the name of the Government Entity and the names, titles, and signatures of its Authorized Representatives. The Investment Agreement must be executed by having an Authorized Representative sign and date the last page of such agreement (entitled Additional Party Agreement).

Application

Sections A, B, and C of the Lone Star Investment Pool Application (see **Form III**) and sections A and B of the First Public New Account Application (**Form V**) must be completed (including execution by an Authorized Representative of the Government Entity as named in the Resolution). The application provides all applicable information about the applicant and its local depository bank. After the application is received by First Public, a user ID and password for each Authorized Representative will be sent to the Government Entity. Once the account is open, the Participant may make its initial deposit according to the instructions included in the Information Statement. To open additional accounts, photocopy and complete sections B and C of the application form.

Deliver an executed original of the Resolution (Form I), Investment Agreement (Form II), Lone Star Application (Form III), and First Public Account Application (Form V) to the Administrator: First Public, 12007 Research Blvd., Austin, Texas 78759.

Form I

Lone Star Investment Pool Resolution

RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF AN INVESTMENT AGREEMENT FOR PARTICIPATION IN THE LONE STAR INVESTMENT POOL, DESIGNATING THE POOL AS AN AGENCY AND INSTRUMENTALITY, APPROVING INVESTMENT POLICIES OF THE POOL, APPOINTING AUTHORIZED REPRESENTATIVES, AND DESIGNATING INVESTMENT OFFICERS

WHEREAS, the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, as amended (the “Act”), permits any “local government” to contract with one or more other “local governments” and with agencies of the state to perform “governmental functions and services,” including investment of public funds through “public funds investment pools” (as such phrases are defined in the Act);

WHEREAS, the Public Funds Investment Act, Texas Government Code Chapter 2256 (the “Investment Act”), also authorizes local governments, state agencies, and nonprofit corporations acting on behalf of such entities to invest public funds through investment pools;

WHEREAS, the Act also permits the contracting parties to any agreement to create an administrative agency to supervise the performance of such agreement and to employ personnel and engage in other administrative activities and provide other administrative services necessary to execute the terms of such agreement;

WHEREAS, _____ (the “Government Entity”) is a local government or an agency of the State of Texas within the meaning of the Act and/or the Investment Act and desires to enter into that certain Investment Agreement (the “Agreement”), a copy of which is presented with this Resolution and is incorporated herein by reference, and become a participant in a public funds investment pool created thereunder and known as the Lone Star Investment Pool (the “Pool”) sponsored by the Texas Association of School Boards (“TASB”);

WHEREAS, the Government Entity desires to designate the Pool as its agency and instrumentality with authority, through the Pool’s Board of Trustees (the “Board”), to supervise performance of the Agreement, employ personnel and engage in other administrative activities, and provide other administrative services necessary to execute the terms of the Agreement;

WHEREAS, each capitalized term used in this Resolution and not otherwise defined has the same meaning assigned to it in the Agreement;

NOW, THEREFORE, BE IT RESOLVED:

1. The Agreement is hereby approved and adopted and, upon execution thereof by an Authorized Representative (defined below) and receipt of the Government Entity’s application to join the Pool by the Administrator, the Government Entity shall become a Participant in the Pool for the purpose of investing its available funds therein from time to time in accordance with its terms.
2. The Pool is hereby designated as an agency and instrumentality of the Government Entity, the Board is hereby designated as the governing body of the Pool, and the Pool, through the Board, shall have the authority to supervise performance of the Agreement, employ personnel, and engage in other administrative activities and provide other administrative services necessary to execute the terms of the Agreement.
3. The investment policies of the Pool, as set forth in the Statement of Investment Policy, as summarized in the Information Statement, and as may be amended from time to time by the Board, are hereby adopted as investment policies of the Government Entity with respect to money invested in the Pool, and any existing investment policies of the Government Entity in conflict therewith shall not apply to investments in the Pool.

4. The following officers, officials, or employees of the Government Entity are hereby designated as "Authorized Representatives," within the meaning of the Agreement, with full power and authority to execute the Agreement, an application to join the Pool, Vendor Payment Authorization forms, and any other documents required or appropriate to become a Participant; deposit money to and withdraw money from the Government Entity's Pool account from time to time in accordance with the Agreement and the Information Statement; and take all other actions deemed necessary or appropriate for the investment of funds of the Government Entity:

Printed Name _____

E-mail Address _____

Signature _____ Title _____

Printed Name _____

E-mail Address _____

Signature _____ Title _____

In accordance with Pool procedures, an Authorized Representative shall promptly notify the Pool in writing of any changes in who is serving as Authorized Representatives.

5. In addition to the foregoing Authorized Representatives, each Investment Officer of the Pool appointed by the Board from time to time is hereby designated as an investment officer of the Government Entity and, as such, shall have responsibility for investing the share of Pool assets representing funds of the Government Entity.

PASSED AND APPROVED this _____ day of _____, _____.

ATTEST

By: _____

By: _____

Printed Name and Title

Printed Name and Title

State of Texas, County of _____

Before me, _____, on this day personally appeared _____, known to me (or
(name of notary) (name of President and Secretary)
proved to me on the oath of _____) or through _____ to be the person(s) whose
(person providing oath) (identification item)
name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and
consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 200__.

(Personalized Seal)

Notary Public's Signature

Form II

Investment Agreement

THIS INVESTMENT AGREEMENT (together with any amendments and supplements, referred to as this “Agreement”) is made and entered into by and among each of those local governments initially executing this Agreement and any other local government that becomes a party hereto (collectively, the “Participants”).

WHEREAS, the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, as amended (the “Act”), permits any “local government” to contract with one or more other “local governments” and with agencies of the state to perform “governmental functions and services,” including investing public funds through “public funds investment pools” (as such phrases are defined in the Act);

WHEREAS, the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the “Investment Act”), also authorizes local governments, state agencies, and nonprofit corporations acting on behalf of such entities to invest public funds through investment pools;

WHEREAS, the Act permits the contracting parties to any agreement to create an administrative agency to supervise the performance of such agreement and to employ personnel and engage in other administrative activities and provide other administrative services necessary to execute the terms of such agreement;

WHEREAS, each of the Participants is a local government under the Act and/or the Investment Act;

WHEREAS, the Participants’ desire to establish and maintain a public funds investment pool as their agency and instrumentality pursuant to the Act for the purpose of pooling their local funds for joint investment in accordance with the Act and the terms hereof;

WHEREAS, each of the Participants has duly taken all official action necessary and appropriate to become a party to this Agreement, including the adoption of a resolution;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the Participants mutually agree as follows:

ARTICLE I

Definitions and Rules of Construction

Section 1.01. Definitions. Except as otherwise provided in this Agreement, the capitalized terms used herein shall have the following meanings unless the context otherwise requires:

Account—any account established by a Participant and representing an undivided beneficial interest of such Participant in a Fund established as a part of the Pool.

Act—the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, as may be amended from time to time.

Additional Party Agreement—a document that, when attached to a copy of this Agreement and executed by an Authorized Representative of a Local Government, constitutes a valid and binding counterpart of this Agreement by which such Local Government becomes a Participant, substantially in the form attached hereto as an Appendix.

Administrator—First Public, LLC, a Texas limited liability company, or any other person, firm, or organization approved by the Board and under contract with the Pool to provide administrative assistance in connection with the management and operation of the Pool.

Advisor—the registered investment advisor or advisors selected by or at the direction of the Board to provide advice regarding investment of Pool assets pursuant to this Agreement and subject to applicable law.

Agency—(1) a department, board, bureau, commission, court, office, authority, council, or instrument; (2) a university, college, or any service or part of a state institution of higher education; (3) any statewide job or employment training program for disadvantaged youth that is substantially financed by federal funds and that has been created by executive order no later than December 30, 1986; and (4) any nonprofit corporation acting on behalf of any of those entities.

Authorized Investments—those investments that are authorized from time to time to be purchased, sold, and invested in under the Investment Act.

Authorized Representative—an individual authorized to execute documents and take other necessary actions, pursuant to this Agreement, on behalf of a Local Government or other person, firm, or organization, as evidenced by a duly adopted resolution or bylaw of the governing body of such Local Government or other person, firm, or organization, a certified copy of which is on file with the Administrator. In the case of a Local Government that is a combination of political subdivisions under the Act, the Authorized Representatives of any administrative agency appointed by such combination of political subdivisions shall be deemed to be Authorized Representatives for such Local Government.

Board—the governing body of the Pool, known as its Board of Trustees.

Bylaws—the bylaws of the Pool, as the same may be amended from time to time, subject to the requirements of this Agreement.

Custodian—the person selected by or at the direction of the Board to have custody of all money, investments, and other assets of the Pool pursuant to this Agreement and subject to applicable law.

Endorser—any person, firm, or organization recognized by the Board as an endorser or sponsor of the Pool.

Fund—the Government Overnight Fund, the Corporate Overnight Fund, or the Corporate Overnight Plus Fund or any additional Fund established by the Board as part of the Pool.

Information Statement—the information statement or any other document distributed to Participants and potential Participants to provide them with a description of the management and operation of the Pool, as the same may be amended from time to time, subject to the requirements of this Agreement.

Investment Act—the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, as may be amended from time to time.

Investment Consultant to the Pool—the person or firm selected by or at the direction of the Board to provide advice regarding (1) the selection of the Advisor and the Custodian, (2) the terms of the Statement of Investment Policy, and (3) the performance of the Pool.

Investment Officer—one or more officers or employees of the Pool designated as investment officers by the Board of Trustees.

Local Government—a school district; county; municipality; special district; junior college district; a district or authority created under section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution; a

fresh water supply district; a hospital district; any other legally constituted political subdivision, authority, public corporation, body politic, or instrument of the State; a combination of two or more of these entities (including a combination of political subdivisions by means of an interlocal agreement governed by the Act); any nonprofit corporation acting on behalf of these entities; or any other entity that may be included in the definition of “local government” in the Act.

Participants—the Local Governments and Agencies that are the initial parties to this Agreement and the Local Governments and Agencies that subsequently become parties to this Agreement.

Pool—the public funds investment pool created pursuant to this Agreement and known as the “Lone Star Investment Pool.”

Sponsor—the Texas Association of School Boards, a Texas nonprofit association, acting by and through its duly appointed and acting agents and directors.

State—the State of Texas.

Statement of Investment Policy—the written Statement of Investment Policy adopted and approved by the Board governing investment and management of Pool assets, as the same may be amended from time to time, subject to the requirements of this Agreement.

Section 1.02. General Rules of Construction.

(a) Whenever in this Agreement the context requires (1) a reference to the singular number shall include the plural and vice versa and (2) a word denoting gender shall be construed to include the masculine, feminine, and neuter.

(b) The titles given to any article or section of this Agreement are for convenience only and are not intended to modify the article or section.

ARTICLE II

Creation of Pool; Purpose and Objective

Section 2.01. Creation of the Pool as an Agency.

(a) The initial Participants hereby create and establish, and all subsequent Participants hereby agree to and accept the creation of, a public funds investment pool as their agency and instrumentality pursuant to the Act, known as the “Lone Star Investment Pool” (the “Pool”).

(b) The Pool shall hold legal title to and manage all money, investments, and other assets transferred to or acquired by the Pool pursuant to the Act and this Agreement.

(c) As an agency and instrumentality of the Participants, the Pool shall have the authority, through its Board, to employ personnel, engage in other administrative activities, and provide other administrative services necessary to accomplish the purpose of this Agreement.

Section 2.02. Purpose and Objective.

(a) The purpose of the Pool is to provide Local Governments with an investment vehicle for local funds. The general objective of the Pool shall be to provide Participants with the highest possible rate of return for such funds, while maintaining safety of principal. Various Funds established as part of the Pool provide Participants with varying rates of return and liquidity options.

(b) To accomplish the Pool’s objective, each Participant agrees that the money transferred to a Fund will be commingled with money transferred to such Fund by other participants for the purpose of making authorized

investments, subject to the terms of this Agreement and the requirements of the Statement of Investment Policy and applicable law, thereby taking advantage of investment opportunities and cost benefits available to larger investors.

ARTICLE III

Pool Administration

Section 3.01. The Board and the Bylaws.

(a) The business and affairs of the Pool shall be managed by the Board as governing body of the Pool. The Board is hereby authorized and directed to adopt and maintain Bylaws; to provide for the governance and administration of the Pool to the extent not otherwise provided by this Agreement; provided, however, that no provision of such Bylaws may be adopted if such provision would adversely affect the legal status of the Pool, including the Pool's status as a public funds investment pool pursuant to the Investment Act.

(b) The Bylaws shall set forth, among other things, the procedures governing the selection of and action taken by Board members, provided that each voting member of the Board shall be required to be an employee or elected official of a Participant. The Participants shall be subject to the terms of the Bylaws.

Section 3.02. Powers and Duties of the Board.

(a) Subject to applicable law and the terms of this Agreement, the Board shall have full and complete power to take all actions, do all things, and execute all instruments as it deems necessary or desirable to carry out, promote, or advance the investment objective, interests, and purposes of the Pool to the same extent as if the Board was the sole and absolute owner of the Pool.

(b) The Board shall adopt and maintain a Statement of Investment Policy, consistent with the general objective of the Pool, which shall provide more detailed guidelines for investment and management of Pool assets. The Board shall, subject to the terms of this Agreement, have the authority to amend any term or provision of the Statement of Investment Policy, provided that notice is sent to each Participant at least 60 days prior to the effective date of any change that, in the Board's opinion, will have a material effect on the Participant's investment in the Pool.

(c) The Board shall designate one or more Investment Officers for the Pool who shall be responsible for the investment of Pool assets, provided that no person who is an officer or employee of a regional planning commission, council of governments, or similar regional planning agency created pursuant to Chapter 391 of the Local Government Code of the State shall be eligible to serve as an Investment Officer.

(d) The Board shall prepare, or direct the preparation of, an Information Statement that describes how the Pool will operate in accordance with the terms of this Agreement and the Statement of Investment Policy. Subject to the terms of this Agreement and the Statement of Investment Policy, the Information Statement may be amended or supplemented, provided that notice is sent to each Participant at least 60 days prior to the effective date of any change described in such amendment or supplement that, in the Board's opinion, will have a material effect on the Participant's investment in the Pool.

(e) The Board shall, subject to the limitations established in the Statement of Investment Policy, have full and complete power and authority to appoint, or direct the appointment of, the following: a Custodian, one or more Advisors, an Investment Consultant, lawyers, accountants, and any other service providers deemed necessary or helpful in the operation of the Pool.

(f) The Board shall have full and complete power to use, or direct the use of, Pool assets for the following purposes: (1) incur and pay any expenses that, in its opinion, are necessary or incidental to or proper for carrying out any of the purposes of this Agreement; (2) reimburse others for the payment thereof; (3) pay

appropriate compensation or fees to persons with whom the Pool has contracted or transacted business, provided, however, the aggregate amount of the foregoing fees and expenses shall be subject to and governed by any restrictions thereon established by the Board; and (4) charge a Participant's Account for any special fees or expenses related specifically to transactions in such Account.

(g) The Board shall cause financial statements to be prepared and maintained for the Pool and for such statements to be audited annually by an independent certified public accounting firm.

(h) By agreement, the Board may appoint the Administrator to perform administrative services for the Pool, provided that the Board shall continue to oversee the operation and management of the Pool and shall have the authority to direct the Administrator to take or not take specific action on behalf of the Pool.

(i) The enumeration of any specific power or authority herein shall not be construed as limiting the general power and authority of the Board over the Pool.

Section 3.03. Liability.

(a) Neither the Board, the Sponsor, the Investment Officers, the Administrator, any Endorser, nor any officers, trustees, employees, or board members of any of the foregoing shall be held liable for any action or omission to act on behalf of the Pool or the Participants unless caused by willful misconduct.

(b) The Pool shall indemnify and hold harmless (either directly or through insurance) any person referred to in subsection (a) of this Section, to the extent permitted by law, for any and all litigation, claims, or other proceedings, including but not limited to reasonable attorney fees, costs, judgments, settlement payments, and penalties arising out of the management and operation of the Pool, unless the litigation, claim, or other proceeding resulted from the willful misconduct of such person.

ARTICLE IV

Participation in the Pool

Section 4.01. Investment Agreement. For a Local Government or Agency to become a Participant and transfer money into the Pool, each of the following conditions must be satisfied:

(a) The Local Government or Agency must adopt a resolution (1) authorizing such entity to become a Participant and approving this Agreement, (2) establishing the Pool as an agency and instrumentality of the Participant, (3) designating the Board as the governing body of the Pool, (4) approving the investment policies of the Pool (as amended from time to time by the Board) and directing that any conflicting local investment policies shall not apply to Pool investments of the Participant, (5) designating Authorized Representatives of the Participant, and (6) designating the Investment Officers appointed from time to time by the Board as the Participant's investment officers who shall be responsible for investing the share of Pool assets representing local funds of the Participant; and

(b) The Local Government or Agency must become a party to this Agreement by executing an Additional Party Agreement and delivering the same to the Pool with a certified copy of the Resolution referred to in subsection (a) of this Section, an application in form and substance satisfactory to the Board, and such other information as may be required by the Board.

Section 4.02. Participant Accounts.

(a) While available local funds of Participants may be commingled for purposes of common investment and operational efficiency, one or more separate Accounts for each Participant in the Pool will be established and maintained by the Pool in accordance with the Participant's application to join the Pool.

(b) Each Participant shall own an undivided beneficial interest in a Fund's assets, which shall consist of the proportional amount that each Account of such Participant bears to the total amount of all Participants' Accounts in such Fund.

(c) Unique identifying information shall be assigned to each Account. The Participant hereby agrees that such identifying information shall be required to implement any deposit to or withdrawal from the Participant's Account. The confidentiality of such identifying information shall be maintained by the Pool.

Section 4.03. Information Statement.

(a) The Information Statement shall, among other things, describe in detail the procedures required to effect deposits to and withdrawals from the Pool.

(b) Each Participant agrees to and accepts all of the provisions of the Information Statement, as in effect on the date it enters into this Agreement and as the same may be amended from time to time.

Section 4.04. Reports. The Pool shall submit a written report at least once per month to each Participant. Such report will indicate the following: (1) the balance in each Account of a Participant as of the date of such report, (2) yield information, and (3) all Account activity since the previous report.

ARTICLE V

Pool Assets

Section 5.01. Pool Investments. Pool assets shall be invested and reinvested by the Pool only in Authorized Investments in accordance with the Statement of Investment Policy. Each Fund established as a part of the Pool will comply with investment objectives and policies set forth in the Statement of Investment Policy.

Section 5.02. Custody. All money, investments, and assets of the Pool shall be held in the possession of the Custodian.

Section 5.03. Fund Valuation and Allocation to Participants. Total assets of each Fund, including investment earnings thereon, will be valued and allocated to Participants' Accounts in such Fund on a pro rata allocation basis as further described in the Information Statement.

ARTICLE VI

Miscellaneous

Section 6.01. Severability.

(a) If any provision of this Agreement shall be held or deemed to be illegal, inoperative, or unenforceable, the same shall not affect any other provisions contained herein or render the same invalid, inoperative, or unenforceable to any extent whatsoever.

(b) Any participation in this Agreement or transfer of assets to the Pool that is not qualified for any reason shall not terminate this Agreement or the participation of other Participants or otherwise adversely affect the Pool.

Section 6.02. Limitation of Rights. This Agreement does not create any right, title, or interest for any person other than the Participants and any person who has a contract to provide services to the Pool, and nothing in or to be implied from this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy, or claim under this Agreement.

Section 6.03. Execution of Counterparts. This Agreement may be executed in several separate counterparts, including by Additional Party Agreement, each of which shall be an original and all of which shall constitute one and the same instrument.

Section 6.04. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 6.05. Termination.

(a) A Participant may terminate itself as a party to this Agreement, with or without cause, by providing written notice to the Pool at least 60 days prior to such termination.

(b) Upon the vote of a majority of its full membership, the Board may order the termination of this Agreement by directing that all outstanding operating expenses of the Pool be paid and remaining assets of the Pool be distributed to Participants in accordance with their pro rata interests.

Section 6.06. Term. This Agreement shall have an initial term beginning with the effective date set forth below and ending September 1, 1992, and shall be automatically renewed for one year on such date and each anniversary of such date, except with respect to any Local Government that may have terminated itself as a Participant or as otherwise directed by the Board.

Section 6.07. Fiscal Year. The fiscal year for the Pool shall be set forth in the Bylaws.

Section 6.08. Notices. Any notices or other information required or permitted to be given hereunder shall be sent

(a) to the Pool as set forth in the Information Statement and

(b) to a Participant as set forth in its application to become a Participant or as otherwise provided by written notice to the Administrator.

Section 6.09. Entire Agreement: Amendments. This Agreement represents the entire agreement and understanding of the Participants. This Agreement may be amended with the approval of a majority of the full membership of the Board, provided that notice of any such amendment is sent to all Participants at least 60 days prior to the effective date thereof.

IN WITNESS WHEREOF the initial parties hereto have caused this Agreement to be executed as of the dates set forth below, to become effective of the latest such date.

Houston Independent School District

By: /s/ Leonard Sturm 7/11/91

Deputy Superintendent of Finance

Lewisville Independent School District

By: /s/ Tom J. Zimmerer 7/8/91

Assistant Superintendent of Business

Humble Independent School District

By: /s/ Michael Novack 7/9/91

Business Manager

San Antonio Independent School District

By: /s/ Victor Rodriguez 7/22/91

Superintendent

As last amended by the Lone Star Board of Trustees on April 17, 2009.

APPENDIX TO INVESTMENT AGREEMENT

Additional Party Agreement

The Government Entity of the State of Texas named below, acting by and through the undersigned Authorized Representative, hereby agrees to become a party to that certain Investment Agreement to which this page is attached, and thereby become a Participant in the Lone Star Investment Pool, subject to all of the terms and provisions of such Agreement. The undersigned hereby represents that it is a Government Entity within the meaning of the Information Statement relating to the Lone Star Investment Pool and thereby deemed to be included in the term "Local Government" as used in such Agreement.

Executed this _____ day of _____, _____.

Name of Government Entity

By: _____
Signature of Authorized Representative

Printed Name and Title

Form III

Lone Star Application

A. General Information

Name of Applicant _____
Mailing Address _____ County _____
City _____ ZIP _____ Contact Person _____
Telephone Number _____ Fax Number _____

B. Account and Bank-Related Information

1. Account Information

Authority is hereby given to First Public, LLC, as Pool Administrator, to open an account to be named (e.g., General Fund, Debt Service Fund, etc.): _____

2. Local Depository Information (For your protection, each Pool Account may access only one local depository account.):

Bank Name _____ City _____
Bank Telephone Number _____ Bank Fax Number _____
Bank ABA Number (9 digits) _____ Bank Account Number _____

3. Corresponding Bank (if applicable):

Bank Name _____
Bank ABA Number (9 digits) _____ Bank Account Number _____

4. Deposit/Withdrawal Information and Authorization

Applicant hereby authorizes the Lone Star Investment Pool and its Administrator and Custodian to honor any Pool deposit or withdrawal request believed to be authentic. Money will be transferred only upon telephone, Web, written, or personal notice from an Authorized Representative of the Applicant. Upon such notification, debit or credit entries to the local depository account indicated above will be initiated, and the local depository named above is hereby authorized to further debit or credit the same to such account, as appropriate. Transfer shall be made by Automated Clearing House (ACH) Transfer unless otherwise directed by the Applicant.

C. Application Signature

It is hereby certified that the Applicant has received a copy of the Information Statement relating to the Lone Star Investment Pool and has read, understands, and agrees to be bound by the terms thereof and the documents described therein. The information, certifications, and authorizations set forth in this application form are true and correct and shall remain in full force and effect until First Public, LLC, or its successor, receives written notification of a change.

Application is hereby made and executed this _____ day of _____, _____.

Name of Authorized Representative _____
Signature of Authorized Representative _____
Name of Authorized Representative _____
Signature of Authorized Representative _____

Photocopy this form for additional accounts.

Form IV

Vendor Payment Authorization

All transactions are transmitted by ACH. Prior to submitting this form, please verify with your vendor's bank that it can accept payment by ACH.

A. Vendor Information

Name of Vendor _____

Vendor Contact _____

Vendor's Fax Number _____

Vendor's Bank Name _____

Vendor's Bank ABA Number (nine digits) _____

Vendor's Bank Account Number _____

B. Government Entity Authorization

Authority is hereby given to First Public, LLC, as Lone Star Investment Pool Administrator, to transfer money from the Applicant's Government Overnight Fund, Corporate Overnight Fund or Corporate Overnight Plus Fund account to the vendor listed in Section A, for further credit to the Applicant's Vendor Account Number also listed in Section A.

Applicant: _____

Two signatures are required to set up a withdrawal to an account at a bank other than your depository bank.

Name of Authorized Representative _____

Signature of Authorized Representative _____

Name of Authorized Representative _____

Signature of Authorized Representative _____

Photocopy this form for additional vendors.

Form V

First Public Account Application

A. Primary Applicant Information

Name of Applicant _____

Mailing Address _____ City _____ State _____ Zip _____

Physical Address _____ City _____ State _____ Zip _____

Representative(s) to Act on Behalf of the Applicant (Name and Title)

Telephone Number _____ Fax Number _____

Employer Tax ID Number (EIN) _____

Are you associated with a member of a stock exchange, a municipal securities dealer, or other securities broker or dealer?

If yes, please describe:

B. Investment Objective and Suitability Disclosures

The investment objective for this account is focused on safety of principal and liquidity, and investments are restricted to those investment vehicles authorized under Chapter 2256 of the Public Funds Investment Act, Texas Government Code.

Please describe any additional limitations or restrictions regarding this investment account.

C. Signature

In consideration of your accepting this account, we hereby acknowledge that we understand and agree to the terms set forth in the Customer Agreement (including the pre-dispute arbitration agreement found at the end of the Customer Agreement), a copy of which we have received, read, and understand.

Printed Name of Investment Officer: _____

Signature of Investment Officer: _____ Date _____

(Please provide a copy of your Investment Policy.)

Instructions

Please sign the First Public New Account Application and return it to First Public at the following address, along with a copy of your Investment Policy.

First Public
12007 Research Blvd.
Austin, Texas 78759

Before mailing the application, please tear off and retain the attached First Public Customer Agreement so that you will have a copy for your records.

To open a Lone Star Investment Pool account, you will need to carefully read the Lone Star Information Statement, adopt the Lone Star Investment Pool Resolution, execute an Investment Agreement, and complete the Lone Star Enrollment Application, all of which are included in the Information Statement and Enrollment Book.

If you have questions about this application or opening a First Public account, contact First Public at 800-558-8875 or send an e-mail to customer.service@firstpublic.com.

Customer Agreement

In consideration of First Public, LLC, (hereinafter referred to as “you” and “First Public”) opening one or more securities accounts on behalf of the Applicant (hereinafter referred to as “we,” “us,” and “our”), we represent and agree as follows:

Authorized Signatory and Associations: The signatory is the authorized representative of the Applicant and, except as otherwise disclosed to you, we are not associated with any national securities exchange or member firm of any exchange or FINRA, and we will promptly notify you if we become so associated.

Appointments: We appoint First Public as our agent for the purpose of carrying out our directions with respect to the purchase and sale of securities. To carry out First Public’s duties, First Public is authorized to place and withdraw orders and take such other steps as are reasonable to carry out our directions.

Membership: We understand that First Public is a member of the Securities Investor Protection Corporation.

Authorization and Accuracy of Reports:

- (a) You are authorized to act on oral instructions concerning our account and you are not liable for acting on any false oral instructions if the instructions reasonably appeared to you to be genuine. We authorize you to electronically record any and all conversations between us.
- (b) We will notify you of any error in a confirmation of order within two days of when it is mailed to us. We will notify you of any error in a statement within 10 days of when it is mailed to us. If we do not give you written notification of an error in the time specified above, then we accept the confirmation or statement as correct and we will not later claim that the confirmation or statement is incorrect or that the transactions shown were unauthorized. We understand that all mail will be sent to the address shown on our Account Application and we will be responsible for receiving mail at that address, unless we give you written notice of a change in address.

Choice of Law: This Agreement and all transactions made in or for our account shall be governed by the laws of the State of Texas.

Liability: We understand that First Public may, in its sole discretion, prohibit or restrict trading of securities in any of our accounts. We agree that First Public shall not be liable for any action or failure to act on behalf of our account unless caused by First Public’s willful misconduct.

Settlement: We agree to make available or agree to deliver to First Public sufficient funds to cover the amount due on purchases of investments by settlement date.

Waiver and Modification: We understand that your failure to exercise any right granted by this Agreement or to insist on my strict compliance with any obligation under this Agreement will not be considered a waiver of that right or obligation. We also understand if you furnish me with notice on one occasion, you are not obligated to provide me with notice in the future. I understand that no provision of this Agreement can be waived or modified unless it is done in writing and signed by First Public’s Managing Director, Corporate Counsel, or Chief Compliance Officer.

Applicable Regulations:

- (a) We understand and agree that every transaction in our account is subject to the rules or customs in effect at the time of the transaction that, by the terms of the rule or custom, apply to the transaction. These rules or customs include state and federal laws; rules and regulations established by state or federal agencies (including, without limitation, the Securities and Exchange Commission); the Constitution; rules, customs, and usages of the applicable exchanges, associations, markets, or clearinghouses; or customs and usages of individuals transacting business on the applicable exchanges, markets, or clearinghouses.
- (b) If this Agreement is incompatible with any rule or custom, or if a rule or custom is changed, this Agreement will be automatically modified to conform to the rule or custom. The modification of this Agreement shall not affect any of its other provisions.

Severability: If any provision of this Agreement is deemed to be unenforceable for any reason, this will not affect the validity and enforceability of any other provision of this Agreement.

Rule 14b-1(c) of the SEC: We understand you will disclose our name and address to the Lone Star Investment Pool (the “Pool”) so that we can receive information directly from the Pool. If we do not consent to such disclosure, we will notify you in writing.

Accuracy of Market Data: We understand that market data, including security price quotations, are obtained from an independent pricing service believed to be reliable. We understand and agree that First Public cannot guarantee the accuracy of such data and will not be liable for any consequential, incidental, special, or indirect damages (including lost profits, trading losses, and damages) that result from reliance upon independent pricing services.

Privacy Notice: First Public is providing this information as required by Regulation S-P adopted by the Securities and Exchange Commission. First Public does not collect personal information from individuals, consumers, or customers since its scope of business is limited to accounts of government entities. First Public protects confidential account information of government entities and has security measures in place to protect the loss, misuse, and alteration of information under our control.

Important Information about Procedures for Opening a New Account: To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

When we open an account, First Public will ask for our name, address, taxpayer identification number, and other information that will allow it to identify us. First Public also may ask to see our organizational documents or other identifying documents.

Termination of Account: You have the right to terminate any of our accounts (including multiple owner accounts) at any time by notice to us.

Transactions Accepted through Electronic Funds Transfer: First Public will accept the electronic transfer of funds to our account following an initial notice from the originator of such transfer that such funds will be transferred and at any subsequent time by the originator of such funds. First Public will honor requests from the original transferor of such funds to adjust entries made in connection with electronic fund transfers or to transfer funds from the account in order to correct errors. Such requests will be honored by First Public without making any independent investigation of the underlying facts, and First Public disclaims all liability for actions taken in honoring such requests whether or not the original transferor was correct in making such request. Under no other circumstances will First Public honor requests from third parties to electronically transfer funds from our account.

Arbitration Disclosures:

All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.

Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.

The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.

The Arbitrators do not have to explain the reason(s) for their award.

The panel of Arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.

The rules of the arbitration forum in which a claim is filed, and any amendments thereto, shall be incorporated into this agreement.

Arbitration and Dispute Resolution:

- (a) We agree that any dispute or controversy, either arising in the future or in existence now, between us and First Public (including First Public's officers, directors, employees or agents) will be resolved by arbitration conducted before the Financial Industry Regulatory Authority (FINRA) and in accordance with its rules then in force.
- (b) A court of competent jurisdiction may enter judgment based on the award rendered by the Arbitrators.
- (c) Nothing in this Agreement shall be deemed to limit or waive the application of any relevant state or federal statute of limitation, repose, or other time bar. Any claim made by either party to this Agreement that is time barred for any reason shall not be eligible for arbitration.

The parties to this Agreement shall not bring putative or certified class-action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in a court a putative class action or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:

- (i) the class certification is denied,
- (ii) the class is decertified, or
- (iii) the customer is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.