

ADDENDUM TO INVESTMENT POLICY

1) Investment Objectives

It is the policy of the City of Stockton (City) to invest funds in a manner which will provide foremost for the safety of principal while meeting the short and long term cash flow demands of the City and conforming to all statutes governing the investment of City funds.

2) Government Code Section Guidelines

California Government Code Section	Category	Maximum Maturity	Authorized Investment Limits (% of Portfolio)	Credit Rating Limits
53601 (a)	California local agencies	5 years	None	None

Investments are to be within the overriding requirement of compliance with all Federal, State and local laws governing the investment of moneys under the control of the Treasurer, and as specified in the California Government Code (CGC) Section 53601 (e); which states, Bonds, notes, warrants, or other evidence of the indebtedness of any local agency with this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

The second paragraph of section 53601 of the California Government Code specifies that “Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment...”

3) Stipulated Limitations on Maturities

The U.S. Securities and Exchange Commission (SEC) and the U.S. Internal Revenue Service (IRS) announced on October 1, 2008 in a special notice relief from various federal laws and regulations to allow governmental entities, such as cities, to

purchase and tender their own securities, within stipulated limitations. The IRS authority limits the time in which governmental entities participating in this special investment program/ruling can hold these bonds in their investment portfolios to no later than December 31, 2009. Government entities holding these bonds as investments into 2010 would cause a reissuance or retirement of the bonds, and thereby eliminate the option of returning the bonds to the secondary market at that point. Such bond investment purchases could include bonds currently held by a variable rate bond issue's liquidity facility firm, Dexia Credit Local, New York Branch.

In recognition of the foregoing, the Investment Policy is hereby supplemented to allow the City to purchase the Stockton Public Financing Authority bonds, so long as the City divests itself of any such investment no later than December 31, 2009.

4) Grant Authority

Grant authority to make investments with a longer duration than five years within the limitation as described in item # 3.

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