NEVADA ASSOCIATION OF COUNTIES (NACO)
Board of Directors' Meeting
February 21, 2020, 9:30 a.m.
NACO Conference Room
304 S. Minnesota Street
Carson City, NV 89703

AGENDA
Some NACO Board members may attend via phone from other locations. Items on the agenda may be taken out of order. The NACO Board may combine two or more agenda items for consideration. The NACO Board may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Call to Order, Roll Call and Pledge of Allegiance

1. Public Comment. Please Limit Comments to 3 Minutes.

2. Approval of Agenda. **For Possible Action**

3. NACO President's Report.

4. NACO Executive Director's Report.

5. Approval of Minutes of the January 31, 2020 NACO Board of Directors Meeting. **For Possible Action**

6. Approval of Additional NACO 2020 Associate Members. **For Possible Action**

7. Discussion and Possible Approval of Storey County to Host the 2021 NACO Annual Conference, Including Discussion of Conference Dates. **For Possible Action**

8. Discussion and Possible Approval of a New NACO Investment Advisor. **For Possible Action**

9. Review and Final Approval of NACO's Draft Federal Policy Priorities for 2020. **For Possible Action.**

10. Update and Discussion Regarding the Board for the Fund for Hospital Care for Indigent Persons (IAF Board) Recent Decision to Allocate Additional Funds to Assist Counties to Pay their Obligation of the Nonfederal Share of Expenditures for Long-Term Care Pursuant to the State Plan for Medicaid. **For Possible Action**

11. Update on the University of Nevada Cooperative Extension Program, Dr. Ivory Lyles, Director, and Associate Dean for Engagement. **For Possible Action**

12. Presentation from the Nevada Airports Association, Jeff Fontaine, Executive Director; Ken Moen, President.

13. Discussion and Updates Related to the 2020 U.S. Census.

14. Update and Discussion Regarding the University Nevada, Reno, Budget Enhancement Proposal for the Cooperative Extension Program, UNR President Marc Johnson. **For Possible Action**

15. **Update and Possible Action** Regarding Natural Resources and Public Lands and Issues Affecting Counties Including:

    a. Review of NACO's Draft Comments on Council for Environmental Quality's Notice of Proposed Rulemaking for National Environmental Policy Act (NEPA).
    b. The U.S. Department of the Navy's Final Environmental Impact Statement (FEIS) for the Fallon Range Training Complex (FRTC) Modernization.
    c. Other Updates from the NACO Public Lands and Natural Resources Subcommittee.

16. NACO Committee of the Emeritus Update.

17. National Association of Counties and Western Interstate Region Board Member Updates.

18. NACO Board Member Updates.

19. Public Comment. Please Limit Comments to 3 Minutes.

Adjournment.

Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify NACO in writing at 304 S. Minnesota Street, Carson City, NV 89703, or by calling (775) 883-7863 at least three working days prior to the meeting.

Members of the public can request copies of the supporting material for the meeting by contacting Amanda Evans at (775) 883-7863. Supporting material will be available at the NACO office and on the NACO website at: www.nvnaco.org

This agenda was posted at the following locations:
NACO Office 304 S. Minnesota Street, Carson City, NV 89703
Washoe County Admin. Building 1001 E. Ninth Street, Reno, NV 89520
Elko County Manager's Office 540 Court Street #101, Elko NV 89801
POOL/PACT 201 S. Roop Street, Carson City, NV 89701

Agenda Item 4

JACKY ROSEN

U.S. Senator *for* Nevada

Nevada Grant Series

Get help with federal grant opportunities for local governments and organizations. Representatives from the **Department of Transportation, Department of Agriculture, and FEMA** will be available.

Friday, March 6
Registration: 8:30am
Program: 9:00am-12:00pm

Las Vegas City Hall
495 S. Main Street
Las Vegas, NV 89101

Free Admission!

Agenda Item 5

NEVADA ASSOCIATION OF COUNTIES (NACO)
Board of Directors' Meeting
January 31, 2020, 10:30 a.m.
Pueblo Room
Clark County Government Center
500 S. Grand Central Pkwy
Las Vegas, NV 89155

UNADOPTED MINUTES

ATTENDANCE: President Waits, President Elect French, Vice President Kirkpatrick, Past President Weekly, Carson City Supervisor Giomi, Esmeralda County Commissioner Keyes, Elko County Commissioner Steninger, Lander County Commissioner Clark, Lincoln County Commissioners Higbee and Lister, Mineral County Commissioner Price, Washoe County Commissioner Lucey, White Pine County Commissioner Carson and NACO Staff (Dagny Stapleton, Vinson Guthreau, Colby Prout and Amanda Evans)

REMOTE ATTENDANCE: Eureka County Commissioner Goicoechea, Lyon County Commissioner Keller

OTHER ATTENDANCE: Lander County Commissioner Allan; Eureka County Natural Resources Manager, Jake Tibbets; Clark County Assistant Manager, Kevin Schiller; Clark County Administrative Staff, Justin Harrison and Kathleen Walpole; Ivory Lyles and Sheila Bray, Cooperative Extension; and Richard Hy, Eglet Adams

The meeting was called to order at 10:32 a.m. by President Waits.

1. **Public Comment**. None was given.

2. **Approval of Agenda**. Commissioner Wichman moved for approval of the agenda with the date corrected from Jan. 31, 2019 to Jan. 31, 2020. The motion was approved on a second by Commissioner Price.

3. **Investiture of the 2020 NACO Officers**. The investiture of the 2020 NACO officers was conducted by Past President, Clark County Commission Vice Chair Lawrence Weekly. President Elect French (Humboldt County Commissioner) ascended to the office of President, Vice President Kirkpatrick (Clark County Commission Chair) ascended to the office of President Elect and Washoe County Commission Chair Lucey took the oath of office as Vice President. President Waits assumed the office of Past President and will Chair the Committee of the Emeritus. Following the investiture President French took over as Chair.

4. **NACO President's Report**. President French thanked Commissioner Weekly for his leadership and conducting the investiture. He welcomed the new members to the Board, Carson City Supervisor Giomi; Lander County Commissioner Clark; and White Pine County Commissioner Carson. President French informed the Board that he had appointed Vice President Lucey as Chair of the Legislative Committee and that Pershing County Commissioner Shank would serve as Vice Chair. He also informed the group that he had appointed Lincoln County Commissioner Higbee as Chair of the Public Lands and Natural Resources Committee, with himself, Commissioner French, serving as Vice Chair. Following these announcements President French thanked the Board for their support and noted the importance of the Association and

relationships formed within the group. He concluded his report by outlining his vision for his tenure as President including work on Natural Resources issues, the Department of Defense withdrawals, wildfire issues, homelessness, and economic and workforce development issues.

5. **NACO Executive Director's Report**. Dagny thanked Past President Waits for her service in 2019, acknowledged the three other Past Presidents of the Association in attendance (Commissioners Weekly, Wichman and Carson) and welcomed the new members of the Board. She informed the Board that the Legislative and Public Lands and Natural Resources Subcommittees are open to all Commissioners and encouraged any who are interested in serving to contact NACO staff. She informed the Board that the Cooperative Extension funding proposal approved by the Board in December had been carried forward and that she had met with the Chair of the Board of Regents on the proposal. She also informed the Board she had been asked to serve on the search committee for the next President of the University of Nevada, Reno, which oversees the Cooperative Extension program, and that she would keep the Board apprised of that process. Dagny concluded her remarks by encouraging attendance at the National Association of Counties (NACo) Annual Legislative Conference and reminded the Board to let Amanda know if they or any of their fellow Commissioners would be in attendance. Dagny discussed the TestIt App developed by NACo, which gathers user experience data on internet connectivity across the country – she encouraged members to use it so that Nevada data is included. She informed the Board that the Nevada Commission on Aging has two appointments available and to contact her if any members of the Board are interested on serving on that Commission. She also informed the Board that Senator Rosen is planning two workshops to assist local governments with applications for federal grant funding, the first will be held in Las Vegas on March 6th and additional information will be brought back to the Board when the Northern Nevada event is finalized. Dagny concluded her remarks by giving the Board an overview of the Board for the Fund For Hospital Care to Indigent Persons (IAF), including the use of the Fund to leverage federal dollars for payments to hospitals for Medicaid patients and to help counties with their long term care assessments. She informed the group that the IAF Board would be hearing a proposal to provide additional dollars from the fund to counties to help with the Medicaid match assessments.

6. **Approval of Minutes of the December 13, 2019 NACO Board of Directors Meeting**. The minutes were approved on a motion by President Elect Kirkpatrick with second by Commissioner Wichman.

7. **Approval of Additional NACO 2020 Associate Members**. The application for Associate Membership of the Nevada Builders Alliance was approved on a motion by Commissioner Price with second by Supervisor Giomi.

8. **Discussion and Possible Approval of a NACO Board Retreat and Strategic Planning Session in 2020**. Dagny informed the Board that it had been several years since an event such as this had taken place and suggested canceling the Board of Directors meeting in June and holding the session on the date reserved for that meeting. Commissioner Weekly noted that it was a good idea to hold this event, especially in preparation for the 2021 Legislative Session. President Elect Kirkpatrick suggested inviting the Associate Members and the use of a facilitator for the event. Vice President Lucey noted that such an event is a good idea for gaining greater understanding of individual county issues and furthering collaboration. Past President Waits inquired as to where the event would be held and how long it might be. Dagny informed the Board that her initial vision was to have it in the NACO conference room for a half-day. Vice President Lucey suggested the possibility of finding a location at Lake Tahoe. The Board Retreat and Strategic Planning Session was approved to be held on June 26th, in lieu of the June Board meeting, from 10:00 a.m. to 3:00 p.m. with the location to be determined, on a motion by Commissioner Weekly with second by Commissioner Wichman.

9. **Approval of NACO Resolution 20-01 Recognizing January as National Radon Action Month**. The resolution was approved on a motion by Commissioner Wichman with second by Commissioner Price.

10. **Recommendation of a Nominee for Appointment by the Governor for NACO's Seat on the Nevada Commission on Off-Highway Vehicles (NRS 490.067)**. Dagny informed the Board that Sue Baker (Clark County) is the Association's current representative on the Commission and that she is interested in reappointment, although she would possibly only serve for one of the two years of the appointment. The nomination for reappointment of Sue Baker was approved on a motion by Commissioner Price with second by President Elect Kirkpatrick.

11. **Recommendation of a Nominee for Appointment by the Director of Department of Health and Human Services for NACO's seat on the Nevada Grants Management Advisory Committee (GMAC) (NRS 232.383)**. Dagny reminded the Board that the Committee oversees the distribution of the tobacco settlement funds. She informed the Board that former NACO Executive Director, Jeff Fontaine had been the Association's representative for a number of years and that he was stepping down. She informed the Board that the Nevada Association of County Human Services Administrators recommended Lyon County Human Services Administrator, Shayla Holmes as the nominee. Dagny noted that Ms. Holmes is interested in taking on the position and that she has a degree in Grants Management. The nomination of Ms. Holmes was approved on a motion by Past President Waits with second by Commissioner Wichman.

12. **Discussion and Approval of two of NACO's Three Appointees to the Committee on Local Government Finance**. The reappointment of Gina Rackley (Humboldt County) and Christine Vuletich (Washoe County) was approved on a motion by Commissioner Wichman with second by Commissioner Price.

13. **Update on County Opioid Lawsuits in Nevada, Kevin Schiller, Clark County Assistant County Manager, and Richard Hy, Attorney, Eglet Adams**. Mr. Hy gave the Board a high-level update on the status of his firm's involvement in the issue, noting that those counties that have retained the firm can request county specific updates. He informed the Board that most counties and the State are being represented by Eglet Adams. The Board was informed that while four thousand counties and municipalities had been conjoined into the lawsuit in federal court in Ohio, most Nevada jurisdictions had opted out, choosing to remain in state court and that no settlement offers have been made by defendants in the Nevada cases. He outlined the firm's strategy in bringing the individual cases to court and informed the Board that damages specific to each jurisdiction are being determined to ensure that each entity's issues are addressed. It was noted that Nevada is fourth in the nation for effects of the opioid crisis and that Nevada Attorney General Ford agrees that the counties should be able to pursue their own damages instead of being lumped into the State's case and risking funding not be available to address their specific effects from the crisis. Assistant County Manager Schiller discussed the need for counties to identify specific needs and propose specific plans for how dollars would be spent if funding is awarded. Collaboration among the counties was discussed, specifically among those counties that have treatment facilities and those that don't. Dagny clarified that if funds become available that there will need to be specific plans in place by the counties for the spending of those funds, most being dedicated to treatment programs. Mr. Schiller suggested utilizing NACO as a forum for conducting these discussions and President Elect Kirkpatrick noted that it isn't necessary to wait for a settlement to occur in order to begin the discussions and start the planning process, not only within each county but regionally as well. Dagny noted that she was glad that Mr. Hy noted the Attorney General's willingness to share information with the counties and that he believes dollars need to come directly to the counties to mitigate damages and

ensure that if the State. She also asked about the conversation at the state level around the distribution of funds between the State and counties, and a potential distribution formula, noting the tobacco settlement and the lack of direct settlement dollars to counties. Mr. Hy noted that the tobacco settlement situation was a driving force behind the AG's decision to ensure that the counties are able to bring their own suit, specifically to avoid overlapping damage claims. Mr. Hy concluded the item by informing the Board that his firm is willing to share the unique individual damages identified for both the state and the county's as long as the release of that information doesn't violate attorney client privilege.

14. **Review and Discussion of NACO's Draft Federal Policy Priorities for 2020**. Vinson referenced the draft document included in the agenda packet and reminded the Board that it is a document produced annually and presented to the Federal Delegation during the NACo Legislative Conference. Vinson noted that changes, and additions to the document were highlighted in yellow and include the Medicaid Inmate Exclusion Policy, Natural Disaster Recovery, Military Withdrawals, Broadband and Emerging Technologies, Cybersecurity, Transportation Funding, and Federalism. The Public Lands and Natural Resources Committee also recommended the removal of the Waters of the U.S. (WOTUS) portion of the document as the rule was finalized. Dagny requested direction from the affected counties as to if they would like Nellis to be included in the Military Withdrawal section and those county representatives agreed they would like it included. The Board was requested to forward any comments on the draft to staff and informed that it would be brought back for final approval at the February meeting of the Board. No action was taken on the item.

15. **Update on the Legislature's Interim Working Group to Consider Alternative Solutions for Transportation System Funding in Nevada (SCR3)**. Vinson informed the Board that the working group had conducted three meetings, with the next scheduled for February 6th. He noted that the discussion had centered around finding a new mechanism for road funding as the current system isn't viable or sustainable. He noted the fact that the majority of the state's roads are owned by counties. Commissioner Lister inquired whether there is a clear path where the group is headed, and Vinson stated that there isn't one as of yet. Vinson concluded the item by informing the Board that the item would be brought back to the Board if and when any action is taken.

16. **Discussion and Updates Related to the 2020 U.S. Census**. Dagny reminded the Board that the State has grants available for county outreach efforts. She referenced the links to the Census websites included in the agenda packet and noted that the Census has the availability to conduct trainings for county staff to assist in outreach efforts. Dagny concluded the item by reviewing the timeline of the Census also included in the agenda packet.

17. **Update and Possible Action Regarding Natural Resources and Public Lands and Issues Affecting Counties Including:**

    a. **Notice of Proposed Rulemaking on the National Environmental Policy Act (NEPA) and Possible NACO Comment**. Colby gave the Board an overview of the proposed changes to NEPA implementation as described in the memo included in the agenda packet, noting that it is the first revision in over 40 years. He informed the Board that comments on the proposed Rule are due on March 10th and requested direction and/or approval to draft comments. President French noted that the initial implementation of the Rule was vastly different than what is currently experienced. The Association's drafting of comments was approved on a motion by Commissioner Wichman with second by Commissioner Carson.
    b. **The U.S. Department of the Navy's EIS for the Fallon Range Training Complex (FRTC) Modernization**. Vinson informed the Board that the Navy released their Final

Environmental Impact Statement (FEIS) on the 10th of January and therefore the non-disclosure agreement is no longer in effect. The release of the FEIS triggered a 30-wait period prior to the Navy's execution of a Record of Decision (ROD). While Vinson informed the Board that discussions with the Navy conducted during two meetings held that week, indicated that they are not planning to send the ROD to Congress by February 10th, he is planning to have comments revised and sent to the Delegation and copied to the Navy by February 10th. Commissioner Lister inquired as to a Governor's Consistency Review and Vinson informed the Board that is not a component of the wait period, but the Governor's office had and would be weighing in directly with the Navy. No action was taken on this item.

c. **Other Updates from the NACO Public Lands and Natural Resources Subcommittee**. Colby noted that the final WOTUS rule had been released prompting the Subcommittee to recommend the removal of the issue on the Federal Priorities document discussed under item 14. President French informed the Board that standing items discussed during the abbreviated meeting earlier in the morning included Sage Grouse and Wild Horses and Burro's. No action was taken on this item.

18. **NACO Committee of the Emeritus Update**. Past President Waits, 2020 Chair of the Committee reminded the Board of the workshop being held the following week on the importance of county water resource plans and their inclusion in county master plans, as required in newly passed legislation. She also informed the Board that the Committee is working on the update to the County Commissioner's Handbook and the New Commissioners Training that will be held at the Association's Annual Conference in November following the general election.

19. **National Association of Counties and Western Interstate Region Board Member Updates**. President French informed the Board that discussion in the Western Interstate Region continued to include the reauthorization and full funding of Payment in Lieu of Taxes (PILT) and Secure Rural Schools (SRS) and that two bills had been introduced in Congress to address permanent funding of both programs. Wildfire also continues to be a large discussion including regulatory issues, interface between agencies, funding and the lack of collaboration with local entities. President Elect Kirkpatrick informed the Board that an update on the NACo Board of Directors would be given following their meeting at the Legislative Conference.

20. **NACO Board Member Updates**. Updates were given by members of the Board on activities within their counties.

21. **Public Comment**. None was given.

The meeting was adjourned at 1:49 p.m.

Agenda Item 6

NACO ASSOCIATE MEMBER INFORMATION

Company Information (please print or type)

Enterprise Fleet Management
Company Name

6855 Bermuda Rd.
Headquarters Address

Las Vegas	NV	89119
City	State	Zip

702-597-4584	702-597-1985
Phone	Fax

www.efleets.com
Company Website

Official Company Representative (please print or type)

Kris	Fisher	Senior Account Executive
First Name	Last Name	Title

Address (if different from above)

702-597-4584	702-597-1985	702-267-7435	kristoffer.f.fisher@efleets.com
Phone	Fax	Cell	E-mail

Additional/Alternate Company Contact (Name & E-mail)

Please provide a brief summary of what your firm does and how an Associate Membership with NACO will be mutually beneficial.

Enterprise Fleet Management partners with over 10,000 fleets across the nation, including nearly 1,000 counties, municipalities, and special districts. Our ongoing mission is to reduce the expense and frustration associated with managing a vehicle fleet. Our 50+ regional teams stand ready to help our clients design and execute customized fleet plans that propel the cleanest, safest, and most cost-effective public fleets.

Thank you for your interest in joining NACO!

Please return your completed application to us at: 304 S. Minnesota St.
Carson City, NV 89703
or via E mail at: aevans@nvnaco.org

Agenda Item 7

In previous discussions the NACO Board instructed staff to investigate the viability of the 2021 NACO Annual Conference being hosted by Storey County and held in Virginia City. Because of the limited availability of rooms in Virginia City and in order to reserve the amount of rooms that will be needed for the Conference, NACO staff are requesting that final dates and location for the 2021 Conference be approved this month. September 28-30, 2021 are the proposed dates. Please check your calendars, as well as events that may be scheduled for other organizations you may be involved with, to determine if these dates will work.

Agenda Item 8

NACO Investment Advisor Selection 2020
Recommendation of Moreton Asset Management
February 21, 2020

Executive Summary:
NACO received proposals from three firms and each firm was provided a copy of the August 30, 2019 updated NACO Investment Policy. They prepared proposals that would comply with the policy. They acknowledged the importance of communication with NACO Staff and annual performance updates to the Board of Directors. Their model portfolios were in compliance with the provisions of the investment policy. Each firm exceeded the requirements for advisor in the policy. The three firms were First Allied, Edward Jones and Moreton Asset Management.

Each of the three firms and their related professional advisors are of high quality and would be able to do an effective job for NACO. The recommendation of the investment advisory committee (NACO Executive Director, Fiscal Officer, NACO Vice President) is based on criteria in the Investment Policy, as well as which firm they believe would be the best fit for NACO. The Committee believes that It is important to have an investment advisor who understands governmental operations and has clients within the government and non-profit space. Investment fees were also a factor as these are always paid first and have an impact on the net returns of the portfolio. There are basically two layers of fees, one at the advisor level and one at the investment level.

The recommendation of the Committee is that **Moreton Asset Management** is the best choice for NACO. Their fees are the lowest due to their small size, yet their ability to manage assets, especially for local government clients, is proven, and their staff and proposal were responsive and tailored to NACO's needs. A summary of Moreton's qualifications is below.

Moreton Asset Management: Mr. Ben She, Ms. Dawn Dachenhausen
Ben has 9 years of experience in fixed income investments. Moreton is a privately-owned company with its principal offices in Salt Lake City. They manage $1.95B in fixed income investments for 75 government accounts as their core business. They are a small shop using a team approach with an investment philosophy built on "separately managed account" concept with no attachment to banks or brokerage houses to push their products. They are very independent. In their recommended model portfolio, they recommend a 65% fixed income and 35% risk assets mix of Vanguard mutual funds which would comply with the investment policy. Moreton fee structure is based on portfolio size wherein NACO investment balances would pay 0.25% fees to them. The Vanguard program fee for their mutual funds range from 0.03% to 0.07%. Therefore, the total all in fee rate assuming the maximum Vanguard amount would be 0.32%. The model portfolio returns for 1 Year is 12.58%, 3 Year 7.53%, 5 Year 5.96% and 10 year at 7.16% net of Vanguard fees. As such, a reduction of 0.25% (Moreton fees) from those rates would give you the net returns. **Positives**: Moreton are investment managers in the governmental space as their core business. They are investment managers for several rural Nevada Counties. They can select any type of investment products as they are not tied to any one company/fund manager. Fees are the lowest among the three firms. They are recommending Vanguard mutual funds which are the lowest fee funds in the industry. Model portfolio had the highest returns using the Vanguard platform. Ben and staff very willing to travel to Carson to make Board presentations and educational sessions.

Alan Kalt, NACO Fiscal Officer is available for any specific questions on this proposal:
akalt@poolpact.com or cell phone (775) 427-5272

Nevada Association of Counties
Approved Investment Policy
August 30, 2019

Investment Guidelines

1. Scope

This investment policy applies to all financial assets of Nevada Association of Counties (NACO). These funds are accounted for in NACO's annual financial report.

2. Statement of Purpose

The purpose of the NACO Investment Guideline is to provide a general policy that will establish a framework that will be used to identify and define objectives, goals, standards and performance measurement of NACO investments. Within this general framework, NACO will structure an investment portfolio which is designed to attain a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints established by NACO, cash flow characteristics of the portfolio and operating demands.

Investment goals and objectives will be defined and established by the NACO Board on an annual basis with input from investment professionals and administrative staff.

The NACO investment portfolio will be designed following these key objectives:

- Liquidity - To provide adequate liquidity to meet all operating obligations that reasonably may be anticipated within the current operating cycle.

- Income and Growth - To structure an investment portfolio which is designed to attain a rate of return that is:
    - Competitive with portfolios with similar characteristics
    - Provides a balanced return of current income and modest growth of principal
    - Achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power

- Safety of principal - Safety of principal is an important objective of the investment program. NACO seeks to preserve principal and achieve the maximum return possible given pre-determined risk constraints and liquidity demands. To attain this objective, diversification is required.

3. Investment Strategy:

The investment strategy is NACO's plan of distributing assets among various investments, taking into consideration such factors as operating demands, goals, risk tolerance and horizon. Based on the investment goals and objectives, NACO will establish a balanced investment strategy which is a method of portfolio allocation designed to provide both income and capital appreciation while avoiding excessive risk. NACO may retain the services of qualified investment entities (investment managers) to provide professional advice, guidance, market information, trends, training and investment. Investments will be directed by this investment guideline policy.

Investment strategy will conform to the provisions of Nevada Revised Statutes.

Prudent Investor Rules apply. The Prudent Investor Rules state that a fiduciary must:

1) Make investment and management decisions with respect to individual assets in the context of the investment portfolio as a whole and as part of an overall investment strategy, not in isolation.
2) Adhere to fundamental fiduciary duties of loyalty, impartiality, and prudence.
3) Maintain overall portfolio risk at a reasonable level. That is, risk and return objectives must be reasonable and suitable to the portfolio. The tradeoff between risk and return is the fiduciary's central concern.
4) Provide for the reasonable diversification of investments.
5) Act with prudence in deciding whether and how to delegate authority to experts and in selecting supervising agents. Be cost conscious when investing. The fiduciary should incur only costs that are reasonable in amount and appropriate to the investment responsibilities of the fiduciary

4. Investment Risk:

It is the policy of NACO to invest in a variety of investments including predominantly stocks, bonds, treasuries, cash and cash equivalents to provide both income and capital appreciation while avoiding excessive risk and preserving principal over time. Various types of risks and related mitigation strategies will be considered.

5. Investment Responsibility

A. Investment authority for NACO rests with the Board of Directors.

B. The Board of Directors or its designee may contract with investment advisor(s) to advise and manage the NACO's investments. Such advisor(s) shall provide a comprehensive report at least annually to the Board of Directors or its designee of all transactions and the investment performance of funds under management. The report shall suggest changes in policies or improvements that might be made in the investment program.

C. The Board of Directors or its designee will monitor all investment activity as closely as is practicable. The Board of Directors or its designee will direct

managers/advisors regarding day-to-day investments. In all cases, the Board of Directors or its designee will:

1. Ensure that all investments are made in accordance with NACO policies;

2. Consider the status of investment policy and strategy;

3. Inventory all securities held by NACO (This shall be done in conjunction with the annual CPA audit);

4. Prepare and maintain monthly reports of all investment activity; the report shall include a listing of all securities bought, sold and matured; the report will also include a status of all investments held;

5. Review the investment report at least annually, and at the next available meeting shall make the review a matter of record in the minutes;

6. Require that officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions; Such persons shall disclose to the Fiscal Officer or to the Chairman of the Board any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of NACO;

7. Review this investment policy and the asset allocation, diversification and risks at least annually and at any other time as needed to fulfill its fiduciary responsibility, and will make modifications as deemed necessary;

8. Support periodic training with respect to investments and investment management.

6. Authorized Investments

Federal, state and other laws and regulations that govern Nevada corporations stipulate eligible investments; such laws and regulations will supersede other viable investment alternatives that may be considered.

The following are eligible investments subject to asset allocation:

A. Fixed income securities, mutual funds and ETFs
B. Equity securities, mutual funds, and ETFs
C. Cash and Cash Equivalents
D. Other securities

Any Master Repurchase Agreement must be signed with the bank or dealer.

If governmental sponsored pools and/or mutual funds are to be utilized, a thorough investigation of the pool/fund is required prior to investing, and on a continual basis. Transparency of strategy and results should be primary criteria for involvement in such pools/funds. The following general information should be considered by the manager as appropriate and addressed as necessary:

1. A description of the eligible investment securities, and a written statement of investment policy and objectives
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes) and how often the securities are priced, and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. A statement regarding utilization by the pool/funds of reserves or retained earnings.
7. A fee schedule and when and how it is assessed.
8. A statement regarding whether the pool/fund is eligible for bond proceeds and/or whether it will accept such proceeds.

7. Prohibited Transactions

The following types of assets or transactions expressly are prohibited, except where such transactions occur within a managed or mutual fund as an incidental strategy and such characteristics are noted as such and accepted by the Board:

1. Options contracts: the purchase and sale of put and call options, except for the writing of covered call options for capital preservation purposes. This does not include fixed income securities that have a put or call feature.
2. Commodities or other commodity contracts
3. Private placements
4. Purchase of equity securities on margin
5. Short selling
6. Interest-only (IO), Principal-only (PO), and CMO residuals
7. Transactions that would leverage investment positions except for securities lending operations
8. Off balance sheet derivatives
9. Limited partnerships
10. Venture capital investments
11. Direct mortgage lending or participation in direct mortgage loans
12. Letter stock and other unregistered securities
13. Securities lending, pledging or hypothecating securities

14. Investment in the equity securities of any company with a record of less than three years' continuous operations, including the operation of any predecessor, and investments for the purpose of exercising control of management.

8. Authorized Financial Dealers and Institutions

The Officers will maintain a list of financial institutions and mutual fund companies authorized by the Board to provide investment services. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Officers with the following evidence of qualifications:

A. audited financial statements (two years or more)
B. proof of National Association of Security Dealers certification
C. trading resolution
D. proof of Nevada registration
E. certification as having read NACO's Investment Guidelines and depository contracts
F. service auditors reports (SSAE 16 if available) regarding internal controls
G. Resumes and references.

An annual review of the financial condition and registrations of qualified bidders and mutual fund companies will be conducted by the Fiscal Officer or their designees. A current audited financial statement is required to be on file for each primary financial institution and broker/dealer with which NACO invests or transacts.

9. Selection and Performance Review of Investment Managers

The NACO Board of Directors may select appropriate investment managers to manage NACO assets. If the Board uses an investment manager, they must meet the following minimum criteria:

- Be a registered investment advisor under the Registered Investment Advisors Act of 1940 or be a bank, insurance company or investment management company.
- Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
- Provide quarterly performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel.
- Clearly articulate the investment strategy that will be followed and document that the strategy successfully has been adhered to over time.
- Have no outstanding legal judgments or past judgments that may reflect negatively on the firm.
- Provide in writing acknowledgement of fiduciary responsibility to NACO.

The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration will be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this investment policy statement.

The Board of Directors shall evaluate the portfolio(s) on an annual basis and reserves the right to terminate a manager for any reason, including the following:

- Investment performance that significantly is less than anticipated given the discipline employed and the risk parameters established or unacceptable justification of poor results.
- Failure to adhere to any aspect of this investment policy statement including communication and reporting requirements.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

10. Investment Guidelines and Limitations

A. General Guidelines

- Diversification. There will be sufficient diversity in the authorized instruments to allow for variety in the makeup of the portfolio. The Board of Directors will review investment activity reports to assure appropriate diversification exists.
- For cash management funds, the following guidelines shall apply: Liquidity shall be assured through practices ensuring that the next disbursement date is covered through maturing investments or marketable U.S. Treasury bills
- Positions in securities having potential default risk shall be limited in size so that in case of default, the portfolio's annual investment income should exceed a loss on a single issuer's securities.
- Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

B. Allocation. The Board will establish an asset allocation commensurate with the investment goals and objective and risk tolerance. The asset allocation will be based on the advice of qualified investment professionals and administrative staff.

The following guidelines shall serve for asset allocation (% of market value), subject to modification by the Board as noted herein:

Asset Allocation	**Minimum**	**Maximum**
Cash & Cash Equivalents	0%	100%
Core Fixed Income	50%	100%
Risk Assets	0%	50%

Core Fixed Income Portfolio – Mutual Fund/ETF	**Maximum**
Cash & Cash Equivalents	100%
Investment Grade Bond Funds	100%

Risk Assets Portfolio – Mutual Fund/ETF	**Maximum**
U.S. Equity	100%
International Equity / Bonds	50%
High Yield / Bank Loan	50%
Real Estate	25%
Indicates the maximum allocation allowable as a percentage of the risk asset portfolio	

When necessary and/or available, cash inflows and outflows will be deployed in a manner consistent with the strategic asset allocation; otherwise the allocation will be reviewed quarterly. If the board determines that cash flows are insufficient to bring the allocations to within the minimum/maximum ranges, the board will determine whether to effect transactions to bring the strategic allocation within the threshold ranges.

C. Maturities. To the extent possible, NACO will attempt to match its investments with anticipated cash flow requirements.

D. Return on Investment. NACO's investment portfolio will be designed with the objective of attaining a market rate of return taking into account NACO's investment risk constraints and the cash flow characteristics of the portfolio.

E. Performance Standards: Performance standards along with the general goals and objectives of NACO will be established by the Board in consultation with and the assistance of professional advisors and administrative staff and changes will be communicated to appropriate investment managers in writing as necessary.

11. Safekeeping and Custody

Securities purchased by NACO will be held by a professionally qualified institution that has the necessary specialization to provide accurate and timely safekeeping of the assets of NACO. If securities are purchased from outside dealers by an advisor, then securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

The Fiscal Officer or their designees shall maintain a system of internal controls, which shall document investment activities. The investment activities and statements shall be available to the Board of Directors and the independent auditor. The controls shall be designed to prevent the loss of NACO funds arising from fraud, employee error,

misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees, service providers and officers of NACO.

No new custodial account will be established without the express approval of the Board of Directors.

13. Investment Policy Adoption

The Board of Directors will adopt NACO's investment policy. The Board of Directors will review the policy on at least an annual basis and the Board must approve any modifications made thereto.

_____ Date_____
Signature of Chairman of Board Signifying Board Adoption

_____ Date_____
Signature of Executive Director of NACO

APPENDIX – GLOSSARY OF FINANCIAL TERMINOLOGY

- **Agency Debt** – is a security, usually a bond, issued by a U.S. government-sponsored agency. The offerings of these agencies are backed by the government, but not guaranteed by the government since the agencies are private entities. Such agencies have been set up in order to allow certain groups of people to access low cost financing e.g. students and home buyers. Some prominent issuers of agency securities are Student Loan Marketing Association (Sallie Mae), Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac). Agency securities are usually exempt from state and local taxes, but not federal tax. Agency debt is also called an agency security.

- **Agency Mortgage-Backed Securities** – Mortgage backed securities with payment of interest and principal guaranteed by FNMA, FHMC, or GNMA.

- **Amortized Value /Book Value -** The book value of the fixed income security is a function of both the original cost of the security purchased, the size of the premium or discount paid for a security and the amount of time between acquisition and the maturity date and/or call date of the security. Reflective of movement between cost and par.

- **Asset-Backed Securities (ABS) -** is a security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can include common payments from credit cards, auto loans, and mortgage loans, to esoteric cash flows from aircraft leases, royalty payments and movie revenues.

- **Barbell Strategy** – Concentrating the maturities or cash flows of a portfolio in a combination of short maturities and long maturities, while underweighting intermediate maturities, relative to a more laddered maturity distribution or benchmark.

- **Basis Point (Bps) -** A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

- **Book Value -** The value at which an asset is carried on a balance sheet, before market value fluctuations. Typically equals the cost of the security plus or minus the unamortized premiums and discounts.

- **Book Yield -** This is the expected return over a fixed income security's expected life based on its cost. It incorporates both coupon income and accretion or amortization of premiums or discounts. When book yield is multiplied by book value, it represents a close approximation as to actual income to be earned over the near term.

- **Build America Securities (BABS) -** Taxable municipal securities introduced under the 2009 American Recovery and Reinvestment Act to assist municipalities in funding infrastructure projects. The higher taxable interest rate was offset by a 35% subsidy from the federal government. This program was discontinued December 31, 2010.

- **Bullet** – Concentrating the maturities or cash flows of a portfolio in the intermediate portion of a maturity distribution relative to a flatter or more laddered distribution or benchmark.

- **Call Price -** The price, specified at issuance, at which the issuer of a bond may retire part of the bond at a specified call date prior to final maturity.

- **Cash Equivalents -** Investment securities that are short-term, have high credit quality and are highly liquid.

- **Collateralized Mortgage Obligation (CMO)** – A security backed by mortgages (agency or non-agency) with the cash flows separated and directed into short, medium, and long term positions (tranches) as well as in to senior and subordinated tranches. CMO tranches can offer the investor less or more prepayment risk and volatility than the underlying mortgage collateral.

- **Commercial Mortgage Backed Securities (CMBS) -** Securities backed by principal and interest payments from a pool of commercial mortgages and collateralized by the underlying properties.. A CMBS can provide liquidity to real estate investors and to commercial lenders. Because they are not standardized, there are a lot of details associated CMBS that make them difficult to value. However, when compared to a residential mortgage-backed security (RMBS), a CMBS provides a lower degree of prepayment risk because commercial mortgages are most often set for a fixed term.

- **Corporate Securities-** Securities issued by United States and foreign domiciled corporations.
- **Credit support** – Protection from losses provided by other subordinate tranches in a CMO or CMBS structure which take losses first. These may include; excess spread, over collateralization, reserve accounts, surety bonds and wrapping programs.
- **DERIVATIVES**

  "Cap" means an agreement obligating the seller to make payments to the buyer, with each payment based on the amount by which a reference price or level or the performance or value of one or more underlying interests exceeds a predetermined number, sometimes called the strike rate or strike price.

  "Collar" means an agreement to receive payments as the buyer of an option, cap or floor and to make payments as the seller of a different option, cap or floor.

  "Counterparty exposure amount" means:

(A) The net amount of credit risk attributable to a derivative instrument entered into with a business entity other than through a qualified exchange, qualified foreign exchange or cleared through a qualified clearinghouse. Such derivative instruments are hereinafter referred to as "over-the-counter derivative instruments." The amount of credit risk equals:

(i) The market value of the over-the-counter derivative instrument if the liquidation of the derivative instrument would result in a final cash payment to the insurer; or

(ii) Zero, if the liquidation of the derivative instrument would not result in a final cash payment to the insurer.

(B) If over-the-counter derivative instruments are entered into under a written master agreement which provides for netting of payments owed by the respective parties, and the domiciliary jurisdiction of the counterparty is either within the United States or, if not within the United States, within a foreign jurisdiction listed in the NAIC Purposes and Procedures of the Securities Valuation Office as eligible for netting, the net amount of credit risk shall be the greater of zero or the net sum of:

(i) The market value of the over-the-counter derivative instruments entered into under the agreement, the liquidation of which would result in a final cash payment to the insurer; and

(ii) The market value of the over-the-counter derivative instruments entered into under the agreement, the liquidation of which would result in a final cash payment by the insurer to the business entity.

(C) For open transactions, market value shall be determined at the end of the most recent quarter of the insurer's fiscal year, and shall be reduced by the market value of acceptable collateral held by the insurer or placed in escrow by one or both parties.

"Covered" means that an insurer owns or can immediately acquire, through the exercise of options, warrants or conversion rights already owned, the underlying interest in order to fulfill or secure its obligations under a call option, cap or floor it has written or has set aside under a custodial or escrow agreement cash or cash equivalents with a market value equal to the amount required to fulfill its obligations under a put option it has written, in an income generation transaction.

"Derivative instrument" means an agreement, option, instrument or a series or combination thereof:

(A) to make or take delivery of, or assume or relinquish, a specified amount of one or more underlying interests or to make a cash settlement in lieu thereof; or

(B) that has a price, performance, value or cash flow based primarily upon the actual or expected price, level, performance, value or cash flow of one or more underlying interests. Derivative instruments include options, warrants used in a hedging transaction and not attached to another financial instrument, caps, floors, collars, swaps, forwards, futures and any other agreements, options or instruments substantially similar thereto or any series or combination thereof and any agreements, options or instruments permitted under this chapter. Derivative

instruments shall not include an investment authorized under subdivisions (1) through (14) and (16) through (29) of section 3463 of Title 8 of the Vermont Code.

"Derivative transaction" means a transaction involving the use of one or more derivative instruments.

"Floor" means an agreement obligating the seller to make payments to the buyer in which each payment is based on the amount by which a predetermined number, sometimes called the floor rate or price, exceeds a reference price, level, performance or value of one or more underlying interests.

"Hedging transaction" means a derivative transaction which is entered into and maintained to reduce:

(A) the risk of a change in the value, yield, price, cash flow or quantity of assets or liabilities which the insurer has acquired or incurred or anticipates acquiring or incurring; or

(B) the currency exchange rate risk or the degree of exposure as to assets or liabilities which an insurer has acquired or incurred or anticipates acquiring or incurring.

"Income generation transaction" means a derivative transaction involving the writing of covered call options, covered put options, covered caps or covered floors that is intended to generate income or enhance return.

"Option" means an agreement giving the buyer the right to buy or receive (a "call option"), sell or deliver (a "put option"), enter into, extend or terminate or effect a cash settlement based on the actual or expected price, level, performance or value of one or more underlying interests.

“Potential exposure" means the amount determined in accordance with the NAIC Annual Statement Instructions, defined in the instructions of Schedule BDB, Part C, Section 1 as:

Potential Exposure = 0.5% x Notional Amount x Square Root of (Remaining Years to Maturity).

"Swap" means an agreement to exchange or to net payments at one or more times based on the actual or expected price, level, performance or value of one or more underlying interests.

"Underlying interest" means the assets, liabilities, other interests or a combination thereof underlying a derivative instrument, such as any one or more securities, currencies, rates, indices, commodities or derivative instruments.

- **Discount** - The excess of the par or face value of a fixed income security over the amount paid for the security, excluding purchased interest.

- **Discount Rate** - The interest rate used in discounted cash flow analysis to determine the present value of future cash flows.

- **Duration** - While duration has many definitions, for purposes of managing fixed-income portfolios, duration is defined as a measure of price volatility. Mathematically, duration is the weighted average time to maturity where the cash flows are present valued by the security's yield. As security calculations are generally done through the concept of present value (price) and discount rate (yield), in a duration calculation, the present values add up to the total purchase price. By weighting them based on when they are to be received, one can predict how the price of a security will change as its yield changes.

- **Effective Maturity /Average Life** - The weighted average amount of time it takes to get your principal (not interest) back. On a bullet (non-callable) security, effective maturity equals nominal maturity. On a callable security, effective maturity could be either the call date or the maturity date, depending on whether the security is trading at a premium or a discount to its call price. On amortizing securities (mortgage backed securities, asset backed securities, commercial mortgage backed security and securities with sinking funds) the effective maturity is the weighted average date of all principal payments, based on both scheduled and unscheduled (but projected) payments.

- **Emerging Markets** – are nations with social or business activity in the process of rapid growth and industrialization. The economies of China and India are considered to be the largest. According to "The Economist" many people find the term outdated, but no new term has yet to gain much traction. Emerging market hedge fund capital reached a record new level in the first quarter of 2011 of $121 billion. The eight largest emerging and developing economies by GDP are China, Brazil, Russia, India, Mexico, South Korea, Indonesia, and Turkey.

- **Excess Return** – A security's return minus the return of a comparable risk-free security. For most U.S. fixed income sectors, it is a security's return less the return of a comparable duration Treasury security.

- **Exchange Traded Fund (ETF)** – are securities that closely resemble index funds, but can be bought and sold during the day just like common stocks. These investment vehicles allow investors a convenient way to purchase a broad basket of securities in a single transaction. Essentially, ETFs offer the convenience of a stock along with the diversification of a mutual fund.

- **Factor** – The percentage of the original principal that is left to be distributed in a mortgage-backed security, as represented by a numerical factor that will be attached on periodic market quotes and other presentations of the MBS's price.

- **Final Maturity** - Final maturity refers to the date at which the last amount of principal is scheduled to be received.

- **Fixed Income Securities** - Marketable securities purchased primarily for their current yield rather than capital appreciation potential. These securities customarily have a stated interest

rate payable periodically. Examples: first mortgage bonds, treasury notes, municipal bonds and corporate notes. Specifically excluded from this classification are convertible bonds and preferred stock.

For fixed-income securities that have interim cash flows (coupons), total return is the difference between ending market value and beginning market value, plus the difference between ending and beginning accrued interest, plus coupons received, divided by beginning market value plus beginning accrued interest plus the time weighted cash flow for the period.

- **General Obligation Securities (G.O.)**- Debt obligations issued by states, counties, special districts, cities, towns, and school districts and usually secured by the unlimited taxing power of the issuer. Tax types vary; property, income, sales, special taxes. Where taxing authority is not unlimited, these are known as limited tax G.O.s. Issues supported by general taxing authority but special fees, charges, grants, etc, are known as double barrelled securities. These issues may be both taxable and non-taxable.
  - Generally speaking, a security's price and its yield move in an inverse relationship. So, when yields decrease, prices increase and when yields increase, prices decrease. This is reflective of the present value (price) and discount rate (yield) applied to the future cash flows of a fixed income security.

- **Government Securities** - Securities issued by one of the U.S. Agencies, Government Sponsored Enterprises ("GSE"), such as the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Company (FHLMC), or the Federal Home Loan Bank (FHLB), dollar-denominated securities issued by foreign governments or their agencies, supranational, and local authorities .
  - In practice, duration is the simplest measure of the amount of price sensitivity a security has to changes in interest rates.

- **Growth Stock** - is a stock of a company that generates substantial and sustainable positive cash flow and whose revenues and earnings are expected to increase at a faster rate than the average company within the same industry. A growth company typically has some sort of competitive advantage (a new product, a breakthrough patent, overseas expansion) that allows it to fend off competitors. Growth stocks usually pay smaller dividends, as the company typically reinvests retained earnings in capital projects.

- **High Yield Bond (non-investment grade, speculative or junk bonds)** – is a bond that is rated below investment grade. These bonds have a higher risk of default or other adverse credit events, but typically pay higher yields than better quality bonds in order to make them attractive to investors. Bonds rated BBB− and higher are called investment grade bonds. Bonds rated lower than investment grade on their date of issue are called speculative grade bonds, or colloquially as "junk" bonds. The lower-rated debt typically offers a higher yield, making speculative bonds attractive investment vehicles for certain types of financial portfolios and strategies.

- **Investment Income** - For fixed-income securities, the components of investment income include income coming from coupon payments plus or minus the change in accrued interest

from the beginning to the end of the period plus or minus the amortization or accretion of the cost basis to par value (this would equate to the change in book value) of the security.

- **Market Value** – often referred to as "fair value", these are indicative of the price at which the securities could be sold in an active market. The vast majority of prices are obtained from a third-party pricing vendor. These prices do not represent actual 'bids' for individual securities but provide a close approximation of the true sales proceeds which could be generated if the portfolio were liquidated as of the date of the report.

- **Market Yield -** Yield to maturity (sometimes called "market yield" or simply "yield") is the rate of return if a security is held to maturity based on its current market price.

- **Master Limited Partnerships (MLPs) -** is a publicly traded limited partnership. Shares of ownership are referred to as units. MLPs generally operate in the natural resource, financial services, and real estate industries. Unlike a corporation, a master limited partnership is considered to be the aggregate of its partners rather than a separate entity. However, the most distinguishing characteristic of MLPs is that they combine the tax advantages of a partnership with the liquidity of a publicly traded stock.

- **Money Markets -** The money market is a component of the financial markets for assets involved in short-term borrowing and lending with original maturities of one year or shorter time frames.
- **Mortgage-Backed Securities (MBS) -** Securities backed by principal and interest payments from a pool of residential mortgages; includes collateralized mortgage obligations (CMOs).
- **MORTGAGE RELATED SECURITIES**
  Special purpose trusts and corporate entities secured by residential or commercial real estate.

  a. Full Faith and Credit
  All pass-through securities guaranteed by the Government National Mortgage Association (GNMA) and certain other agencies that are backed by the full faith and credit of the United States.

  b. U.S. Agency Backed
  Mortgage related securities issued either as pass-throughs or as collateralized mortgage obligations (CMOs) of a U.S. government agency that are not backed by the full faith and credit of the United States.

  c. Non-U.S. Agency Backed ("Private label")
  Non-U.S. agency mortgage related securities backed by residential or commercial mortgages. Without a GSE guarantee, greater credit risk is usually assumed by the buyer. These usually have higher yields than agency MBS in order to compensate for this and other risks.
-

- **Mutual Funds -** An investment vehicle that enables individual investors to pool their money together and benefit from key advantages not normally available to smaller investors. These include: professional day-to-day investment management, greater diversification, easy access to global financial markets and 'wholesale' discounts and interest rates.

- **Par value -** Stated value or face value of the fixed income security. The stated amount the issuer must repay when the security reaches maturity.

    - **Passive Management (also called passive investing) –** is a financial strategy in which an investor (or a fund manager) invests in accordance with a pre-determined strategy that doesn't entail any forecasting (e.g., any use of market timing or stock picking would not qualify as passive management). The idea is to minimize investing fees and to avoid the adverse consequences of failing to correctly anticipate the future. The most popular method is to mimic the performance of an externally specified index. Retail investors typically do this by buying one or more 'index funds'. By tracking an index, an investment portfolio typically gets good diversification, low turnover (good for keeping down internal transaction costs), and extremely low management fees. With low management fees, an investor in such a fund would have higher returns than a similar fund with similar investments but higher management fees and/or turnover/transaction costs. Passive management is most common on the equity market, where index funds track a stock market index, but it is becoming more common in other investment types, including bonds, commodities and hedge funds. Today, there is a plethora of market indices in the world, and thousands of different index funds tracking many of them.
    -

PREFERRED STOCKS

a. Redeemable / Limited Life (Under NAIC Guidelines)
Preferred stocks with an explicit limited life, for example: mandatory sinking fund preferred stocks, preferred stocks redeemable at the option of the investor, and preferred stocks with a non-cancelable call provisions are included in this section. Currently, NAIC guidelines allow these preferred to be carried at amortized cost.

b. Other Limited Life
Preferred stocks with an expected, but not explicit limited life. Securities included here contain a mechanism designed to limit price volatility (exclusive of creditworthiness); for example, preferred stocks redeemable at the option of the issuer such as fixed rate adjustable preferred stocks (FRAPS). Currently, NAIC guidelines require these preferred to be carried at market value with no amortization.

Premium - The excess of the amount paid for a fixed income security, excluding purchased interest, over its par or face value.

- **Prepayments** – The repayment of mortgage principal prior to scheduled amortization, which shortens the average life of the security. Prepayments are influenced by many factors, including refinancing and housing turnover. Returns of premium priced (above par) securities may be reduced when prepayments increase. A decline in market interest rates can increase

prepayment activity via increased refinancing, shortening the duration of the security. This can reduce portfolio returns as the mortgage prepayments must be reinvested at lower yields. Conversely, a rise in interest rates may slow prepayments from expected levels, reducing the cash flows available to invest at higher yields. The slowdown in principal payments will normally extend the duration of the security.

- **Present Value** - The current worth of a future sum of money or stream of cash flows given a specified rate of return. Future cash flows are discounted at the discount rate, and the higher the discount rate, the lower the present value of the future cash flows.

- **Redemption** - The return of an investor's principal in a fixed income security, such as a preferred stock or bond.

- **Residential Mortgage-Backed Security (RMBS)** – Security backed by an underlying pool of residential mortgages.

- **Revenue Bonds** – Securities issued for either project or enterprise financing and supported by the revenues from that project. Issues may also be supported by dedicated taxes. Common types include municipal utilities, airport, toll roads, hospital, college, gas tax. These issues may be both taxable and non-taxable.

- **RISK ASSETS**

  International and U.S. publicly traded common stocks, including real estate investment trusts, equity mutual funds and private placement common/commingled trusts. Also included are perpetual preferred stocks. Finally, this category includes convertible bonds and convertible preferred stocks with no quality limitations.

  Exposure to common stocks is typically measured at market price as a percent of the most recent year-end surplus. Any limit indicated in this investment policy statement has been established by translating this into a dollar amount.

  U.S. High Yield fixed income mutual funds/ETFs.

  International Fixed Income mutual funds/ETFs; including both sovereign and corporate debt issued in both USD and Local Currency.

- **Risk Free Security -** An asset which has a certain future return. Treasuries (especially T-bills) are considered to be risk-free because they are backed by the U.S. government.

- **Settlement Date** - The date by which an executed security trade must be settled. That is, the date by which a buyer must pay for the securities delivered by the seller.

- **Short Term -** Money market instruments generally with less than 180 days to maturity from purchase, Money Market Funds.

SHORT-TERM INVESTMENTS

Short-term investments consist of cash and investment grade securities with an original

maturity at purchase of no more than one year.

a. U.S. Government Securities

U.S. Government securities backed by the full faith and credit of the United States or its agencies.

b. Money Market Funds

Includes bank sweep vehicles and other funds qualifying for Exempt or Class One treatment under NAIC rules.

c. Other Short-Term

Includes, but not limited to: repurchase agreements, commercial paper, bankers' acceptances, and certificates of deposit.

- **Spread** – Normally used to describe the incremental yield of a security over a comparable maturity or reference Treasury, in basis points. Calculations vary by asset class.

- **Subordinate Debt -** ranked behind that held by secured lenders in terms of the order in which the debt is repaid. "Subordinate" financing implies that the debt ranks behind the first secured lender, and means that the secured lenders will be paid back before subordinate debt holders.

- **Taxable Municipal Securities -** Securities issued by a state, municipality or other political subdivision which are backed by a pledge of a specific revenue type or ad valorem taxing authority, whose income **is** subject to regular income tax. Barclays considers most taxable municipals as "Local Authority" issues in their Government index.

- **Tax-Exempt Municipal Securities -** Securities issued by a state, municipality or other political subdivision which are backed by a pledge of a specific revenue type or ad valorem taxing authority, whose income **is not** subject to regular income tax.
  The main difference between income return and total return is that income returns are based on book value and income earned (which includes changes in book value as part of the calculation), while total return is based on market value and cash flow received.

- **Total Return** - As opposed to income return, which is an accounting based calculation, **total return** is an economic-based calculation. For securities with no interim cash flows, total return is the difference between the ending and beginning market value.

- **Trade Date** - The month, day and year that an order is executed in the market. The trade date is when an order to purchase, sell or otherwise acquire a security is performed.

- **Tranche -** Tranches are pieces, portions or slices of debt or structured financing. Each portion, or tranche, is one of several related securities offered at the same time but with different risks, rewards

and maturities. For example, a collateralized mortgage obligation CMO offering a partitioned mortgage-backed securities MBS portfolio might have mortgage tranches with one-year, two-year, five-year and 20-year maturities, all with varying degrees of risk and returns.

- **Treasury -** Securities issued by the U.S. Treasury.

- **Treasury Inflation Protected Securities (TIPS) -** U.S. Treasury notes and bonds that have a fixed coupon rate and mature on a fixed date. However, the coupon payments and underlying principle are automatically increased to compensate for inflation as measured by the Consumer Price Index (CPI).

- **Value Stock (also called value investing)** – is an investment paradigm that derives from the ideas on investment that Ben Graham and David Dodd began teaching at Columbia Business School in 1928 and subsequently developed in their 1934 text Security Analysis. Although value investing has taken many forms since its inception, it generally involves buying securities whose shares appear under-priced by some form of fundamental analysis. As examples, such securities may be stock in public companies that trade at discounts to book value or tangible book value, have high dividend yields, have low price-to-earnings multiples or have low price-to-book ratios.
    - High-profile proponents of value investing, including Berkshire Hathaway chairman Warren Buffett, have argued that the essence of value investing is buying stocks at less than their intrinsic value. The discount of the market price to the intrinsic value is what Benjamin Graham called the "margin of safety". The intrinsic value is the discounted value of all future distributions. However, the future distributions and the appropriate discount rate can only be assumptions. Graham never recommended using future numbers, only past ones). For the last 25 years, Warren Buffett has taken the value investing concept even further with a focus on "finding an outstanding company at a sensible price" rather than generic companies at a bargain price.

- **Weighted average life** – The weighted average time to principal repayment in years, weighted by the amount of each principal payment.
    - While many assumptions built into the duration calculation, for small movements in interest rates, duration is a fairly good proxy of price sensitivity.

- **Yankee Bond** – A bond denominated in U.S. dollars that is publicly issued in the U.S. by foreign banks and corporations. According to the Securities Act of 1933, these bonds must first be registered with the Securities and Exchange Commission (SEC) before they can be sold. Due to the stringent regulations and standards that must be adhered to, it may take up to 14 weeks (or 3.5 months) for a Yankee bond to be offered to the public. Part of the process involves having debt-rating agencies evaluate the credit worthiness of the Yankee bond's underlying issuer. Foreign issuers tend to prefer issuing Yankee bonds when U.S. interest rates are low because this means lower interest payments for the foreign issuer.

- **Yield Curve Slope** – The spread between two points on the yield curve for similar assets. Most often used in discussing the Treasury curve but is often used for comparing yields of comparable municipal and corporate securities across maturities.

MORETON
ASSET MANAGEMENT

101 South 200 East, Suite 300
Salt Lake City, UT 84111
801-869-4200

December 20, 2019

To: Dagny Stapleton

Re: Request for Qualifications for Investment Management Services for the Nevada Association of Counties

Moreton Asset Management, LLC is an SEC-registered investment advisory firm with its main office located at 101 S 200 E, Salt Lake City, UT 84111. This is the location that will be primarily responsible for the work performed. The contacts for correspondence with the Nevada Association of Counties is Benjamin Sehy and Jason Williams. The contact information is found below.

Benjamin Sehy, Managing Director
801-869-4200 (office)
801-598-3430 (cell)
Ben@moretonadvisors.com

Jason Williams, Managing Partner
801-869-4200 (office)
801-647-1632 (cell)
Jason@moretonadvisors.com

We have read and understand the investment policy and feel that our firm will be an excellent selection to fill the investment management services requested. The remaining content with qualifications and customer service philosophy can be found on the remaining pages.

Sincerely,

Benjamin Sehy and Jason Williams

Executive Summary

Moreton Asset Management is an SEC-registered investment advisor (SEC #801-78112) that is a privately-owned company with its principal office address located at 101 South 200 East, Suite 300, Salt Lake City, UT 84111. This is the location that the key personnel work from and where the work is performed. Moreton Asset Management was founded on October 7, 2004. Moreton Asset Management manages $1.95 billion in discretionary fixed-income. Moreton Asset Management advises for roughly 75 government accounts which makes up approximately $1.4 billion in assets. Moreton Asset Management's website is: www.moretonadvisors.com and the phone number is 801-869-4200. The portfolio managers on the team have been working with institutional entities for over 17 years.

The Moreton Asset Management investment team is comprised of five portfolio managers. All portfolio managers will be involved in managing the account with the Nevada Association of Counites. Our general philosophy is to manage the relationship via a team approach with regular face-to-face meetings. We will appear annually before the NAC board to present the performance of the portfolio and an overview of interest rates and the economy. Generally, two members of the Moreton team will attend those meetings. The Moreton members who attend those meetings will rotate so that the Association will become familiar with each Moreton portfolio manager. When someone from the Association calls in, they will be able to put a face with a name (and voice). This also serves the purpose of allowing each member of the Moreton team to become familiar with the Association, its members, the Association's needs, liquidity requirements, expectations, etc. The investment process is collaborative. The Moreton team members all work in the same room and as investment decisions are made, all team members are present to deliberate and discuss the needs and expectations of the association.

Moreton Asset Management has errors and omissions insurance coverage through the Federal Insurance Company and Travelers in the amount of $10 million. We have a fidelity (crime) coverage policy through Travelers in the amount of $7 million. Additionally, we have a general insurance policy through CNA in the amount of $4 million.

Moreton Asset Management's investment philosophy is built on the "separately managed account" (SMA) concept of customization. Each client is unique regarding risk tolerance, liquidity needs, goals, and expectations, etc. We strive to match our investment experience and resources with our clients' specific portfolio investment policy and needs. Because of our independence, we are not beholden to matching products or platforms to our clients. Many of our competitors that are attached to banks or large brokerage houses will push products. We view our independence as a great strength for our clients. We have worked with many institutional clients over the years who thought they were receiving sound investment advice from a large broker or bank only to find out later that their advisor is in the business of underwriting securities and moving products.

Moreton Asset Management takes an active approach to a traditional passive investment philosophy. We will match maturities with future cash needs and combine this with active identification of spreads of asset classes available, steepness in the yield curve, sector allocation, and rollout trade/swap opportunities.

We analyze current and future projected interest rates to identify value in portfolios for our clients across all approved asset classes. We strive to diversify our clients' investment portfolio while targeting sectors that provide the best safety, relative value, and yields. Moreton Asset Management strives to preserve principal, maintain liquidity, enhance return and provide fiduciary control for all our clients.

Preservation of principal is a guiding tenant in our management philosophy. We will invest within the confines of the stated investment policy but may be more conservative than allowed because of what we see in the market. We watch the allocation of investments in the other parts of a client portfolio (example: state pool) and look to balance and diversify the portfolio. We manage liquidity for our clients by structuring laddered portfolios, invest in securities that have an active secondary market, and remain in regular contact with our clients to ensure we are aware of any upcoming liquidity needs. Each client typically receives four in-person visits from one or more portfolio managers per year to review performance, discuss liquidity needs, and review interest rates and the economy.

Qualifications of Firm and Key Personnel

Our SEC registration is available at the following link: https://adviserinfo.sec.gov/Firm/133417

Moreton Asset Management's portfolio managers have decades of combined experience managing funds for cities, counties, school districts, special districts, associations, foundations, corporations and credit unions. Our investment policy experience includes managing bond proceeds and accompanying building schedules, restricted funds, special funds, OPEB funds, associations, and endowments. In sum, we have developed and advised many clients over the years with variations to time horizons, restrictions, liquidity provisions, and special situations.

As a team, our portfolio managers work together but also have assigned roles and functions. Each portfolio manager assists with client service responding to emails and phone calls to provide the quickest response time. We have one team email (team@moretonadvisors.com) and one team phone number (801-869-4200) that goes to each portfolio manager to ensure a timely response. This helps with quicker response times and stronger information sharing amongst the team. Please ask our references about how often they see their portfolio managers and how quickly our team responds to inquiries and requests.

Moreton Asset Management portfolio managers interface directly with the client and work as a team to ensure timely response and optimal investment strategies. This allows our managers to share the workload and stay flat in our organization, which we strongly feel is a strength for the client as all managers are aware of liquidity needs, investment policy guidelines, and the status of each client.

Our firm uses multiple resources to track the markets daily. Daily economic updates are received through a subscription from Economic Advisory Service. Bloomberg news alerts also provide up to date information on the financial markets as well as any macroeconomic news that will impact markets. Through Bloomberg, we prepare a historical analysis of the markets and individual securities and attempt to forecast future changes. Our firm compares the FOMC Dot Plot with the future rate hike/cut probabilities to help guide our investment decisions and timing of the purchases. We actively participate in conference calls with economists from various investment firms across the country.

We believe in investment principles such as dollar-cost averaging, bond laddering, investment policy discipline, and fee transparency. We remind our clients often not to change who they are just because market conditions have changed or because interest rates are low.

We will use both fundamental and technical analysis to be prudent in our investment decisions. We will not sacrifice long term stability and performance. Yield is not our primary motivator. Protection of principal and liquidity are primary components of investment decisions. We will target sectors that we feel provide the best relative value and advise the Association accordingly.

In addition, we would reiterate the concept of one-on-one collaboration. Some of our competitors employ the use of a 'middle man' who meets with the client and then relates his/her conversation back to the portfolio manager. Moreton Asset Management portfolio managers interface directly with the client and work as a team to ensure timely response and optimal investment strategies.

All team members that will be committed to working with Nevada Association of Counties from our main office located at 101 South 200 East, Suite 300, Salt Lake City, UT 84111. Qualifications and descriptions (bios) of each member of the Moreton Asset Management team are included below.

Jason Williams, President: Jason has 18 years of capital market experience with trading, sales, and fixed-income markets. Prior experience includes serving as Portfolio Manager with Contango Capital Advisors Fixed-Income team, Senior Portfolio Manager and Vice President at Zions Bank Liquid Asset Management overseeing $1.8 billion in assets, and Senior Financial Representative with Fidelity Investments. Jason will be a lead relationship contact for Nevada Association of Counties. Jason has a bachelor's degree in political science with a minor in economics from Brigham Young University and an MBA from the University of New Hampshire. He is Series 7, 24, 63, and 66 licensed.

Andy Robbins, Managing Partner: Andy has 17 years of experience managing fixed-income portfolios for institutional clients. Prior experience Includes serving as Portfolio Manager with Contango Capital Advisors Fixed-Income team and Portfolio Manager at Zions Bank Liquid Asset Management. Andy specializes in administration, oversight, and compliance of the account, and will be a direct relationship contact for Nevada Association of Counties. Andy has a bachelor's degree in finance from Brigham Young University as well as an MBA from Brigham Young University. He is Series 7, 24, 63, and 66 licensed.

Jordan Hansen, Managing Partner: Jordan has 13 years of experience managing fixed-income portfolios for institutional clients. Prior experience includes serving as Portfolio Manager with Contango Capital Advisors Fixed-Income team and Portfolio Manager at Zions Bank Liquid Asset Management. Jordan will lead the trading that occurs for the Nevada association of counties account and will also be a direct contact for Nevada Association of Counties. Jordan has a bachelor's degree in finance from the University of Utah and an MBA from Westminster College. He is Series 7, 24, 53, and 66 licensed.

Ben Sehy, Managing Director/Portfolio Manager: Ben has 9 years of experience buying and selling fixed-income securities for institutional clients. Prior experience includes serving as Sales Representative/Broker for Zions Bank Capital Markets/Zions Direct. Ben will be a direct contact for Nevada Association of Counties. Ben has a bachelor's degree in finance from Westminster College and an MBA from the University of Utah. He is Series 7, 63, and 65 licensed. Ben has been with Moreton Asset Management since June 2015.

Dawn Dachenhausen, Portfolio Manager: Dawn has over 15 years of experience in the investment advisory industry, most recently working with municipal clients as an advisor with Utah Retirement Systems. Dawn has a bachelor's in finance from Brigham Young University and she is currently in the Master of Finance program at the University of Utah. Dawn is Series 7 and 66 licensed.

References

Storey County, NV
Vanessa Stephens, County Treasurer
775-847-0969
vstephens@storeycounty.org

Lincoln County, NV
Shawn Frehner, County Treasurer
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Roseman University, NV
Ken Wilkins, VP of Business and Finance
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Virgin Valley Water, NV
Wes Smith, CFO
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Pershing County, NV
Lacey, Donaldson County Treasurer
775-273-2208
ldonaldson@pershingcounty.net

White Pine County, NV
Catheine, Bakaric, County Treasurer
775-293-6506
cbakaric@whitepinecountynv.gov

NACO Portfolio

February 07, 2020

Prepared for NACO

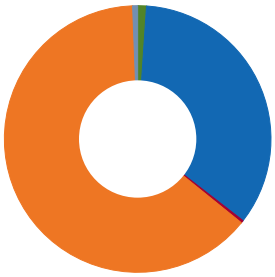
Prepared by Dawn Dachenhausen
dawn@moretonadvisors.com

Moreton Asset Management
101 South 200 East, Suite 300
SALT LAKE CITY, UT 84111
801-869-4200

Portfolio Summary

Currency
USD

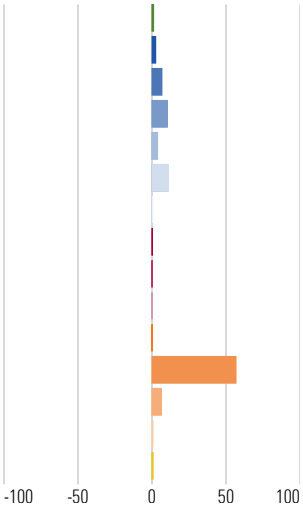
65% Fixed Icome 35% Equity Portfoli $650,000.00



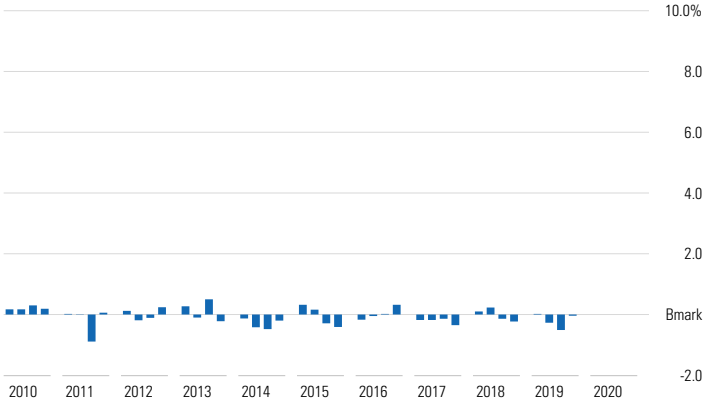
Asset Allocation (Net %)	Portfolio
Cash	1.06
US Stocks	34.43
Non-US Stocks	0.32
Bonds	63.58
Other/Not Clsfd	0.61

Statistics (%)	
Potential Capital Gains Exposure	11.84
Average Net Expense Ratio	0.05
Average Gross Expense Ratio	0.05

Asset Class	Portfolio %
Cash	1.06
US Small-Cap Eq	2.50
US Mid-Cap Eq	6.67
US Lg-Growth Eq	10.32
US Lg-Core Eq	3.73
US Lg-Value Eq	10.86
US Other Eq	0.36
Non-US Dvlpd Eq	0.28
Emerging Mkts Eq	0.04
Other Non-US Eq	0.00
US High-Yld Bonds	0.02
US Inv-Grd Bonds	56.72
Non-US Bonds	6.29
Other Bond	0.55
Other	0.61
Total	**100.00**



Performance History Graph Portfolio Quarterly returns +/- Benchmark in %



Investment Growth of $10,000

Trailing Returns	3 Mo	1 Year	3 Year	5 Year	10 Year
Portfolio	3.33	12.58	7.53	5.96	7.16

Risk and Return Statistics

	3 Year Portfolio	5 Year Portfolio	10 Year Portfolio
Standard Deviation	4.36	4.31	4.51
Mean	7.53	5.96	7.16
Sharpe Ratio	1.33	1.14	1.47

MPT Statistics

	3 Year Portfolio	5 Year Portfolio	10 Year Portfolio
Alpha	-0.53	-0.31	-0.40
Beta	0.99	0.98	1.02
R-Squared	98.70	98.40	98.32

Performance Disclosure: *The portfolio-level performance shown is hypothetical and for illustrative purposes only. Investor returns will differ from the results shown. The performance data reflects monthly portfolio rebalancing.*

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Standardized and Tax Adjusted Returns Disclosure Statement

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end please visit http://advisor.morningstar.com/familyinfo.asp.

Standardized Returns assume reinvestment of dividends and capital gains. They depict performance without adjusting for the effects of taxation, but are adjusted to reflect sales charges and ongoing fund expenses.

If adjusted for taxation, the performance quoted would be significantly reduced. For variable annuities, additional expenses will be taken into account, including M&E risk charges, fund-level expenses such as management fees and operating fees, contract-level administration fees, and charges such as surrender, contract, and sales charges.The maximum redemption fee is the maximum amount a fund may charge if redeemed in a specific time period after the fund's purchase.

After-tax returns are calculated using the highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown. The after-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements such as 401(k) plans or an IRA. After-tax returns exclude the effects of either the alternative minimum tax or phase-out of certain tax credits. Any taxes due are as of the time the distributions are made, and the taxable amount and tax character of each distribution are as specified by the fund on the dividend declaration date. Due to foreign tax credits or realized capital losses, after-tax returns may be greater than before-tax returns. After-tax returns for exchange-traded funds are based on net asset value.

Money Market Fund Disclosures

If money market fund(s) are included in the Standardized Returns table below, each money market fund's name will be followed by a superscripted letter that links it to the applicable disclosure below:

Institutional Money Market Funds (designated by an "S"):
You could lose money by investing in the fund. Because the share price of the fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Government Money Market Funds that have Chosen to rely on the ability to impose liquidity fees and suspend redemptions (designated by an "L") and Retail Money Market Funds (designated by an "L"):
You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Government Money Market Funds that have chosen not to rely on the ability to impose liquidity fees and suspend redemptions (designated by an "N"):
You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the

Annualized returns 12-31-2019

Standardized Returns (%)	7-day Yield Subsidized *as of date*	7-day Yield Unsubsidized *as of date*	1Yr	5Yr	10Yr	Since Inception	Inception Date	**Max Front Load %**	**Max Back Load %**	**Net Exp Ratio %**	**Gross Exp Ratio %**	**Max Redemption %**
Vanguard Interm-Term Bond ETF-NAV	—	—	10.19	3.54	4.77	5.16	04-03-2007	**NA**	**NA**	**0.07**	**0.07**	**NA**
Vanguard Interm-Term Bond ETF-Market	—	—	10.34	3.50	4.76	5.15	04-03-2007	**NA**	**NA**	**0.07**	**0.07**	**NA**
Vanguard Large-Cap ETF-NAV	—	—	31.39	11.57	13.51	9.16	01-27-2004	**NA**	**NA**	**0.04**	**0.04**	**NA**
Vanguard Large-Cap ETF-Market	—	—	31.25	11.56	13.51	9.16	01-27-2004	**NA**	**NA**	**0.04**	**0.04**	**NA**
Vanguard Short-Term Bond ETF-NAV	—	—	4.92	1.95	2.02	2.80	04-03-2007	**NA**	**NA**	**0.07**	**0.07**	**NA**
Vanguard Short-Term Bond ETF-Market	—	—	4.98	1.94	2.00	2.80	04-03-2007	**NA**	**NA**	**0.07**	**0.07**	**NA**
Vanguard Small-Cap ETF-NAV	—	—	27.37	8.89	12.81	9.28	01-26-2004	**NA**	**NA**	**0.05**	**0.05**	**NA**
Vanguard Small-Cap ETF-Market	—	—	27.32	8.88	12.82	9.27	01-26-2004	**NA**	**NA**	**0.05**	**0.05**	**NA**
Vanguard Total Bond Market ETF-NAV	—	—	8.71	3.00	3.68	4.19	04-03-2007	**NA**	**NA**	**0.04**	**0.04**	**NA**
Vanguard Total Bond Market ETF-Market	—	—	8.84	3.03	3.65	4.19	04-03-2007	**NA**	**NA**	**0.04**	**0.04**	**NA**
Vanguard Total Stock Market ETF-NAV	—	—	30.80	11.21	13.43	7.61	05-24-2001	**NA**	**NA**	**0.03**	**0.03**	**NA**
Vanguard Total Stock Market ETF-Market	—	—	30.67	11.20	13.43	7.79	05-24-2001	**NA**	**NA**	**0.03**	**0.03**	**NA**
BBgBarc US Agg Bond TR USD			**8.72**	**3.05**	**3.75**	**—**	**01-01-1976**			**NA**		
MSCI EAFE NR USD			**22.01**	**5.67**	**5.50**	**—**	**03-31-1986**			**NA**		
S&P 500 TR USD			**31.49**	**11.70**	**13.56**	**—**	**09-11-1989**			**NA**		
USTREAS T-Bill Auction Ave 3 Mon			**2.15**	**1.10**	**0.59**	**—**	**02-28-1941**			**NA**		

Return after Tax (%)	On Distribution					On Distribution and Sales of Shares			
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception
Vanguard Interm-Term Bond ETF-NAV	8.94	2.33	3.39	3.72	04-03-2007	6.01	2.18	3.19	3.49
Vanguard Large-Cap ETF-NAV	30.57	10.94	12.92	8.57	01-27-2004	18.74	9.00	11.13	7.48
Vanguard Short-Term Bond ETF-NAV	3.94	1.20	1.31	1.97	04-03-2007	2.90	1.16	1.27	1.85
Vanguard Small-Cap ETF-NAV	26.72	8.35	12.28	8.77	01-26-2004	16.27	6.80	10.49	7.61
Vanguard Total Bond Market ETF-NAV	7.49	1.87	2.50	2.93	04-03-2007	5.14	1.79	2.36	2.75
Vanguard Total Stock Market ETF-NAV	30.08	10.60	12.85	7.14	05-24-2001	18.46	8.72	11.06	6.24

Portfolio Summary

Currency
USD

Equity Statistics

Morningstar® Equity Style Box™

	Value	Blend	Growth
Large	23	26	23
Mid	6	7	7
Small	3	3	2

51-100
26-50
11-25
0-10

Total Stock Holdings
3,507

% Not Classified
0

Equity Style	Portfolio
Average Market Cap(mil)	64,402.34
Price/Earnings	22.08
Price/Book	3.12
Price/Sales	2.13
Price/Cash Flow	13.84

Profitability (% Stks)	Portfolio %
Net Margin	15.36
ROE	22.40
ROA	7.44
Debt/Capital	43.66

Market Maturity (% Stks)	Portfolio %
Developed Markets	99.89
Emerging Markets	0.11
Not Available	0.00

Sector Weightings

	Portfolio %
Cyclical	**32.91**
Basic Materials	2.59
Consumer Cyclical	9.99
Financial Services	15.60
Real Estate	4.73
Sensitive	**43.06**
Communication Services	9.19
Energy	3.99
Industrials	10.50
Technology	19.38
Defensive	**24.03**
Consumer Defensive	6.73
Healthcare	14.06
Utilities	3.24
Not Classified	**0.00**

Regional Exposure

	Portfolio %
Greater Asia	**0.16**
Japan	0.00
Australasia	0.00
Asia Developed	0.05
Asia Emerging	0.11
Americas	**99.20**
North America	99.15
Latin America	0.05
Greater Europe	**0.64**
United Kingdom	0.41
Europe Developed	0.23
Europe Emerging	0.00
Africa/Middle East	0.00
Not Classified	**0.00**

Fixed Income Statistics

Morningstar® Fixed Income Style Box™

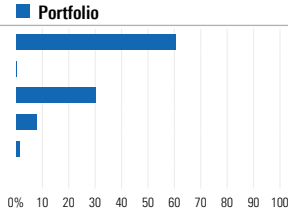
	Ltd	Mod	Ext
High	38	31	0
Med	0	31	0
Low	0	0	0

51-100
26-50
11-25
0-10

Total Bond Holdings
15,239

% Not Classified
0

Fixed-Income Sectors	Portfolio %
Government	60.55
Municipal	0.30
Corporate	30.25
Securitized	7.64
Cash & Equivalents	1.26
Derivative	0.00



Interest Rate Risk	Bonds %	% Not Available
Average Effective Maturity	5.88	0.00
Average Effective Duration	4.90	0.00
Average Weighted Coupon	2.81	0.00

Maturity Breakdown

Effective Maturity	Portfolio (%)
1-3	28.38
3-5	21.26
5-7	19.86
7-10	17.12
10-15	1.41
15-20	1.22
20-30	10.03
>30	0.72

Credit Quality Breakdown

Credit Quality	Portfolio (%)
AAA	64.96
AA	3.51
A	12.59
BBB	18.94
BB	0.00
B	0.00
Below B	0.00
NR	0.00

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Portfolio Summary

Currency
USD

65% Fixed Icome 35% Equity Portfoli $650,000.00

Total Holdings: 6	Type	Assets %	Market Value $
Vanguard Short-Term Bond ETF (USD, BSV)	ETF	25.00	162,500
Vanguard Interm-Term Bond ETF (USD, BIV)	ETF	20.00	130,000
Vanguard Large-Cap ETF (USD, VV)	ETF	20.00	130,000
Vanguard Total Bond Market ETF (USD, BND)	ETF	20.00	130,000
Vanguard Total Stock Market ETF (USD, VTI)	ETF	10.00	65,000
Vanguard Small-Cap ETF (USD, VB)	ETF	5.00	32,500

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Portfolio Summary Report Disclosure Statement

General

Investment portfolios illustrated in this report can be scheduled or unscheduled. With an unscheduled portfolio, the user inputs only the portfolio holdings and their current allocations. Morningstar calculates returns using the given allocations assuming monthly rebalancing. Taxes, loads, and sales charges are not taken into account.

With scheduled portfolios, the user inputs the date and amount for all investments into and withdrawals from each holding, as well as tax rates, loads, and other factors that would have affected portfolio performance. A hypothetical illustration is one type of scheduled portfolio.

Both scheduled and unscheduled portfolios are theoretical, for illustrative purposes only, and are not reflective of an investor's actual experience. For both scheduled and unscheduled portfolios, the performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return of stocks, mutual funds, and variable annuity/life products will fluctuate, and an investor's shares/units, when redeemed, will be worth more or less than the original investment. Stocks, mutual funds, and variable annuity/life products are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution. Portfolio statistics change over time.

Used as supplemental sales literature, the Portfolio Summary report must be preceded or accompanied by the fund/policy's current prospectus or equivalent. In all cases, this disclosure statement should accompany the Portfolio Summary report. Morningstar is not itself a FINRA-member firm.

The underlying holdings of the portfolio are not federally or FDIC-insured and are not deposits or obligations of, or guaranteed by any financial institution. Investing in securities involves investment risks, including possible loss of principal and fluctuation in value.

The information contained in this report is from the most recent information available to Morningstar as of the release date, and may or may not be an accurate reflection of the current composition of the securities included in the portfolio. There is no assurance that the weightings, composition and ratios will remain the same.

Comparison of Fund Types

Funds, including exchange-traded funds (ETFs), money market funds, and open-end funds have many similarities, but also many important differences. In general, publicly-offered funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. Funds pool money from their investors and manage it according to an investment strategy or objective, which can vary greatly from fund to fund. Funds have the ability to offer diversification and professional management, but also involve risk, including the loss of principal.

An ETF is an investment company that typically has an investment objective of striving to achieve a similar return as a particular market index. The ETF will invest in either all or a representative sample of the securities included in the index it is seeking to imitate. Like closed-end funds, an ETF can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount. ETFs are not actively managed, so their value may be affected by a general decline in the U.S. market segments relating to their underlying indexes. Similarly, an imperfect match between an ETF's holdings and those of its underlying index may cause its performance to vary from that of its underlying index. The expense ratio of an ETF is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. ETFs do not have 12b-1 fees or sales loads. Capital gains from funds held in a taxable account are subject to income tax. In many, but not all cases, ETFs are generally considered to be more tax-efficient when compared to similarly invested mutual funds.

A money-market fund is an investment company that invests in commercial paper, banker's acceptances, repurchase agreements, government securities, certificates of deposit and other highly liquid securities, and pays money market rates of interest. Money markets are not FDIC-insured, may lose money, and are not guaranteed by a bank or other financial institution.

An open-end fund is an investment company that issues shares on a continuous basis. Shares can be purchased from the open-end mutual fund itself, or through an intermediary, but cannot be traded on a secondary market, such as the New York Stock Exchange. Investors pay the open-end mutual fund's current net asset value plus any initial sales loads. Net asset value is calculated daily, at the close of business. Open-end mutual fund shares can be redeemed, or sold back to the fund or intermediary, at their current net asset value minus any deferred sales loads or redemption fees. The expense ratio for an open-end mutual fund is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. Open-end funds may also have 12b-1 fees. Income distributions and capital gains of the open-end fund are subject to income tax, if held in a taxable account.

Comparison of Other Security Types

A stock is an ownership interest in a company. When an investor purchases a stock, they become a business owner, and the value of their ownership stake will rise and fall according to the underlying business. Stockholders are entitled to the profits, if any, generated by the company after everyone else – employees, vendors, lenders – get paid. Companies usually pay out their profits to investors in the form of dividends, or they reinvest the money back into the business. Stocks trade on exchanges throughout the day, through a brokerage firm who will charge a commission for the purchase or sale of shares. Income distributions and capital gains of the stock are subject to income tax upon their sale, if held in a taxable account.

A bond is a debt security. When an investor purchases a bond, the purchase amount is lent to a government, municipality, corporation or other entity known as an issuer. The issuer promises to pay a specified rate of interest during the life of the bond and repay the face value of the bond when it matures. U.S Treasuries can be purchased directly from the Treasury or through a brokerage firm. Most other newly issued bonds are offered through an underwriter. Older bonds are traded throughout the day on the secondary market and can be purchased through a brokerage firm, who will charge transaction fees and commission for the purchase or sale. Price evaluations are provided by Interactive Data Corporation (IDC).

Preferred stock usually offers a fixed dividend payment, which is paid out before variable dividends that may be paid to investors in a company's common stock. Therefore, preferred stock is typically less risky in terms of principal loss, but there is also less potential for return when compared to a company's common stock. If a company fails, their obligations to preferred stockholders must be met before those of the company's common stock holders, but after bondholders are reimbursed.

Cash is a short-term, highly liquid investment. Cash typically doesn't earn as

much as other investments, such as stocks or bonds, but is less risky.

Indexes are unmanaged and not available for direct investment. Indexes are created to measure a specified area of the stock market using a representative portfolio of securities. If a security is not available in Morningstar's database, your financial professional may choose to show a representative index. Please note that indexes vary widely, and it is important to choose an index that has similar characteristics to the security it is being used to represent. In no way should the performance of an index be considered indicative or a guarantee of the future performance of an actual security, be considered indicative of the actual performance achieved by a security, or viewed as a substitute for the actual security in your portfolio. Actual results of a security may differ substantially from the historical performance shown for an index and may include an individual client incurring a loss. Past performance is no guarantee of future results.

Morningstar assigns each security in its database to a Morningstar Category using the underlying securities in the security's portfolio. If a security is not available in Morningstar's database, your financial professional may choose to show the security's category. Please note that a category will not be an exact match to your securities. In no way should the performance of a category be considered indicative or a guarantee of the future performance of an actual security, be considered indicative of the actual performance achieved by a security, or viewed as a substitute for the actual security in your portfolio. Actual results of a security may differ substantially from the historical performance shown for a category and may include an individual client incurring a loss. Past performance is no guarantee of future results.

Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's list of holdings and again on the standardized returns page. When pre-inception data is presented in the report, the header at the top of the report will indicate this and the affected data elements will be displayed in italics.

While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. For example, the fee structures of a retail share class will vary from that of an institutional share class, as retail shares tend to have higher operating expenses and sales charges. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

Scheduled Portfolio Trailing Returns

Scheduled Portfolios are customized by the user to account for loads, taxes, cash flows and specific investment dates. Scheduled portfolios use the portfolio's investment history to calculate final market values and returns. For scheduled portfolios, both individual holdings and portfolio returns are internal-rate-of-return calculations that reflect the timing and dollar size of all purchases and sales. For stocks and mutual funds, sales charges and tax rates are taken into account as specified by the user (except in the pre-tax returns, which reflect the impact of sales charges but not taxes). Note that in some scheduled portfolio illustrations, dividends and capital gains distributions, if applicable, are reinvested at the end of the month in which they are made at the month-end closing price. This can cause discrepancies between calculated returns and actual investor experience.

The trailing returns for scheduled portfolios commence at the end of the day on the investment start date. All front-load fees and beginning of period asset-based fees are deducted at the start of the day, therefore these fees will not be incorporated within the trailing return time period that matches the whole investment time period. For example, an investor pays $10,000 for security A with a 5% front-load and generates a 5-year Hypothetical Illustration that shows an end value of $12,500. Assuming no cash inflows or outflows aside from the initial investment and end value, the whole investment time period return will be 4.56% ((12,500/ $10,000)^(1/5)-1) while the 5-year trailing return will be 5.64% (($12,500/ $9,500)^(1/5)-1).

Scheduled Portfolio Returns-Based Performance Data

For scheduled portfolios, the monthly returns used to calculate alphas, betas, R-squareds, standard deviations, Sharpe ratios and best/worst time-period data are internal rates of return.

Growth of $10k Graph

The Growth of $10k graph shows the change in value of an initial $10,000 investment in each portfolio.

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of distributions. If adjusted for sales charges and the effects of taxation, the mutual fund returns would be reduced. For ETFs, total returns are calculated based on its market price as of the end of the business day for the period noted and does not include any fee or expenses incurred in buying or selling such a security like brokerage commission.

Unscheduled Portfolio Returns

Monthly total returns for unscheduled portfolios are calculated by applying the ending period holding weightings supplied by the user to an individual holding's monthly returns. When monthly returns are unavailable for a holding (ie. due to it not being in existence during the historical period being reported), the remaining portfolio holdings are re-weighted to maintain consistent proportions. Inception dates are listed in the Disclosure for Standardized and Tax Adjusted Returns. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Unscheduled portfolio returns thus assume monthly rebalancing. Returns for individual holdings are simple time-weighted trailing returns. Neither portfolio returns nor holding returns are adjusted for loads or taxes, and if they were, the returns stated would be reduced. The returns stated assume the reinvestment of dividends and capital gains. Mutual fund returns include all ongoing fund expenses.

Unscheduled Portfolio Investment Activity Graph

The historic performance data graphed is extrapolated from the ending portfolio value based on monthly returns.

Benchmark Returns

Benchmark returns may or may not be adjusted to reflect ongoing expenses such as sales charges. An investment's portfolio may differ significantly from the securities in the benchmark.

Returns for custom benchmarks are calculated by applying user-supplied weightings to each benchmark's returns every month. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Custom benchmark returns thus assume monthly rebalancing.

Standardized Returns

For mutual funds, standardized return is total return adjusted for sales charges, and reflects all ongoing fund expenses. Following this disclosure statement, standardized returns for each portfolio holding are shown.

For money-market mutual funds, standardized return is total return adjusted for

sales charges and reflects all ongoing fund expenses. Current 7-day yield more closely reflects the current earnings of the money-market fund than the total return quotation.

For ETFs, the standardized returns reflect performance, both at market price and NAV price, without adjusting for the effects of taxation or brokerage commissions. These returns are adjusted to reflect all ongoing ETF expenses and assume reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted.

The charges and expenses used in the standardized returns are obtained from the most recent prospectus and/or shareholder report available to Morningstar. For mutual funds, all dividends and capital gains are assumed to be reinvested. For stocks, stock acquired via divestitures is assumed to be liquidated and reinvested in the original holding.

Non-Standardized Returns

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the mutual fund returns would be reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

For money-market funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the money-market returns would be reduced.

Investment Advisory Fees

The investment(s) returns do not necessarily reflect the deduction of all investment advisory fees. Client investment returns will be reduced if additional advisory fees are incurred such as deferred loads, redemption fees, wrap fees, or other account charges.

Asset Allocation

The weighting of the portfolio in various asset classes, including "Other", is shown in this graph and table. "Other" includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks. "Not classified" represents the portion of the portfolio that Morningstar could not classify at all, due to missing data.

In the graph and table, allocation to the classes is shown for long positions, short positions, and net (long positions net of short) positions. These new portfolio statistics help investors look "under the hood" of a portfolio. These statistics summarize what the managers are buying and how they are positioning the portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the funds' exposure and risk.

Most managed product portfolios hold fairly conventional securities, such as long positions in stocks and bonds. Other portfolios use other investment strategies or securities, such as short positions or derivatives, to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while others have unique return and risk characteristics.

Most portfolios take long positions in securities. Long positions involve buying the security outright and then selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. In this type of transaction, the investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale, the investor will have sold high and can now buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience losses by buying it at a higher price than the sale price.

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown may be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

Investment Style

The Morningstar Style Box reveals a fund's investment style as of the date noted on this report.

For equity funds, the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, core, or growth).

For fixed-income funds, the vertical axis shows the credit quality of the bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration. Morningstar seeks credit rating information from fund companies on a periodic basis (e.g. quarterly). In compiling credit rating information Morningstar accepts credit ratings reported by fund companies that have been issued by all Nationally Recognized Statistical Rating Organizations (NRSROs). For a list of all NRSROs, please visit http://www.sec.gov/divisions/marketreg/ratingagency.htm. Additionally, Morningstar accepts foreign credit ratings from widely recognized or registered rating agencies. If two rating organizations/agencies have rated a security, fund companies are to report the lower rating; if three or more organizations/agencies have rated a security, fund companies are to report the median rating, and in cases where there are more than two organization/agency ratings and a median rating does not exist, fund companies are to use the lower of the two middle ratings.

Please Note: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO or rating agency ratings can change from time to time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Funds with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCBI's average effective duration; funds whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

For municipal bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases static breakpoints are utilized. These breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than 4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-US taxable and non-US domiciled fixed income funds static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: greater than 3.5 and less than equal to 6 years; (iii) Extensive: greater than 6 years.

Maturity Breakdown
The Maturity Breakdown shows the breakdown of the maturities in a fixed-income portfolio. It reveals the percentage of fixed-income securities that fall within each maturity range.

Stock Regions
This section provides the allocation of the portfolio's long stock positions to the world regions, in comparison with a benchmark.

Stock Sectors
This table shows the percentage of the portfolio's long equity assets invested in each of the three supersectors (Cyclical, Sensitive, and Defensive) and 11 major industry subclassifications. The Sector Graph accompanying the table demonstrates the sector orientation of the portfolio.

Fixed Income Sectors
This table shows the percentage of the portfolio's long fixed income assets invested in each of the six supersectors (Government, Municipal, Corporate,Securitized, Cash & Equivalents, and Derivative). The Sector Graph accompanying the table demonstrates the sector weighting of the portfolio against the benchmark.

Risk and Return
Standard deviation is a statistical measure of the volatility of a portfolio's returns around its mean.

Mean represents the annualized geometric return for the period shown.

Sharpe ratio uses a portfolio's standard deviation and total return to determine reward per unit of risk.

Alpha measures the difference between a portfolio's actual returns and its expected performance, given its beta and the actual returns of the benchmark index. Alpha is often seen as a measurement of the value added or subtracted by a portfolio's manager.

Beta is a measure of the degree of change in value one can expect in a portfolio given a change in value in a benchmark index. A portfolio with a beta greater than one is generally more volatile than its benchmark index, and a portfolio with a beta of less than one is generally less volatile than its benchmark index.

R-squared reflects the percentage of a portfolio's movements that is explained by movements in its benchmark index, showing the degree of correlation between the portfolio and a benchmark. This figure is also helpful in assessing how likely it is that alpha and beta are statistically significant.

Fundamental Analysis
The below referenced data elements are a weighted average of the long equity holdings in the portfolio.

The median market capitalization of a fund's underlying equity portfolio gives you a measure of the size of the companies in which the fund invests.

The Price/Cash Flow ratio is a weighted average of the price/cash-flow ratios of the stocks in a subaccounts portfolio. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency.

The Price/Book ratio is a weighted average of the price/book ratios of all the stocks in the underlying fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation.

The Price/Earnings ratio is calculated by dividing the market value of the equity assets by the trailing 12 month earnings. The 12 month earnings value comes from multiplying the number of shares and the adjusted trailing 12 months' earnings per share for each equity asset and summing the results.

The Price/Sales ratio is a weighted average of the price/sales ratios of the stocks in the underlying fund's portfolio. The P/S ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' revenues per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents.

The return on assets (ROA) is the percentage a company earns on its assets in a given year. The calculation is net income divided by end-of-year total assets, multiplied by 100.

The Return on Equity (ROE) is the percentage a company earns on its shareholders' equity in a given year. The calculation is net income divided by end-of-year net worth, multiplied by 100.

Market Maturity shows the percentage of a holding's long common stocks that are domiciled in developed and emerging markets.

The data elements listed below are a weighted average of the long fixed income holdings in the portfolio.

Average Effective Maturity
Average Effective Maturity is a weighted average of the maturities of all bonds in a portfolio.

Average Effective Duration
Duration is a time measure of a bond's interest-rate sensitivity. Average effective duration is a weighted average of the duration of the fixed-income securities within a portfolio.

Average Weighted Coupon
A coupon is the fixed annual percentage paid out on a bond. The average weighted coupon is the asset-weighted coupon of each bond in the portfolio.

Average maturity is used for holdings in the taxable fixed-income category. This is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each maturity date by the market value of the security.

Credit Quality
The credit quality breakdowns are shown for corporate bond holdings and depict the quality of bonds in the underlying portfolio. The report shows the percentage of fixed-income securities that fall within each credit-quality rating as assigned by a NRSRO. Bonds not rated by an NRSRO are included in the not-rated category.

Debt as a percentage of capital is calculated by dividing long-term debt by total capitalization (the sum of common equity plus preferred equity plus longterm debt). This figure is not provided for financial companies.

Duration is a time measure of a bond`s interest-rate sensitivity.

Net Margin is a measure of profitability. It is equal to annual net income divided by revenues from the same period for the past five fiscal years, multiplied by 100.

The data elements listed below are a weighted average of the total holdings in the portfolio.

The average expense ratio is the percentage of assets deducted each year for operating expenses, management fees, and all other asset-based costs incurred by the fund, excluding brokerage fees. Please note for mutual funds, variable annuities/life, ETFs and closed-end funds, we use the gross prospectus ratio as provided in the prospectus. Separate accounts and stocks are excluded from the average expense ratio.

Expense Ratio %
The expense ratio is the annual fee that all funds charge their shareholders. It expresses the percentage of assets deducted each fiscal year for fund expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Portfolio transaction fees, or brokerage costs, as well as front-end or deferred sales charges are not included in the expense ratio. The expense ratio, which is deducted from the fund's average net assets, is accrued on a daily basis. The gross expense ratio, in contrast to the net expense ratio, does not reflect any fee waivers in effect during the time period.

Potential capital gains exposure is the percentage of a holding's total assets that represent capital appreciation.

Investment Risks

International/Emerging Market Equities: Investing in international securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Strategies: Portfolios that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Non-Diversified Strategies: Portfolios that invest a significant percentage of assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Small Cap Equities: Portfolios that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Equities: Portfolios that invest in companies with market capitalization below $10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

High-Yield Bonds: Portfolios that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

Tax-Free Municipal Bonds: The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Bonds: Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio declines. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

HOLDRs: The investor should note that these are narrow industry-focused products that, if the industry is hit by hard times, will lack diversification and possible loss of investment would be likely. These securities can trade at a discount to market price, ownership is of a fractional share interest, the underlying investments may not be representative of the particular industry, the HOLDR might be delisted from the AMEX if the number of underlying companies drops below nine, and the investor may experience trading halts.

Hedge Funds: The investor should note that hedge fund investing involves specialized risks that are dependent upon the type of strategies undertaken by the manager. This can include distressed or event-driven strategies, long/short strategies, using arbitrage (exploiting price inefficiencies), international investing, and use of leverage, options and/or derivatives. Although the goal of hedge fund managers may be to reduce volatility and produce positive absolute return under a variety of market conditions, hedge funds may involve a high degree of risk and are suitable only for investors of substantial financial means who could bear the entire loss of their investment.

Bank Loan/Senior Debt: Bank loans and senior loans are impacted by the risks associated with fixed income in general, including interest rate risk and default risk. They are often non-investment grade; therefore, the risk of default is high. These securities are also relatively illiquid. Managed products that invest in bank loans/senior debt are often highly leveraged, producing a high risk of return volatility.

Exchange Traded Notes (ETNs): ETNs are unsecured debt obligations. Any repayment of notes is subject to the issuer's ability to repay its obligations. ETNs do not typically pay interest.

Leveraged ETFs: Leveraged investments are designed to meet multiples of the return performance of the index they track and seek to meet their fund objectives on a daily basis (or other time period stated within the prospectus objective). The leverage/gearing ratio is the amount of excess return that a leveraged investment is designed to achieve in comparison to its index performance (i.e. 200%, 300%, -200%, or -300% or 2X, 3X, -2X, -3X). Compounding has the ability to affect the performance of the fund to be either greater or less than the index performance multiplied by the multiple stated within the funds objective over a stated time period.

Short Positions: When a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker may demand more collateral and a manager might have to close out a short position at an inopportune time to

limit further losses.

Long-Short: Due to the strategies used by long-short funds, which may include but are not limited to leverage, short selling, short-term trading, and investing in derivatives, these funds may have greater risk, volatility, and expenses than those focusing on traditional investment strategies.

Liquidity Risk: Closed-end fund, ETF, and HOLDR trading may be halted due to market conditions, impacting an investor's ability to sell a fund.

Market Price Risk: The market price of ETFs, HOLDRs, and closed-end funds traded on the secondary market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV, which will affect an investor's value.

Market Risk: The market prices of ETFs and HOLDRs can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

Target-Date Funds: Target-date funds typically invest in other mutual funds and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date when investors expect to begin withdrawing their money. A target-date fund's investment objective/strategy typically becomes more conservative over time, primarily by reducing its allocation to equity mutual funds and increasing its allocations in fixed-income mutual funds. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

High double- and triple-digit returns: High double- and triple-digit returns were the result of extremely favorable market conditions, which may not continue to be the case. High returns for short time periods must not be a major factor when making investment decisions.

Benchmark Disclosure

Custom Benchmark	Allocation %	Type
USTREAS T-Bill Auction Ave 3 Mon	1.06	IDX
S&P 500 TR USD	35.04	IDX
MSCI EAFE NR USD	0.32	IDX
BBgBarc US Agg Bond TR USD	63.58	IDX

BBgBarc US Agg Bond TR USD

This index is composed of the BarCap Government/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns we publish for the index are total returns, which includes the daily reinvestment of dividends.

MSCI EAFE NR USD

This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-U.S., industrialized country indexes.

This disclosure applies to all MSCI indices: Certain information included herein is derived by Morningstar in part from MSCI's Index Constituents (the "Index Data"). However, MSCI has not reviewed any information contained herein and does not endorse or express any opinion such information or analysis. MSCI does not make any express or implied warranties, representations or guarantees concerning the Index Data or any information or data derived therefrom, and in no event will MSCI have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) relating to any use of this information.

S&P 500 TR USD

A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the US; it's often used as a proxy for the U.S. stock market. TR (Total Return) indexes include daily reinvestment of dividends.

USTREAS T-Bill Auction Ave 3 Mon

Three-month T-bills are government-backed, short-term investments considered to be risk-free and as good as cash because the maturity is only three months. Morningstar collects yields on the T-bill on a weekly basis from the Wall Street Journal.

Executive Summary

Moreton Asset Management is an SEC-registered investment advisor (SEC #801-78112) that is a privately-owned company with its principal office address located at 101 South 200 East, Suite 300, Salt Lake City, UT 84111 which is the location that the key personnel performs the work. Moreton Asset Management established on October 7, 2004. Moreton Asset Management manages $1.95 billion in discretionary fixed-income. Moreton Asset Management advises roughly 75 government accounts, which makes up approximately $1.4 billion in assets. Moreton Asset Management's website is www.moretonadvisors.com, and the phone number is 801-869-4200. The portfolio managers on the team have been working with institutional entities for over 17 years.

Five portfolio managers make up the investment team for Moreton Asset Management. All portfolio managers will be involved in managing the account with the Nevada Association of Counties. Our general philosophy is to manage the relationship via a team approach with regular face-to-face meetings. We will appear annually before the NACO board to present the performance of the portfolio and an overview of interest rates and the economy. Generally, two members of the Moreton team will attend those meetings. The Moreton members who attend those meetings will rotate so that the Association will become familiar with each Moreton portfolio manager. When someone from the Association calls in, they will be able to put a face with a name (and voice). This organizational structure also serves the purpose of allowing each member of the Moreton team to become familiar with the Association, its members, the Association's needs, liquidity requirements, expectations, etc. The investment process is collaborative. The Moreton team members all work in the same room, when making investment decisions, all team members are present to deliberate and discuss the needs and expectations of the association.

Moreton Asset Management has errors and omissions insurance coverage through the Federal Insurance Company and Travelers in the amount of $10 million. We have a fidelity (crime) coverage policy through Travelers for $7 million. Additionally, we have a general insurance policy through CNA for $4 million.

Moreton Asset Management's investment philosophy is built on the "separately managed account" (SMA) concept of customization. Each client is unique regarding risk tolerance, liquidity needs, goals, and expectations, etc. We strive to match our investment experience and resources with our clients' specific portfolio investment policy and needs. Because of our independence, we are not beholden to matching products or platforms to our clients. Many of our competitors that are attached to banks or large brokerage houses will push products. We view our independence as a great strength for our clients. We have worked with many institutional clients over the years who thought they were receiving sound investment advice from a large broker or bank only to find out later that their advisor is in the business of underwriting securities and moving products.

Moreton Asset Management takes an active approach to a traditional passive investment philosophy. We will match maturities with future cash needs and combine this with active identification of spreads of asset classes available, steepness in the yield curve, sector allocation, and rollout trade/swap opportunities.

We analyze current and future projected interest rates to identify value in portfolios for our clients across all approved asset classes. We strive to diversify our clients' investment portfolio while targeting sectors that provide the best safety, relative value, and yields. Moreton Asset Management strives to preserve principal, maintain liquidity, enhance return, and provide fiduciary control for all our clients.

Preservation of principal is a guiding tenant in our management philosophy. We will invest within the confines of the stated investment policy but may be more conservative than allowed because of what we see in the market. We watch the allocation of investments in the other parts of a client portfolio (example: state pool) and look to balance and diversify the portfolio. We manage liquidity for our clients by structuring laddered portfolios, invest in securities that have an active secondary market, and remain in regular contact with our clients to ensure we are aware of any upcoming liquidity needs. Each client typically receives four in-person visits from one or more portfolio managers per year to review performance, discuss liquidity needs, and review interest rates and the economy.

Overview and Qualifications of Firm and Key Personnel

Our SEC registration is available at the following link: https://adviserinfo.sec.gov/Firm/133417

Moreton Asset Management's portfolio managers have decades of combined experience managing funds for cities, counties, school districts, special districts, associations, foundations, corporations, and credit unions. Our investment policy experience includes managing bond proceeds and accompanying building schedules, restricted funds, special funds, OPEB funds, associations, and endowments. In sum, we have developed and advised many clients over the years with variations to time horizons, restrictions, liquidity provisions, and special situations.

As a team, our portfolio managers work together but also have assigned roles and functions. Each portfolio manager assists with client service responding to emails and phone calls to provide the quickest response time. We have one team email (team@moretonadvisors.com) and one team phone number (801-869-4200) that goes to each portfolio manager to ensure a timely response. One direct email or phone number that reaches all members of the team helps with quicker response times and stronger information sharing amongst the team. Please ask our references about how often they see their portfolio managers and how quickly our team responds to inquiries and requests.

Moreton Asset Management portfolio managers interface directly with the client and work as a team to ensure timely response and optimal investment strategies, which allows our managers to share the workload and stay flat in our organization. We strongly feel it is a strength for the

client as all managers are aware of liquidity needs, investment policy guidelines, and the status of each client.

Our firm uses multiple resources to track the markets daily. We receive daily economic updates through a subscription from the Economic Advisory Service. Bloomberg news alerts also provide up to date information on the financial markets as well as any macroeconomic news that will impact markets. Through Bloomberg, we prepare a historical analysis of the markets and individual securities and attempt to forecast future changes. Our firm compares the FOMC Dot Plot with the future rate hike/cut probabilities to help guide our investment decisions and timing of the purchases. We actively participate in conference calls with economists from various investment firms across the country.

We believe in investment principles such as dollar-cost averaging, bond laddering, investment policy discipline, and fee transparency. We remind our clients often not to change who they are just because market conditions have changed or because interest rates are low.

We will use both fundamental and technical analysis to be prudent in our investment decisions. We will not sacrifice long term stability and performance. Yield is not our primary motivator. Protection of principal and liquidity are primary components of investment decisions. We will target sectors that we feel provide the best relative value and advise the Association accordingly.

Also, we would reiterate the concept of one-on-one collaboration. Some of our competitors employ the use of a 'middle man' who meets with the client and then relates his/her conversation back to the portfolio manager. Moreton Asset Management portfolio managers interface directly with the client and work as a team to ensure timely response and optimal investment strategies.

All team members will be committed to working with the Nevada Association of Counties from our main office located at 101 South 200 East, Suite 300, Salt Lake City, UT 84111. Qualifications and descriptions (bios) of each member of the Moreton Asset Management team are below.

Jason Williams, President: Jason has 18 years of capital market experience with trading, sales, and fixed-income markets. Prior experience includes serving as Portfolio Manager with Contango Capital Advisors Fixed-Income team (Utah), Senior Portfolio Manager and Vice President at Zions Bank Liquid Asset Management (Utah) overseeing $1.8 billion in assets, and Senior Financial Representative with Fidelity Investments (New Hampshire). Jason will be a lead relationship contact for the Nevada Association of Counties. Jason has a bachelor's degree in political science with a minor in economics from Brigham Young University and an MBA from the University of New Hampshire. He is Series 7, 24, 63, and 66 licensed.

Andy Robbins, Managing Partner: Andy has 17 years of experience managing fixed-income portfolios for institutional clients. Prior experience Includes serving as Portfolio Manager with Contango Capital Advisors Fixed-Income team (Utah) and Portfolio Manager at Zions Bank Liquid Asset Management (Utah). Andy specializes in administration, oversight, and compliance

of the account, and will be a direct relationship contact for Nevada Association of Counties. Andy has a bachelor's degree in finance from Brigham Young University as well as an MBA from Brigham Young University. He is Series 7, 24, 63, and 66 licensed.

Jordan Hansen, Managing Partner: Jordan has 13 years of experience managing fixed-income portfolios for institutional clients. Prior experience includes serving as Portfolio Manager with Contango Capital Advisors Fixed-Income team (Utah) and Portfolio Manager at Zions Bank Liquid Asset Management (Utah). Jordan will lead the trading that occurs for the Nevada Association of County's account and will also be a direct contact for the Nevada Association of Counties. Jordan has a bachelor's degree in finance from the University of Utah and an MBA from Westminster College. He is Series 7, 24, 53, and 66 licensed.

Ben Sehy, Managing Director/Portfolio Manager: Ben has nine years of experience buying and selling fixed-income securities for institutional clients. Prior experience includes serving as Sales Representative/Broker for Zions Bank Capital Markets/Zions Direct (Utah). Ben will be a direct contact for the Nevada Association of Counties. Ben has a bachelor's degree in finance from Westminster College and an MBA from the University of Utah. He is Series 7, 63, and 65 licensed. Benjamin has been with Moreton Asset Management since June 2015.

Dawn Dachenhausen, Portfolio Manager: Dawn has over 15 years of experience in the investment advisory industry, most recently working with municipal clients as an advisor with Utah Retirement Systems (Utah). Dawn has a bachelor's in finance from Brigham Young University, and she is currently in the Master of Finance program at the University of Utah. Dawn is Series 7 and 66 licensed.

References

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Fees

Assets Under Management: Percentage Charged
$0 to $2.5 million: 25 basis points (0.25%)
$2.5 to $5 million: 20 basis points (0.20%)

Fees are flat (not tiered), so each level referenced above is a breakpoint. For example, if the balance managed is $6 million, the fee on the entire balance of $4 million is charged at the 20 basis point level.

There are no other charges associated with the management of the account. The fees described above cover all expenses, including custody and safekeeping, reporting, transaction costs, etc. Fees deduct directly from the account in arrears, and the contract is month to month.

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Nevada Association of Counties (NACO) Federal Priorities

Health & Human Services

Protect the Federal-State-Local Partnership for Medicaid: NACO supports maintaining the federal-state-local structure for financing and delivering Medicaid services while maximizing or enhancing flexibility to support local systems of care. Counties have made the most of Medicaid's flexibility and have supported health systems that serve a disproportionate share of low-income populations, including the homeless, and those cycling in and out of county jails. Nevada counties are opposed to any measures that would further shift Medicaid costs to counties. In Nevada, counties already provide a significant amount of Nevada's non-federal Medicaid contribution, and as Nevada's Medicaid caseloads continue to grow, counties are concerned about any proposal that increases State or local responsibility for Medicaid funding. If Medicaid costs or costs for uncompensated care for indigent individuals were increased, counties in Nevada, who have limited ability to raise revenues, would be hard-pressed to meet new fiscal responsibilities. Medicaid funding also impacts county hospitals - without sustained funding, county hospitals would be forced to shutter their doors. Counties do support efforts to improve the efficiency, flexibility and effectiveness of policies and operations.

Promote Economic Mobility and Opportunity Across All Counties: NACO supports federal investments and policies that help advance and leverage both regional and local strategies that engage children, youth, adults and older adults in the development of a competitive and quality workforce. While national economic indicators are strong, many communities – defined both as geographic places and as certain demographics – lag the overall national performance. Currently, counties are confronting increased demand and caseloads for workforce skills training, mental health and substance abuse treatment, public hospital services (including county-run hospitals and clinics), child protective services and elder care. At the same time, county governments are increasingly burdened and restricted by mounting federal and state mandates, limitations and oversight. To meet these challenges, counties need a strong federal partner committed to achieving better outcomes through local decision-making, flexibility and accountability focused on improved outcomes for those local economies that are transitioning in light of our changing economic landscape.

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Justice and Public Safety

Medicaid Inmate Exclusion Policy (MIEP): NACO supports a federal solution to the policy that upon detention (*not conviction*) inmates are no longer eligible for Medicaid, Child Health Insurance Program (CHIP) or veterans' health benefits. NACO supports an update to this policy as counties address behavioral health and basic medical care in our jails. In March of 2019, the National Association of Counties, along with the National Sheriffs Association, convened a taskforce to look at impacts on recidivism and healthcare for our jailed population due to the MIEP. NACO urges Congress to remove the provision in the Social Security Act and make a differentiation between an incarcerated individual prior to conviction.

Mental Health and Jails: County jails are not the appropriate place to treat individuals with mental illness, unfortunately, 64% of jail inmates in the United States have a behavioral health issue. In Nevada, our county jails are the largest provider of behavioral health services in the State. NACO supports sensible measures that promote and advance the overall safety of the public and the communities we serve. Within this context, we also support new policies and approaches that would enhance the ability of counties to prevent and treat mental illness and substance use disorders, both in the community and within the context of the criminal justice system. NACO also supports programs and legislation that divert non-violent individuals struggling with mental illness and/or substance use disorders from jails and into treatment programs while protecting overall public safety. Two critical federal programs that counties rely on to provide services to our incarcerated populations and reduce recidivism are the Justice and Mental Health Collaboration Program (JMHCP) and the Second Chance Act.

Natural Disaster Recovery: The reform to the Natural Disaster Recovery Act of 2018 includes the Building Resilient Infrastructure and Communities (BRIC) Program. This would allow direct grants to counties, starting in 2020, and allow local governments the ability to use some of the funds for pre-disaster mitigation. Research performed by the National Institute of Building Sciences indicates that for every $1 spent on pre-disaster mitigation $6 are saved. NACO supports efforts to increase funding to this program, as well as making sure we align matching fund requirements to continue to make the implementation of this program work for all counties.

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Public Lands & Natural Resources

Public Land Management: As Nevada's Congressional Delegation is aware, Nevada has the largest percentage of federal lands (87%) of any state in the contiguous 48. Some of our counties (Nye, Esmeralda, Lander, Lincoln and White Pine) have 90 to 98 percent of their acreage administered by the federal government. As a result, Nevada's counties find their local economies, fiscal condition, and quality of life greatly influenced by federal land management decisions. For example, while public access for recreation is critically important, additional visitors increase the demand for county services while sometimes creating only minimal economic benefit for Nevada's rural counties. Also, for many Nevada communities, resource-based industries that are tied to public lands are their lifeblood. Therefore, staying apprised of and involved in federal land management planning and conservation efforts is critical. Counties provide road maintenance, emergency response, law enforcement and other mandated services on public lands and to public lands users. Counties also manage assets that require federal permits, leases, or easements. For all these reasons, meaningful engagement with counties is crucial. NACO supports the following: efforts to increase federal land managers' engagement with county governments; appropriate revenue sharing; and the transfer of some federal land to states when feasible, and at the state's request and in consultation with the counties.

Continued Full Funding of PILT (Payment in Lieu of Taxes): The PILT program provides payments to counties to offset losses in tax revenues due to the presence of substantial federal land acreage within their jurisdictions. Because local governments are unable to collect property taxes on federal lands, Nevada's rural counties are increasingly relying on PILT to balance their budgets and provide essential services, including those provided on public lands and to public lands users. NACO appreciates the delegations' support for full funding for PILT and SRS in 2019, as well as support for Senate Bill 2108 which modifies the PILT funding formula for small counties to meet the unique needs for counties between 1,000 and 4,000 in population.

Military Withdrawals: The National Defense Authorization Act will be introduced to Congress for renewal in 2020. The boundaries for both the Air Force's Nellis Test and Training Range and the Navy's Fallon Range and Training Complex are subject to reauthorization through the Act and both bases will be asking for Congress' permission to withdraw approximately 600,000 additional acres of land for Fallon and 220,000 acres for Nellis. Regarding Fallon, we appreciate the engagement from our Congressional Delegation with NACO to address county issues on the Navy's upcoming Record of Decision (ROD). Counties believe there will be significant impacts from the proposed Fallon withdrawals on county infrastructure and local communities, and counties have provided extensive comments outlining concerns. Currently, the Fallon EIS does not include a plan for funding the mitigation that will be necessary to pay for impacts of the withdrawal, and counties continue to be concerned about impacts the land withdrawals will have on county

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infrastructure, public access and PILT payments. NACO respectfully requests continued assistance from our Congressional Delegation on both withdrawals as this process moves forward, to ensure that county needs are addressed.

Wild Horses and Burros: Nevada has by far the largest population of wild horses and burros on public lands of any State. Wild horses and burros (WHB's) have long been an icon of the landscape and heritage of Nevada. The Free-Roaming Wild Horses and Burros Act of 1971 requires the Bureau of Land Management (BLM) to maintain populations at an agency-determined appropriate management level (AML). Unfortunately, wild horse and burro populations have far exceeded AMLs for some time. For example, in 2019, the BLM estimated the wild horse and burro population currently on Nevada's rangelands as 47,468, though it is believed to be significantly higher, yet the AML for Nevada is only 12,811. Overpopulation has created serious environmental concerns for wildlife, the ecology of Nevada's rangelands, and for the horses themselves. As a result, wild horses suffer death from starvation or dehydration as a result of resource scarcity. The $21 million appropriated for WHB in the 2020 omnibus spending bill provides critical funding for this ever more urgent issue. NACO supports the "Path Forward" proposal, which outlines a strategy of adoption, relocation, and fertility control that is both humane and promotes ecological balance on Nevada's rangelands. NACO urges the Federal Government to immediately begin spending down the $21 million appropriation to carry out the directives in the Path Forward plan.

Sage-Grouse: Stakeholders across Nevada have engaged in significant collaborative conservation efforts and species management planning to prevent a potential listing decision for Bi-state and Greater Sage-grouse populations under the Endangered Species Act. NACO has been a cooperating agency in both the Department of the Interior and the Department of Agriculture's creation of Greater Sage-grouse Land Use Plan Amendments. NACO also provided comments and guidance to the Department of Interior regarding its Bi-State Sage-grouse ESA listing decision. NACO will continue to engage with Interior and USDA to advocate that the respective agencies consider the needs of the species as well as the planning needs of the State of Nevada and Nevada's counties.

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Telecommunications

Boosting Broadband and Emerging Technologies: NACO supports the deployment and availability of emerging technologies, such as small cell 5G, to all areas of Nevada, to ensure equitable economic and educational opportunities for all. County officials must also fulfill our responsibilities as trustees of public property and as protectors of public safety and health during this deployment process. By preserving local authority, county governments can ensure that the public interest is being served by communications providers regardless of the delivery platform. Federal policymakers should also support local decision-making and accountability and oppose any actions that would preempt or limit the zoning and siting authority of local governments.

Additionally, accurate broadband connectivity data is essential to buildout critical broadband infrastructure in areas lacking access to high-speed internet. Unfortunately, connectivity data provided to the Federal Communications Commission (FCC) by internet service providers is often inaccurate and inflated – leaving many rural and other underserved areas overlooked and disconnected. NACO urges Congress and the FCC to improve the accuracy of the broadband coverage maps by creating a formal process by which crowd-sourced data can be used to create new or update existing FCC broadband coverage maps. Further, NACO supports legislation requiring the FCC to test and certify the accuracy of the crowd-sourced data. NACO also urges Congress and federal agencies to recognize counties as partners in extending the benefits of advanced telecommunications and broadband technology — including improvements to county emergency preparedness and public safety systems — to all Americans.

Cybersecurity: Counties continue to face increasing risk of cyber threats from multiple sources every day and must ensure that citizens' personal information and critical infrastructure are adequately protected, recoverable and secured in the event of any potential breach. As Congress considers cybersecurity legislation, NACO supports ensuring that the needs of counties and local government are considered.

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County Financing and Funding

Optimizing Intergovernmental Partnerships and Federalism: NACO is pleased with our partnership with our federal delegation and look to continued coordination on policies that benefit and impact Nevadan's. NACO opposes unfunded mandates and federal initiatives that fail to protect county revenue. We support efforts that recognize and respect the unique roles and responsibilities of counties as essential partners in our nation's intergovernmental system of federal, state, local and tribal officials. County governments are tasked with implementing both state and federal policies as well as regulations at the local level and should be included in all stages of the governing process. NACO urges Congress to pass the Restore the Partnership Act (H.R. 3883) and the Unfunded Mandates Information and Transparency Act (H.R. 300) to increase transparency, reduce regulatory burden, foster intergovernmental dialogue and unite all levels of government in supporting our unparalleled system of federalism.

Support Funding for the Community Development Block Grant (CDBG) Program: NACO strongly supports the Community Development Block Grant (CDBG) program established in the Housing and Community Development Act of 1974. The CDBG program provides increased opportunities for elected county officials to plan, implement, and evaluate local community development and housing assistance programs. For the potential of the CDBG program to be fully realized, it must be fully funded and properly administered. NACO is thankful for the increased appropriations, recently passed, for the CDBG program, as well as for the HOME Investment Partnership (HOME) Program, which is an important component in providing affordable housing in Nevada's communities.

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Transportation

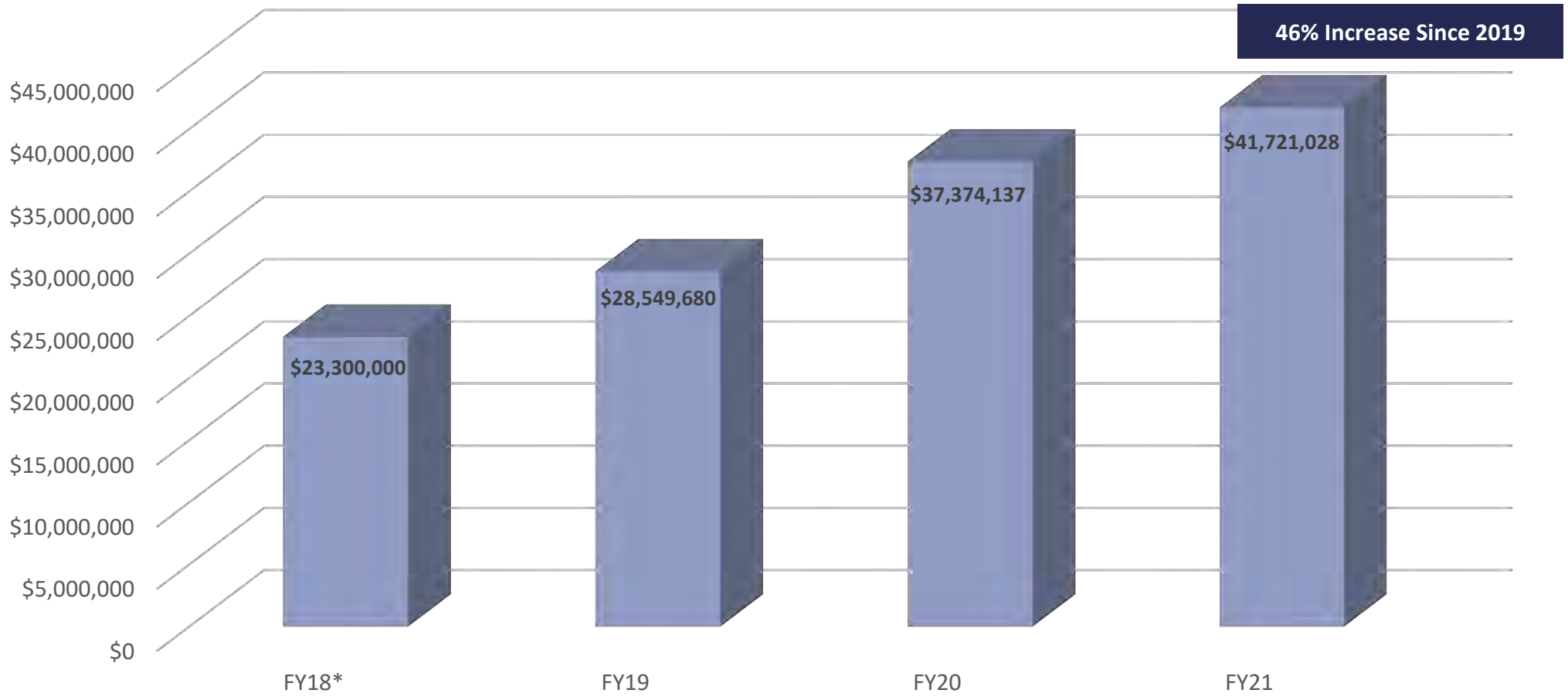
Long-term Transportation Funding and Financing: Nevada's Counties support efforts by the administration and Congress to increase our nation's infrastructure investments to help promote economic development, public safety and overall mobility. In Nevada, counties maintain over 65% of the roads in the State. Counties should be recognized as major owners of transportation infrastructure in any comprehensive package presented by the administration and Congress, including future surface transportation reauthorization legislation. Any federal infrastructure package should reflect county priorities, such as: allocating more federal seed capital and matching funds for locally owned infrastructure, increasing local decision-making authority and flexibility, and streamlining and shortening the federal permitting process while still requiring robust public participation and world-class environmental stewardship. Additionally, the long-term solvency of the Highway Trust Fund is critical as is the Federal Lands Access Program (FLAP) funding. Finally, NACO also supports continued funding of the I-11 project, including the expansion into Northern Nevada.

Election Integrity & Funding

Administering our Nation's Elections: NACO supports federal policies that provide flexibility for local decision making and increased federal investments in the nation's elections system. As administrators and financers of our elections, counties work to ensure our elections are both fair and secure. Therefore, NACO supports a consistent, predictable and dedicated federal funding stream to assist counties with meeting the significant federal requirements already imposed on local governments administering elections. We also support efforts by Congress and the Administration to combat cybersecurity threats in a way that is inclusive of county election and technology officials. As Congress considers these changes, NACO urges federal lawmakers to protect local control over election administration and oppose mandates and specific requirements regarding equipment, procedures and personnel responsibilities.

Agenda Item 10

COUNTY LONG TERM CARE STATE MATCH ASSESSMENTS

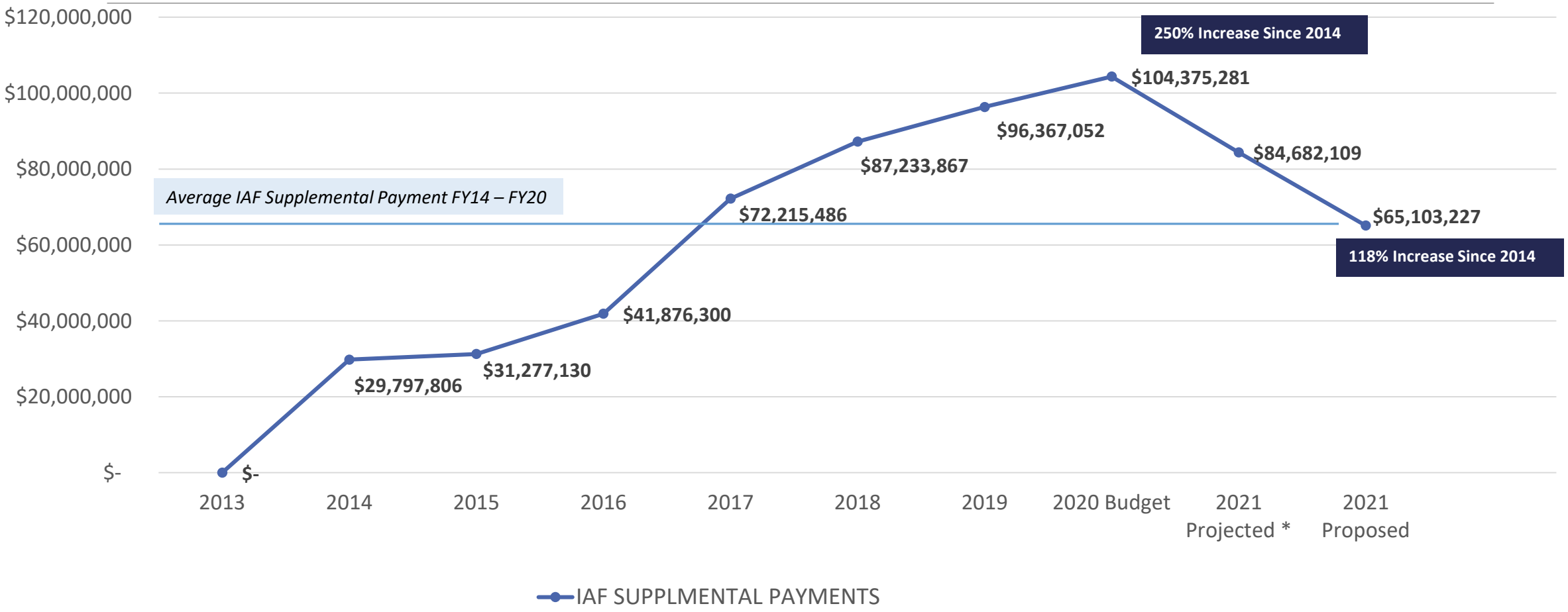


* Per LCB during the budget hearings of the 2019 legislative session.

INDIGENT ACCIDENT FUND REVENUE GROWTH

SFY	1.5 Cent Property Tax	Unmet Free Care	Total
2014	$11,627,930	$ 1,270,803	$12,898,733
2015	$11,897,174	$ 3,499,750	$15,396,924
2016	$12,616,511	$16,282,421	$28,898,932
2017	$12,680,018	$15,312,145	$27,992,163
2018	$13,436,373	$19,131,926	$32,568,299
2019	$13,683,840	$20,810,667	$34,494,507
2020	$14,222,766	$21,506,007	$35,728,773
2021	$14,222,766	$23,606,430	$37,829,196

IAF SUPPLEMENTAL PAYMENTS – ALL HOSPITALS



* SFY 2021 Projected Non-Federal Transfers totaled $30,705,733 @ a state match requirement of 36.26% equals $84,382,109 in supplemental payments. The decrease in the projected supplemental payments is primarily due to an increase in the minimum fund balance requirement and an increase in the state match %.

Agenda Item 11

NRS 549.010 Cooperative agreements between boards of county commissioners and Nevada System of Higher Education. To provide for continued educational, research, outreach and service programs pertaining to agriculture, community development, health and nutrition, horticulture, personal and family development, and natural resources in the rural and urban communities in the State of Nevada, the Director of the Agricultural Extension Department of the Public Service Division of the Nevada System of Higher Education and the boards of county commissioners of any or all of the respective counties of the State of Nevada may enter into cooperative agreements and activities subject to the provisions of this chapter.

[1:94:1947; 1943 NCL § 356.1] — (NRS A 1969, 1444; 1993, 413; 1999, 2550)

NRS 549.020 Preparation and adoption of budget; levy of tax; disposition of proceeds; payment of claims; State's cooperative share.

1. The Director of the Agricultural Extension Department of the Public Service Division of the Nevada System of Higher Education shall prepare and submit to the board of county commissioners, for each county participating, an annual financial budget covering the county, state and federal funds cooperating in the cost of educational, research, outreach and service programs pertaining to agriculture, community development, health and nutrition, horticulture, personal and family development, and natural resources in the rural and urban communities in the State of Nevada.

2. The budget must be adopted by the board of county commissioners and certified as a part of the annual county budget, and the county tax levy provided for agricultural extension work in the annual county budget must include a levy of not less than 1 cent on each $100 of taxable property. If the proceeds of the county tax levy of 1 cent are insufficient to meet the county's share of the cooperative agricultural extension work, as provided in the combined annual financial budget, the board of county commissioners may, by unanimous vote, levy an additional tax so that the total in no instance exceeds 5 cents on each $100 of the county tax rate.

3. The proceeds of such a tax must be placed in the agricultural extension fund in each county treasury and must be paid out on claims drawn by the agricultural extension agent of the county as designated by the Director of the Agricultural Extension Department of the Public Service Division of the Nevada System of Higher Education, when approved by the Director and countersigned by the Treasurer of the Nevada System of Higher Education.

4. A record of all such claims approved and paid, segregated by counties, must be kept by the Treasurer of the Nevada System of Higher Education. The cost of maintaining the record must be paid from state funds provided for by this chapter.

5. The State's cooperative share of the cost of such agricultural extension work, as entered in the budget described in this section, must not be more than a sum equal to the proceeds of 1 cent of such county tax rate; but when the proceeds of a 1-cent tax rate are insufficient to carry out the provisions of the budget previously adopted, the Director of the Agricultural Extension Department of the Public Service Division of the Nevada System of Higher Education is authorized to supplement the State's cooperative share from the funds as may be made available in the Public Service Division Fund of the Nevada System of Higher Education.

[2:94:1947; 1943 NCL § 356.2] — (NRS A 1969, 1444; 1993, 413; 1999, 2550)

NRS 549.030 Filing of copy of budget with Nevada System of Higher Education; modification of budget.

1. A certified copy of the county extension work budget as adopted and approved pursuant to NRS 549.020 must be filed with the Treasurer of the Nevada System of Higher Education within 10 days after its approval by the board of county commissioners.

2. Necessary modifications thereof, involving county and state funds, resulting from leaves of absence without pay, resignations, changes in salary, dismissals or employment of any cooperative agent, variations in expense accounts or otherwise, not involving an increase in the total expenditures provided to be paid from the funds and consistent with the purposes of this chapter, may be made by filing with the Treasurer of the Nevada System of Higher Education and the board of county commissioners a revised budget, approved by the Director of the Agricultural Extension Department of the Public Service Division of the Nevada System of Higher Education and countersigned by the Treasurer of the Nevada System of Higher Education.

[3:94:1947; 1943 NCL § 356.3] — (NRS A 1969, 1444; 1993, 414)

NRS 549.040 Legislative appropriations. Funds to carry out the provisions of this chapter shall be provided by direct legislative appropriation from the General Fund.

[4:94:1947; 1943 NCL § 356.4] — (NRS A 1961, 513)

NRS 549.050 Expenditure of State's cooperative share. All moneys appropriated pursuant to NRS 549.040 must be expended under the direction of the Director of the Agricultural Extension Department of the Public Service Division of the Nevada System of Higher Education to the extent of the financial budget for cooperation between the State and the respective counties provided for in NRS 549.020.

[5:94:1947; 1943 NCL § 356.5] — (NRS A 1969, 1445; 1993, 414)

NRS 549.060 Participation of counties in extension work. Any county in the state which has agreed or shall agree to participate in cooperative work in agricultural extension under the provisions of this chapter or acts previously passed by the Legislature and approved by the Governor shall, by the provisions hereof, come under this chapter.

[6:94:1947; 1943 NCL § 356.6]

NRS 549.070 Transitional provisions.

1. All supplies, materials, equipment, property or land acquired for the use of county agricultural extension offices under the provisions of chapter 213, Statutes of Nevada 1919, shall remain the property of the county extension offices set up under the provisions of this chapter.

2. Any and all contracts for the purchase of equipment, property or land of any type or description made under the provisions of chapter 213, Statutes of Nevada 1919, shall remain in full force and effect until the completion of such contracts.

[7:94:1947; 1943 NCL § 356.7]

Agenda Item 13

https://census.nv.gov

Agenda Item 14

University of Nevada, Reno

Cooperative Extension – 4-H Youth Development

NSHE Goals: Access, Success, Close the Achievement Gap

Objective: A recent longitudinal study discovered that the structured out-of-school-time learning, leadership experiences and adult mentoring that young people receive in 4-H play a vital role in helping them achieve success – academically, socially and civically. These successful outcomes are attributed to the key characteristics of positive youth development that are a hallmark of 4-H programs.

The expansion of Extension's 4-H Youth Development Program will focus on STEM education, career and college readiness, workforce development, healthy living, civic engagement, residential camping and volunteer development. Middle school youth will participate through 4-H clubs, in-school enrichment opportunities, linked learning, co-curricular projects, afterschool programs, day camps, residential camps and more.

Nevada 4-H Youth Development five-year goals:

1. Increase the number of 4-H participants to 100,000: *doubling from 50,000 current participants*
2. Increase program excellence with high-quality 4-H professionals and volunteers*: hiring experts in Positive Youth Development & doubling the number of volunteers*
3. Address workforce and industry education needs: *new programs will include a college and career readiness component and a comprehensive evaluation component to determine their effectiveness*

Program Description: In 2019, Nevada System of Higher Education Chancellor Dr. Thom Reilly signed a Memorandum of Understanding with the Clark County School District, the University of Nevada, Reno's Cooperative Extension Division, Nevada State College, College of Southern Nevada, and the University of Nevada, Las Vegas. This strategic collaboration aims to bridge the gap between school performance and workplace success by combining the best of experiential learning and academic rigor.

To develop a more competitive, prepared and entrepreneurial workforce, the program will link directly to the Nevada Academic Content Standards and the Governor's Office of Workforce Innovations with three primary objectives: 1) Increase essential life skills for college and career success, 2) Increase academic engagement and 3) Increase awareness of STEM communication skills.

The initial results will be used to modify and improve the delivery and scale the College and Career Pathways Middle School Program* across Clark County School District and all Nevada school districts.

To achieve the above goals, we propose new Extension personnel in the following areas:

- Twenty academic instructors/extension educators with Master's-level positive youth development expertise, at least one per county
- Five statewide academic faculty positions to enhance and expand programming: *4-H youth STEM specialist, civic engagement specialist, volunteer specialist, animal science specialist and natural resource specialist*
- Hire two full-time Administrative Assistants to support the state 4-H office.

Financial Request: FY22--$1.8M; FY23--$3.0M (base)

Extension's State 4-H Youth Development Program Priority Request	FY 22	FY 23
Personnel		
Academic Instructor, Master's Level Faculty (20 positions @ $66,000)	$660,000	$1,320,000
Academic Faculty, Volunteer Specialist, 4-H Natural Resource, Animal Science, Civic Engagement		
4-H STEM Specialist (5 @ $93,000)	$232,500	$465,000
Admin Assistant (2 positions @ $40,000)	$40,000	$80,000
Subtotal	**$932,500**	**$1,865,000**
Fringe Benefits		
Academic Instructor, Master's Level Faculty (20 positions @ $19,424)	$194,238	$388,476
Academic Faculty, 4-H (5 positions @ $27,370)	$68,425	$136,850
Admin Assistant (2 position @ $17,308)	$17,308	$34,616
Subtotal	**$279,971**	**$559,942**
Operations		
Academic Instructor, Master's Level Faculty Operations, which includes travel, program supplies, office supplies, equipment (20 positions @ $15,000)	$150,000	$300,000
Academic Faculty, 4-H Specialist, which includes travel, program supplies, office supplies, & equipment (5 positions @ $20,000)	$50,000	$100,000
Admin Assistant (2 positions @ $5,000)	$5,000	$10,000
Youth and Volunteer program support for participation in events and activities at state, regional, and	$145,000	$145,000
Subtotal	**$350,000**	**$555,000**
One-Time Costs		
Start-Up Costs for Academic Faculty/Specialists (5 @ $40,000 each)	$200,000	$0
Subtotal	**$200,000**	**$0**
TOTAL COST per year	**$1,762,471**	**$2,979,942**
Total Cost - biennium		**$4,742,412**