

**SUPPLEMENT DATED JULY 27, 2016 TO THE
TexasTERM INFORMATION STATEMENT
DATED JULY 11, 2013**

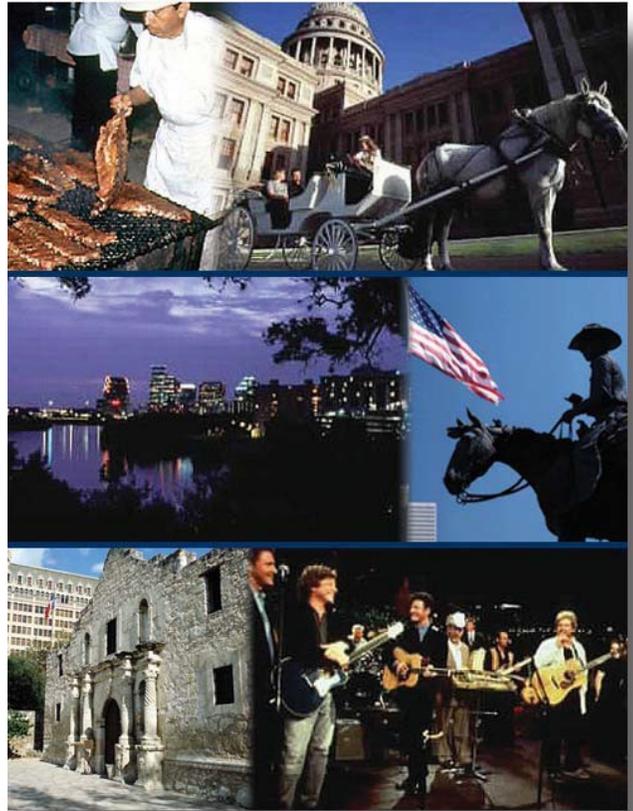
This Supplement supplies additional information with respect to the *TexasDAILY* portfolio, a portfolio established by the Advisory Board (the “Board”) of the TexasTERM Local Government Investment Pool, and should be read in conjunction with the TexasTERM Information Statement dated July 11, 2013 as supplemented to date. Terms used in this Supplement shall be as defined in the Information Statement.

Please be advised that the Board approved the adoption of GASB 79 requirements at a meeting held on May 6, 2016. As a result of this adoption, the Board has determined, in consultation with the Investment Advisor, that it will manage the *TexasDAILY* portfolio in accordance with GASB 79 requirements, as applicable, for continued use of amortized cost in the calculation of the net asset value (“NAV”) at the conclusion of each Business Day.

The date of this Supplement is July 27, 2016.

**THIS IS A SUPPLEMENT TO THE INFORMATION STATEMENT DATED JULY 11, 2013. IT
PROVIDES ADDITIONAL INFORMATION ABOUT THE POOL. A COMPLETE
INFORMATION STATEMENT, INCLUDING ALL SUPPLEMENTS, IS AVAILABLE UPON
REQUEST BY CONTACTING A POOL REPRESENTATIVE AT 1-866-839-8376.**

PLEASE RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE.



Information Statement

July 11, 2013

TexasTERM Local Government Investment Pool

- TexasDAILY Portfolio
- TexasTERM Portfolio
- TexasTERM CD Purchase Program

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Portfolio Summary

TexasDAILY

Investment Objective

To produce the highest income consistent with preserving principal and maintaining liquidity, and to maintain a stable \$1.00 net asset value (NAV).

Fees and Expenses

These are the fees and expenses you will pay when you buy and hold shares in this Portfolio.

Annual Portfolio Operating Expenses (Fees and expenses shown may be subject to certain fee waivers)

Management and administrative fees	0.13%
Other operating expenses	0.01%
Total annual Portfolio operating expenses	0.14%

The figures shown here do not reflect the effects of any voluntary expense reductions. Going forward, actual expenses may be higher or lower.

PFM Asset Management, LLC has agreed to reimburse the Portfolio for the amount by which annual operating expenses including investment management services, custodian, legal and audit fees exceed 0.20% of the Portfolio's average daily net assets.

Expense Example

This example is intended to help you compare the cost of investing in this Portfolio with the cost of investing in other Funds. The example assumes that you invest \$10,000 for the time periods indicated and then redeem all of your shares at the end of the period. The example also assumes that you earn a 5% return each year on your investment and that the operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

1 year	3 years	5 years	10 years
\$14	\$45	\$79	\$179

Principal Investment Strategies

The Portfolio invests exclusively in the following high quality, short-term money market instruments:

- US Government and agency obligations with a 13-month maximum maturity, and repurchase agreements involving these obligations
- certificates of deposit issued by FDIC-insured banks
- money market mutual funds that observe certain investment restrictions

The adviser/administrator may adjust exposure to interest rate risk, typically seeking to protect against possible rises in interest rates and to preserve yield when interest rates appear likely to fall.

The fund maintains a dollar-weighted average maturity of no more than 60 days and a dollar-weighted average life (final maturity, disregarding interest rate adjustments) of no more than 120 days.

TexasDAILY has received a rating of AAAM from Standard & Poor's.

Main Risks

As with any similar pooled investment, there are several factors that could hurt the Portfolio's performance, cause you to lose money, or cause the Portfolio's performance to trail that of other investments.

- **Interest rate risk** When short-term interest rates fall, the Portfolio's yield is likely to fall. When interest rates rise, especially if the rise is sharp or unexpected the value of obligations held by the Portfolio may decline, and the Portfolio's share price could fall.
- **Credit risk** The issuer of an obligation could fail to pay interest or principal in a timely manner. The credit quality of the Portfolio's holdings could change rapidly in certain markets, and the default or decline in credit quality of even a single holding could cause the Portfolio's share price to fall.
- **Liquidity risk** The Portfolio may be unable to liquidate investments to meet redemptions in periods when the fixed income markets are interrupted.

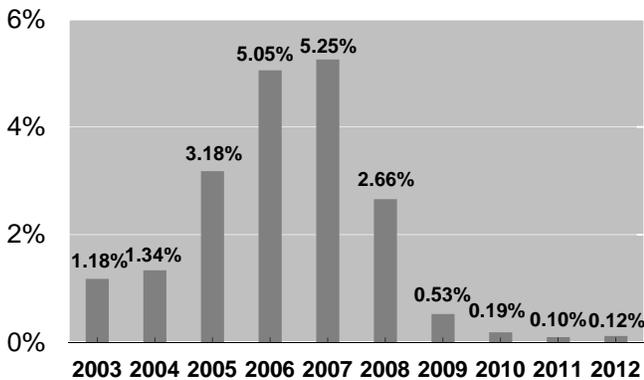
- **Management risk** Performance could be hurt by decisions made by the adviser/administrator, such as choice of investments or timing of buy/sell decisions.

An investment in the Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Portfolio seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Portfolio.

Past Performance

All performance figures shown here assume that dividends were reinvested. For current yield information, call 866-839-8376. Past performance may not indicate future results.

Calendar Year Total Returns (%)



Highest Quarter Return: Q4 2006 +1.33%
 Lowest Quarter Return: Q3 2011 +0.02%
 YTD as of 3/31/13 (not annualized): +0.032%

Average Annual Total Returns (%)

As of 12/31/12

1 Year	5 Years	10 Years	Since Inception
0.12%	0.71%	1.94%	1.93%

¹ TexasDaily Portfolio inception 03/25/2002

Management

Investment Adviser/Administrator PFM Asset Management LLC

Purchase and Sale of Portfolio Shares

Minimum Initial Investment No minimum

Minimum Account Balance No minimum

Placing Orders

You can place orders to buy or sell Portfolio shares by wire or automated clearing house (ACH) transfer. To place orders, contact us at:

Online www.texasterm.net

Phone 866-839-8376

Orders can be processed the same day if funds are wired by 1:00 pm Central Time. Otherwise, they are processed on the next business day.

For more complete information on buying and selling shares, see “Buying Shares – TexasDAILY” and “Redeeming Shares - TexasDAILY.”

Tax Information

We suggest that you check with your tax advisor before investing in the Portfolio. Relevant considerations may include:

- Section 115(1) of the Internal Revenue Code of 1986, as amended (the Code), which provides that the gross income of a state or political subdivision does not include income derived from the exercise of any essential government function.
- Section 148 of the Code (and related regulations) covering rebate requirements, which may apply to anyone investing tax-exempt bond proceeds.
- The arbitrage limitations or rebate requirements of section 148 of the Code (and related regulations), under which states and municipalities may be required to pay the U.S. Treasury a portion of earnings they derive from the investment of certain funds

Arbitrage Rebate Compliance Services

The adviser/administrator provides comprehensive Arbitrage Rebate Compliance services to Participants who invest their bond proceeds in TexasDAILY or TexasTERM. Participants receive the following correspondence/reports/services from the adviser/administrator:

- Spending exception compliance reports including notification of an upcoming benchmark;
- Yield restriction compliance notification;
- Annual estimates of accrued arbitrage rebate and yield restriction liabilities;
- Notification of Installment Calculation Date sent 60 days in advance of the required calculation date; and
- Retention of arbitrage related documents and investment records

Portfolio Summary

TexasTERM

Investment Objective

To provide an investment that can accommodate pre-set redemptions occurring anywhere from 60 days to one year from the time of investment, and that will produce the highest earnings consistent with preserving principal and meeting the redemption schedule. The Portfolio seeks to assure the return of principal on the planned maturity date, although principal value may fluctuate prior to that date, and therefore may be greater or less than \$1.00 a share. There is a penalty for early withdrawal, and NAV may be more or less than \$1.00 a share.

Fees and Expenses

These are the fees you may pay when you buy and hold shares in this Portfolio.

Annual Portfolio Operating Expenses (Fees and expenses shown may be subject to certain fee waivers)

Management and administrative fees	0.15%
Other operating expenses	0.05%
Total annual Portfolio operating expenses	0.20%

PFM Asset Management has agreed to reimburse the Portfolio for the amount by which annual operating expenses including investment management services, custodian, legal and audit fees exceed .20% of the Portfolio's average daily net assets.

The Portfolio may charge significant fees for any redemptions prior to the agreed-upon redemption date. As the fees charged are based on actual costs incurred in effecting the redemption and protecting the interests of other Portfolio investors, the actual amount of the fees cannot be stated in advance.

Principal Investment Strategies

The Portfolio invests in the following high quality, short-term money market instruments:

- US Government and agency obligations with a 13-month maximum maturity, and repurchase agreements involving these obligations
- certificates of deposit issued by FDIC-insured banks
- money market mutual funds that observe certain investment restrictions
- commercial paper (only within CP Series)

The adviser/administrator may adjust exposure to interest rate risk, typically seeking to protect against possible rises in interest rates and to preserve yield when interest rates appear likely to fall.

TexasTERM has received a rating of AA+ from Standard & Poor's.

Main Risks

As with any similar pooled investment, there are several factors that could hurt your performance, cause you to lose money, or cause performance to trail that of other investments.

- **Credit risk** The issuer of an obligation could fail to pay interest or principal in a timely manner. The credit quality of holdings could change rapidly in certain markets, and the default or decline in credit quality of even a single holding could cause your share price to fall.
- **Early redemption risk** Early redemption penalties charged could reduce or eliminate investment gains, and could mean that the amount you get back is less than your initial investment.
- **Management risk** Performance could be hurt by decisions made by the adviser/administrator, such as choice of investments or timing of buy/sell decisions.

An investment in the Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Portfolio seeks to preserve the value of your investment on the planned redemption date at \$1.00 per share, it is possible to lose money by investing in the Portfolio.

Past Performance

The performance of each individual TexasTERM series may vary. For current yield information, call 866-839-8376. Past performance may not indicate future results.

Management

Investment Adviser/Administrator PFM Asset Management LLC

Purchase and Sale of Portfolio Shares

Minimum Initial Investment \$100,000

Minimum Term 60 days

Maximum Term 12 months

Minimum Account Balance Not applicable

Placing Orders

Prior to placing any order, call the toll-free number listed below to discuss the amount and term of your investment and to get information on projected yield. Once your investment has been approved, you can place orders to buy or sell Portfolio shares by redeeming shares in TexasDaily, via separate wire, or automated clearing house (ACH) transfer. To arrange or place orders, contact us at:

Phone 866-839-8376

Orders can be processed the same day if funds are wired by 12:00 pm Central Time. Otherwise, they processed on the next business day.

For more complete information on buying and selling shares, see “Buying Shares – TexasTERM” and “Redeeming Shares - TexasTERM.”

Tax Information

We suggest that you check with your tax advisor before investing in the Portfolio. Relevant considerations may include:

- Section 115(1) of the Code, which provides that the gross income of a state or political subdivision does not include income derived from the exercise of any essential government function.
- Section 148 of the Code (and related regulations) covering rebate requirements, which may apply to anyone investing tax-exempt bond proceeds.
- The arbitrage limitations or rebate requirements of section 148 of the Code (and related regulations), under

which states and municipalities may be required to pay the U.S. Treasury a portion of earnings they derive from the investment of certain funds.

Arbitrage Rebate Compliance Services

The adviser/administrator provides comprehensive Arbitrage Rebate Compliance services to Participants who invest their bond proceeds in TexasDAILY or TexasTERM. Participants receive the following correspondence/reports/services from the adviser/administrator:

- Spending exception compliance reports including notification of an upcoming benchmark;
- Yield restriction compliance notification;
- Annual estimates of accrued arbitrage rebate and yield restriction liabilities;
- Notification of Installment Calculation Date sent 60 days in advance of the required calculation date; and
- Retention of arbitrage related documents and investment records

Program Summary

TexasTERM CD Purchase Program

Objective

To help program Participants purchase Certificates of Deposit (CDs) that meet applicable investment requirements (as determined by a limited credit review) and that are fully covered by FDIC insurance with respect to all assets invested through the program by the program Participant. The program also provides a means by which the purchase and redemption transactions for these CDs are handled through the program Participant's TexasDAILY account. Program Participants may purchase each program CD either directly from the institution issuing the CD or through a broker that has been approved by the Participant's governing body and meets the requirements of the PFIA.

Fees and Expenses

For any CD you purchase through the program, you will be charged a fee of up to 0.25% of the CD principal. Fees will be deducted from your TexasDAILY account. The fee includes the typical banking, deposit brokerage, and wire costs associated with initiating your CD purchase and transferring proceeds to your designated TexasDAILY account upon maturity.

Eligible CDs

To participate in the program, a CD must be issued by a bank or thrift institution that meets all of the following guidelines at the time of evaluation:

- is a member of the FDIC
- has total assets of at least \$50 million
- has total Tier 1 Capital of at least 6%
- has not been the subject of any major enforcement actions in the past 12 months

The adviser/administrator reviews each financial institution's financial condition every quarter.

Main Risks

There are several risk factors that you bear directly as a program Participant.

- **Credit risk** The issuer of a CD could fail to pay interest or repay principal in a timely manner. In such a case, the amount and the timing of any repayment may depend on the response of the FDIC.
- **FDIC risk** If the FDIC fails to honor its stated coverage of CDs purchased through the program, you would be solely responsible for resolving the matter with the FDIC and would bear any losses.
- **Eligibility risk** Because the program does not monitor any program Participant's eligibility for FDIC coverage nor the eligibility of any particular CD for any program Participant, you are solely responsible for any adverse effects you experience that arise from such eligibility issues.
- **Excess deposit risk** Because the program does not monitor deposits of any type that are made outside the program, your total deposits with a financial institution could exceed FDIC coverage limits, leaving you exposed to potential losses should the financial institution be unable to honor its commitments to depositors.
- **Early redemption risk** Early redemption penalties charged by the CD issuer could reduce or eliminate any earnings, and could mean that the amount you get back is less than your initial purchase amount.

Management

Investment Adviser/Administrator PFM Asset Management LLC

Purchase and Redemption of Program CDs

Minimum Investment \$97,000, or less if anticipated interest is expected to push the redemption value over the applicable FDIC limit.

Minimum Term 90 days

Minimum Account Balance Not applicable.

Placing Orders

To purchase CDs, you must have a TexasDAILY account. Prior to placing any order, call the toll-free number below to discuss the amount and term of your investment and to get information on projected yield. Once your investment has been approved, its purchase and redemption will occur on the agreed-upon schedule, with funds removed from, and redemption proceeds being returned to, the TexasDAILY account that you designate. To arrange or place a program CD purchase, contact us at:

Phone 866-839-8376

Tax Information

We suggest that you check with your tax advisor before investing in any CD. Relevant considerations may include:

- Section 115(1) of the Code, which provides that the gross income of a state or political subdivision does not include income derived from the exercise of any essential government function.
- Section 148 of the Code (and related regulations) covering rebate requirements, which may apply to anyone investing tax-exempt bond proceeds.

The arbitrage limitations or rebate requirements of section 148 of the Code (and related regulations), under which states and municipalities may be required to pay the U.S. Treasury a portion of earnings they derive from the investment of certain funds.

Portfolio and Program Details

TexasTERM Local Government Investment Pool

The TexasTERM Local Government Investment Pool (“the pool”) was established by the TexasTERM Common Investment Contract, in conformity with Chapters 791 (Interlocal Cooperation Act) and 2256 (Public Funds Investment Act) of the Texas Government Code.

The pool currently offers two professionally managed Portfolios, each of which is described in this document. Each Portfolio may issue different series. Each Portfolio and series is held separately for the benefit of the unitholders of that Portfolio and/or series.

Neither the pool nor any of its Portfolios and series is registered as an investment company under the Investment Company Act of 1940. There is no assurance any Portfolio will meet its investment objective.

The pool also operates the TexasTERM CD Purchase program (“CD program”). Assets purchased under this program are not assets of the pool, but rather remain direct obligations of the CD issuer to the CD purchaser.

Except where indicated, the remaining information in this Portfolio and Program Details Section does not apply to the CD program.

Principal Investment Strategies

Portfolio Investments

Each Portfolio purchases only investments of the type in which Texas local governments are permitted to invest their own funds. Each Portfolio invests exclusively in the following high quality, short-term money market instruments that meet the requirements of the Public Funds Investment Act:

- **US Government and agency obligations Up to 100% of assets**
 - Obligations issued by the US Treasury that have a maximum maturity of 397 days.
 - Obligations of any agency or instrumentality of the United States, such as obligations of Fannie Mae, Freddie Mac, Ginnie Mae, the Federal Home Loan Banks, and the Federal Farm Credit Banks, that have a maximum maturity of 397 days.

- Obligations that are fully guaranteed by, or insured by, either the FDIC or the explicit full faith and credit of the United States.
- **Repurchase agreements Up to 100% of assets**
 - Repurchase agreements involving any type of US government and agency obligations previously described.
- **Obligations of financial institutions Up to 100% of assets**
 - Certificates of deposit issued by banks (the certificates must either be FDIC-insured or secured by US Government or agency obligations).
- **Money market mutual funds Up to 15% of assets**
 - No-load money market mutual funds that are regulated by the SEC and rated AAA or equivalent (by at least one rating agency), and that invest only in the types of US Government and agency obligations and repurchase agreements described in this section.
- **Commercial paper Up to 100% of assets** (applies to CP Series of TexasTERM only)
 - Commercial paper with a stated maturity of 270 days or less from issuance, rated not below A-1, P-1 or the equivalent by two nationally recognized rating agencies.
 - Each Portfolio will invest no more than 5% of its total assets in securities of any one non-governmental issuer.

Each Portfolio may invest in variable rate obligations and other securities with maturity shortening features (such as interest rate resets and demand features) that have the effect of reducing their maturities to 397 days or less at the time of purchase. In all cases final stated maturities would be less than 762 days.

Credit support of US Government and agency obligations

Obligations of certain agencies and instrumentalities (such as Ginnie Mae) are supported by the full faith and credit of the US government. Others, such as obligations of Fannie Mae and Freddie Mac, are neither guaranteed by the US Treasury nor backed by the full faith and credit of the United States. However, these agencies may

receive some form of federal support. For example, the US Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds

available to) Freddie Mac, Fannie Mae, and the Federal Home Loan Banks. Such support may be limited and subject to specified conditions.

Some obligations have liquidity support, which is an arrangement under which the US Government or its agencies or instrumentalities agree to advance funds to the entity to the extent it has insufficient funds to honor its obligations. Liquidity support may be subject to certain conditions, including that the entity not be in bankruptcy.

Some obligations are supported only by the credit of the agency or instrumentality issuing the obligation. A Portfolio may invest in an obligation only if the adviser/administrator is satisfied that all of these types of obligations are of high quality and meet its investment criteria.

For further information on Portfolio securities, see the attached Information Statement Addendum (ISA).

Management Policies

The Advisory Board oversees the management of the Portfolios and formulates their investment policies.

The adviser/administrator may trade actively in seeking to maximize yields. Although this may result in high Portfolio turnover, such turnover is not expected to have a material effect on Portfolio performance.

TexasDAILY

The Portfolio will not purchase the obligations of any issuer (other than obligations issued and guaranteed as to principal and interest by the United States, its agencies or instrumentalities) if, as a result at the time of purchase, either of the following would occur:

- More than 5% of the Portfolio's total assets would be invested in the securities of any one issuer.
- More than 5% of the Portfolio's total assets would be invested in any class of securities of a single issuer (for this purpose, all debt obligations of an issuer maturing in less than one year are treated as a single class of securities).

The Portfolio limits its investments to high quality instruments and follows policies designed to maintain a stable \$1.00 share price, including maintaining a dollar-weighted average Portfolio maturity of 60 days or less. If the ratio of the Portfolio's market value divided by its amortized cost is less than 0.995 or greater than 1.005, the adviser/administrator may sell Portfolio holdings or take other action to maintain the ratio between 0.995 and 1.005. However, there is no assurance that a net asset value of \$1.00 per share can be maintained.

Cash Management

The Portfolios, and the CD program, are available to municipalities, counties, school districts, special districts and other governmental entities in the State of Texas. They offer governmental entities a convenient method of pooling funds for temporary investment.

The investment objectives and investment policies of the Portfolios, and the purpose of the CD program, are consistent with the particular cash management and short-term investment needs of Texas governmental entities, such as municipalities, school districts, and municipal authorities that must manage investments conservatively.

Specifically, the Portfolios invest in, and the CD program offers, only those instruments in which such governmental units are permitted to invest under the Public Funds Investment Act, Chapter 2256, Texas Government Code.

For further information on management policies, see the attached Information Statement Addendum (ISA).

Main Risks

There are several risk factors that could hurt a Portfolio's performance, cause you to lose money, or cause a Portfolio's performance to trail that of other investments.

Interest rate risk *TexasDAILY only* When short-term interest rates fall, the Portfolio's yield is likely to fall. When interest rates rise, especially if the rise is sharp or unexpected, the Portfolio's share price could fall.

During periods of unusually low interest rates, the Portfolio's yield may approach zero. Over time, the total return of the Portfolio may not keep pace with inflation.

Credit risk The issuer of an obligation owned by a Portfolio could fail to pay interest or principal in a timely manner. The credit quality of a Portfolio's holdings could change rapidly in certain markets, and the default or decline in credit quality of even a single holding could cause a Portfolio's share price to fall.

For money market instruments that rely on third-party credit guarantors, the same risks may apply if the financial condition of the guarantor deteriorates or the guarantor ceases to insure money market instruments. The value of the obligation may decline and it is possible that the guarantor will not honor the guarantee.

For US government or agency securities not backed by the full faith and credit of the US government, there is no guarantee that the government will intervene in the event of any loss or default.

Any type of credit backing or guarantee applies only to the obligations held by a Portfolio, not to shares of the

Portfolio itself, and does not protect against any risk other than credit risk.

Management risk Portfolio performance could be hurt by investment decisions made by the adviser/administrator, such as choice of investments or timing of buy/sell decisions.

Counterparty risk A financial institution or other counterparty with whom a Portfolio does business (such as trading or entering into repurchase agreements), or that underwrites, distributes, or guarantees any investments or contracts that a Portfolio owns or is otherwise exposed to, may decline in financial health and become unable to honor its commitments. This could cause losses for a Portfolio or delay the return or delivery of collateral or other assets.

Financial industry risk Any market price movements, regulatory or technological changes, or economic conditions affecting banks or other financial institutions may have a significant impact on a Portfolio's performance.

Foreign investment risk To the extent that a Portfolio invests in US obligations of foreign issuers that are denominated in US dollars, it faces some of the risks of foreign investing, such as unfavorable political and legal developments, limited financial information, regulatory risk, and economic and financial instability.

Additional cost level risk To the extent that a Portfolio invests in mutual funds rather than directly in money market instruments, the Portfolio's shareholders will effectively be paying two or more levels of costs, which could reduce yields.

Liquidity risk If the Portfolio faces an unusual volume of redemption orders, or if it is unable to sell Portfolio securities at the desired time or price, the Portfolio's share price could fall.

An investment in either Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Portfolios seek to preserve the value of your investment, it is possible to lose money by investing in either Portfolio.

Management of the Pool

Advisory Board

The Advisory Board has overall responsibility for the business and affairs of the pool, including supervising the service providers listed below.

For information on current Advisory Board members, see the ISA.

Adviser/Administrator and Transfer Agent

PFM Asset Management LLC
221 West Sixth Street, Suite 1900
Austin, Texas 78701

PFM Asset Management LLC is registered under the Investment Advisers Act of 1940, as amended, and is under common ownership with Public Financial Management, Inc. (PFM), a financial advisory firm. Together, PFM Asset Management and PFM have acted as financial or investment advisers to thousands of cities, townships, boroughs, counties, school districts, and authorities and health and higher education institutions in more than half of US states.

As adviser/administrator, PFM Asset Management is responsible for managing the assets, calculating the net asset value per share (NAV), and maintaining the books and records of the Portfolios, and for selecting the CDs that are offered through the CD purchase program.

PFM Asset Management also provides certain administrative services to the pool, such as:

- Providing office space, facilities, equipment, and personnel.
- Overseeing the preparation of tax returns, reports to the board, shareholder reports, and regulatory filings.
- Coordinating the activities of other service providers.

In addition, PFM Asset Management serves as transfer agent for the Portfolios. It receives, validates, and processes orders to buy and redeem Portfolio shares and CDs, and also process Portfolio dividends.

Distributor

PFM Fund Distributors, Inc.
One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, Pennsylvania 17101-2044

PFM Fund Distributors, Inc., a wholly owned subsidiary of PFM Asset Management, offers shares of the Portfolios on a continuous basis. It is generally responsible for printing and distributing sales materials.

Custodian

U.S. Bank N.A.
60 Livingston Avenue
St. Paul, Minnesota 55107

U.S. Bank holds each Portfolio's securities and other assets, such as cash received from investors who are buying Portfolio shares.

Check Clearing Agent

Wells Fargo Bank

**Independent Registered
Public Accounting Firm**

Ernst & Young LLP
Two Commerce Square, Suite 4000
2001 Market Street
Philadelphia, Pennsylvania 19103

Legal Counsel

McCall, Parkhurst & Horton L.L.P.
717 North Harwood, Suite 900
Dallas, TX 75201-6587

Management and Administrative Costs

Adviser/Administrator The annual fee for PFM Asset Management's services is calculated as a percentage of average daily net assets:

TexasDAILY

Portfolio net assets	Fee
First \$250 million	0.17%
Second \$250 million	0.13%
Next \$500 million	0.12%
Over \$1 billion	0.10%

TexasTERM

Portfolio net assets	Fee
All assets	0.15%

The fee is accrued daily and payable monthly.

In the fiscal year ended December 31, 2012, fees payable to the adviser/administrator were \$1,630,644 (13% of average daily net assets) for TexasDAILY of which \$364,303 were voluntarily waived by the adviser/administrator.

Other expenses Each Portfolio is responsible for paying directly all costs that are not the responsibility of the service providers. Examples of direct Portfolio costs are those associated with:

- Legal and audit services
- The depository and custodian banks
- Interest, taxes, and other non-recurring or extraordinary expenses, including litigation

Each Portfolio contributes to the pool's organization expenses, insurance premiums, and any out-of-pocket expenses of the Advisory Board.

Expense reductions PFM Asset Management may voluntarily reduce or limit the expenses it charges to any Portfolio or share class.

For TexasTERM, PFM Asset Management has agreed not to alter any waiver if it would bring a Participant's actual yield below the projected yield. It has also agreed to reimburse TexasTERM for the amount by which the total expenses for any series of TexasTERM (excluding any legal fees and expenses of TexasTERM related to litigation) exceed an expense limit agreed upon from time to time by PFMAM and TexasTERM.

Other than the above agreements concerning TexasTERM, PFM Asset Management may discontinue any fee waivers of any Portfolio at any time.

For information on the agreements with various service providers and their associated expenses, see the attached ISA.

Investing

Opening an Account

Eligible Participants

The Portfolios and the CD program were established by the Advisory Board of the pool. All Participants must be Texas governmental entities that have executed either a Participation Agreement or the Common Investment Contract creating the pool.

Account Minimums

TexasDAILY

- No minimum investment or balance.
- 1-day minimum holding period.

TexasTERM

- \$100,000 minimum initial investment.
- 60-day minimum term.

CD Program

- \$97,000 minimum investment.
- 90-day minimum term.

Account Opening Process

To open an account in TexasDAILY and/or TexasTERM:

- Complete the appropriate Account Registration Forms. To obtain additional forms, visit www.texasterm.net or call 866-839-8376.
- Execute the Participation Agreement (not required for the initial Participants that created the pool).
- Provide a copy of a resolution or ordinance authorizing participation in TexasTERM/TexasDAILY and designating up to three officers, employees, or other agents of the Participant who are authorized to transfer funds to and withdraw funds from the Portfolio, issue letters of instruction, and take all other relevant actions. To make changes to authorized representatives, you must provide a new resolution or ordinance from the governing body.
- Complete the appropriate new account forms for each account.
- Submit a copy of the Participant's current investment policy for certification by the Portfolio's Qualified Representative.

Send the above documents to:

Fax: 866-208-4261 or

Regular mail to:

TexasTERM Local Government Investment Pool
PFM Asset Management LLC
One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, PA 17101

Once your documents have been found in good order by the adviser/administrator, we will open your account and send you notification.

CD Program Registration Process

To participate in the CD program:

- Ensure that you have a TexasDAILY account open and funded.
- Complete the program application. To obtain additional forms, call 866-839-8376.
- Execute the CD Investment Agreement.

Send the above documents to:

Fax: 866-208-4261

Regular mail:

TexasTERM CD Purchase Program
PFM Asset Management LLC
One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, PA 17101

Once your documents have been found in good order by the adviser/administrator, you can place orders to purchase CDs through the CD program.

Buying Shares — TexasDAILY

Method	Instructions	Additional Information
Wire (same-day settlement)	<ul style="list-style-type: none"> • Initiate a transaction online, by calling 866-839-8376, or by faxing 800-252-9551 before 1:00 pm Central Time. <ul style="list-style-type: none"> • Provide the following information: • Investor's name and account number • Amount being wired • Name of bank sending wire • Instruct your bank to send the money to the TexasDAILY wire instructions. Wire instructions can be obtained from the secure section of the Pool's website at www.texasterm.net or by calling 866-839-8376. 	<ul style="list-style-type: none"> • The Pool does not charge fees for receiving wires. However, banks may charge for wiring funds. • Investors must notify the Pool before 1:00 p.m. Central Time on a Business Day via EON transaction, by telephone, or by fax, and a wire convertible to Federal Funds on a same-day basis must be received by the Pool that day if the investment is to begin earning income that day. • If the Pool does not receive a wire on the date it was to be transmitted, the Pool will pass any overdraft fee that is imposed by the Custodian onto the purchaser. Wires received are not available for immediate (or same day) wire withdrawal.
Investor-Initiated ACH Purchases	<ul style="list-style-type: none"> • Before making your first ACH Purchase, you must call 866-839-8376 and register for ACH Purchases. • Investors can initiate an ACH Purchase for next day credit by contacting the Administrator at 866-839-8376, by entering the request on EON, or via a faxed request signed by an authorized person received by 3:00 pm Central Time • All ACH Purchase requests must be reported to the Trust by 3:00 p.m. Central Time in order to begin earning interest in an Investor's account the next Business Day. • Requests received after 3:00 p.m. Central Time will be initiated the next Business Day and an Investor's account will begin to earn interest two Business Days after the Administrator's receipt of the request. 	<ul style="list-style-type: none"> • The Pool does not charge fees for ACH transfers. • If the Pool does not receive the proceeds of the ACH Purchase on the date it was to be received or if the Investor's bank rejects the ACH Purchase, the Pool will pass any overdraft fee that is imposed by the Custodian onto the purchaser.
Online	<ul style="list-style-type: none"> • Before making your first online transaction, you must submit an EON Online Account Access Authorization Form, which may be obtained either by calling 866-839-8376 or by visiting www.texasterm.net. • Use EON to notify the Pool of an incoming wire or initiate an ACH transfer. 	
Internal Transfer of Funds	<ul style="list-style-type: none"> • Investors may move funds from one account to another. Requests for a Transfer which are received via EON, by telephone, or by fax prior to 4:00 p.m. Central Time will be effective on the same day. • Transfers requested after 4:00 p.m. Central Time will be effective the next Business Day. 	

Redeeming Shares — TexasDAILY

Investors may redeem all or a portion of the available fund balance in their TexasDAILY account on any Business Day without any charge by the Pool. Shares will be redeemed at net asset value per share next determined after receipt of a redemption request in proper form. Shares may be redeemed by wire, or by ACH.

Requests for redemptions from TexasDAILY may be made via EON, by telephone, by fax, or by mail, all as described herein.

Redemption requests received prior to 1:00 p.m., Central Time on a Business Day, will be effected at the net asset value computed on that day. Redemption requests received after 1:00 p.m., Central Time, will be computed based on the net asset value on the next Business Day. See “Net Asset Value.” Shares will not earn dividends declared on the day of redemption. When a redemption is being requested to close an account, please contact the Administrator at 866-839-8376.

Method	Instructions	Additional information
Wire (same day settlement)	<ul style="list-style-type: none"> • To Initiate a transaction online, call 866-839-8376, or send a fax signed by an authorized person, on any Business Day to request a withdrawal and the transfer of proceeds to any of the bank accounts registered with the Pool. • If the EON transaction, fax, or telephone call is received before 1:00 PM Central Time, the Administrator will wire the amount requested that same day to the specified banking instructions. • Requests received after 1:00 PM Central Time will be processed on the following business day. 	<ul style="list-style-type: none"> • The Pool does not charge a fee for a same day wire, but your depository may. • Changes to the specified bank account must be received in writing.
Investor-Initiated ACH Redemptions	<ul style="list-style-type: none"> • Before making your first ACH Redemption, you must call 866-839-8376 and register for ACH Transfers. Investors may initiate an ACH Redemption for the next Business Day online, via a faxed request signed by an authorized person, or by calling the Administrator before 3:00 PM Central Time and request the movement of funds to the specified bank account. • Funds will transfer overnight and be available the next business day. 	<ul style="list-style-type: none"> • All ACH Redemption requests must be received by the Administrator by 3:00 p.m. Central Time to be available in the specified bank account the next Business Day. • Requests received after 3:00 p.m. Central Time will be initiated the following Business Day and be available in the specified bank account two Business Days after the Administrator's receipt of the request. • The Pool does not charge a fee for ACH Redemptions.
Check	<ul style="list-style-type: none"> • You may use checks to redeem shares in accounts funded with bond proceeds. We provide this service to facilitate compliance with the Federal arbitrage regulations. There is currently no charge for checkwriting and no minimum check amount. • When a check is presented to the Custodian for payment, we will redeem the appropriate number of full or fractional shares from your account to cover the amount of the check. 	<ul style="list-style-type: none"> • If you do not have sufficient shares in the account to cover the check, we can return the check unpaid to the bank that presented it for payment. • Funds will continue to earn income until the check clears. • If you use checks, you will receive images of checks paid with monthly statements.
Withdrawing all funds	<ul style="list-style-type: none"> • Call 866-839-8376 to initiate the transaction. 	<ul style="list-style-type: none"> • All accrued interest will be computed and included in the withdrawal. • Proceeds will be sent by same day wire or next day transfer, according to your instructions.

Buying Shares — TexasTERM

Once your application has been accepted, you may invest in TexasTERM using one of the methods in the table below. You may invest at any time for any available fixed term that suits your needs. All investments must be in US dollars and must be received from a US bank or a US branch of a

foreign bank. Each investment will be given its own projected yield. Yields may vary according to the term of the investment and the rates in effect at the time of investment.

Method	Instructions	Additional information
Same day / wire	<ul style="list-style-type: none"> • Initiate a transaction by calling 866-839-8376 before 12:00 noon Central Time. The representative will tell you: <ul style="list-style-type: none"> - The projected yield - The termination or planned early redemption date - The settlement date • If the terms quoted are acceptable, indicate your acceptance to the representative and provide the following information: <ul style="list-style-type: none"> - Participant's name and account number - Amount being wired or transferred - Whether the transfer is by wire or by ACH - Name of bank sending wire or ACH transfer • Contact the Administrator at 866-839-8376 for wiring instructions. 	<ul style="list-style-type: none"> • The Portfolio does not charge fees for receiving wires. However, banks may charge for wiring funds. • It is your responsibility as Participant to insure that sufficient immediately available funds are received by TexasTERM on the settlement date.
Next business day transfer (ACH)	<ul style="list-style-type: none"> • Initiate an ACH transaction online or by calling 866-839-8376 before 3:00 pm Central Time. 	<ul style="list-style-type: none"> • Funds will transfer overnight and begin earning interest the next business day.

Redeeming Shares — TexasTERM

Funds may be withdrawn in any of the ways shown below. Be sure that one or more bank accounts has been pre-authorized to receive redemption proceeds. If there is

more than one pre-authorized bank account, call 866-839-8376 in advance to let us know which account is to receive redemption proceeds.

Type of Redemption	Instructions	Additional information
Maturity	<ul style="list-style-type: none"> • No action necessarily required. A representative will contact you for instructions to either reinvest the proceeds or transfer the proceeds to your TexasDAILY account. • Unless fully reinvested in TexasTERM, proceeds will be transferred to your TexasDAILY account. 	<ul style="list-style-type: none"> • Redemption value per share will equal the purchase price plus dividends (at the projected yield) minus any losses incurred by the series (not counting those resulting from premature redemptions).
Planned Early Redemption	<ul style="list-style-type: none"> • Early redemption date must be specified at the time of investment in order to avoid a redemption penalty. • No action necessarily required. A representative will contact you for instructions to either reinvest the proceeds or transfer the proceeds to your TexasDAILY account. • Unless fully reinvested in TexasTERM, proceeds will be transferred to your TexasDAILY account. 	<ul style="list-style-type: none"> • Redemption value per share will equal the purchase price plus dividends (at the projected yield) minus any losses incurred by the series, not counting those resulting from premature redemptions).
Premature Redemption <i>Redemption prior to maturity or a planned early redemption date.</i>	<ul style="list-style-type: none"> • Send a letter to the adviser/administrator requesting redemption prior to maturity. Alternatively, you can notify the adviser/administrator by calling 866-839-8376 and following up with written confirmation of your instructions. • 7 days after we receive your request, redemption proceeds will be transferred to your TexasDAILY account. 	<ul style="list-style-type: none"> • Premature redemption amounts must be for the entire investment or, for partial redemptions, must be in increments of \$10,000. • Redemption value per share will equal the purchase price plus dividends earned to date minus any losses incurred by the series in order to liquidate investments to make cash available to meet the redemption request and any premature redemption penalty.

Buying CDs

All CDs purchased through the CD program must be purchased with funds taken from a TexasDAILY account. Interest is declared and paid upon redemption.

Instructions

- Call 866-839-8376 and provide the amount and term of the CD(s) you are looking for.
- If the CD rate and term quoted are acceptable, indicate your acceptance to the representative and provide the Participant's name and TexasDAILY account number.
- Based on information from the CD issuer, the adviser/administrator will provide a notice to you detailing the issuer, issuer's state, par amount, settlement date, maturity date, term, rate, expected income, and institution base year.

Additional information

- It is your responsibility as Participant to insure that sufficient available funds are in your TexasDAILY account on the settlement date.
- It is your responsibility to verify any additional holdings against FDIC insurance requirements.

Liquidating CDs

Funds may be withdrawn in any of the ways shown below. Be sure that one or more bank accounts have been pre-authorized to receive redemptions proceeds. If there is

more than one pre-authorized bank account, call 866-839-8376 in advance to let us know which account is to receive redemption proceeds, otherwise redemption proceeds will be automatically transferred to the same TexasDaily account from which funds for the purchase was withdrawn.

Instructions

- **Maturity** No further action required. Subject to timely receipt of proceeds on the maturity date, redemption proceeds will automatically be transferred to the same TexasDAILY account from which funds for the purchase were withdrawn.

Additional information

- Funds from a maturing CD cannot be directly reinvested in a new CD. To effect reinvestment of proceeds, you will need to originate a new purchase as described above.
- Early withdrawals may not be allowed or may involve substantial penalties. If seeking to request an early withdrawal, contact the adviser/administrator.

Policies Concerning Withdrawals

Suspending Withdrawals The Advisory Board can suspend the right of withdrawal or postpone the date of payment if the Federal Reserve Bank in Dallas is closed other than for customary weekend and holiday closings, or if the Advisory Board determines that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

Additional Policies for TexasDAILY

Dividends and Distributions

The Portfolio declares dividends as of the conclusion of each Business Day and pays them to shareholders on the last Business Day of each month. Earnings for Saturdays, Sundays, and holidays are declared on the previous Business Day. Portfolio dividends will be reinvested in additional shares of the Portfolio.

For the purpose of calculating dividends, the Portfolio's net income consists of interest earned, plus any discount ratably amortized to the date of maturity plus or minus all realized gains and losses on the sale of securities prior to maturity, less ratable amortization of any premium and all accrued expenses, including the fees payable to the adviser/administrator, custodian and others who provide services to the Portfolio.

Current yield information for the Portfolio may, from time to time, be quoted in reports, literature and advertisements published by the Pool. Current yields which may be quoted include the current one-day allocation factor, the current one-day (or current dividend) yield, and the current seven-day (or current annualized) yield.

The current one-day allocation factor represents the daily net income dividend declared by the TexasDAILY portfolio divided by the portfolio's daily net assets. The current one-day yield (the "current dividend yield") is the current one-day allocation factor of the TexasDAILY portfolio divided by the daily net asset value per share (normally \$1.00) multiplied by 365. The current seven-day yield ("current annualized yield") is computed by summing the current one-day allocation factors of the TexasDAILY portfolio during the prior seven calendar days, dividing by the daily net asset value per share (normal \$1.00) at the beginning of the base period, and multiplying the result by $(365/7)$.

TexasDAILY also publishes a "monthly distribution yield" in each month-end TexasDAILY account statement. The monthly distribution yield represents the sum of a month's current allocation factors divided by the number of calendar days in that month and multiplied by 365.

The "effective annual yield" of TexasDAILY may also be quoted. The annual yield reflects the value of compounding and represents the annualization of the monthly distribution yield with all dividends reinvested. The effective annual yield is computed by dividing the monthly distribution yield for a monthly calendar period by 12, adding one and then raising the sum to the power of 12, and subtracting one from the result.

Calculating Net Asset Value

The adviser/administrator calculates the Portfolio's NAV as of the conclusion of each Business Day. To calculate NAV, the Portfolio first subtracts its total liabilities from its total assets, and then divides the result by the number of outstanding shares. Liabilities include all accrued expenses and fees, including fees of the adviser/administrator, custodian and others providing services to the Portfolio, which are accrued daily.

For purposes of calculating NAV, securities are valued at cost, plus or minus any amortized discount or premium.

How Purchase Prices are Determined

The exact price for your shares will be determined based on the first NAV calculation after the custodian has received your full payment in Federal funds and you have met all other requirements for purchasing shares. The NAV used will also determine the number of shares you receive.

Additional Policies for TexasTERM

Dividends and Distributions

A projected dividend rate is determined when shares are purchased and the dividend is declared and paid on the planned redemption date.

Dividends on shares of a TexasTERM series are declared and paid on the termination date of such series, except for dividends on shares redeemed pursuant to a Planned Early Redemption or a Premature Redemption before the termination date of such series, which will be declared and paid when such shares are redeemed.

Dividends on shares which are declared and paid on a Planned Early Redemption Date are equal to the projected yield for such shares to the Planned Early Redemption Date, less any losses affecting projected yield attributable to such shares. Dividends on shares declared and paid on a Premature Redemption Date are equal to the projected yield for such shares to the Premature Redemption Date, less any losses affecting projected yield attributable to such shares. Dividends on shares declared and paid on a termination date for a series are equal to the projected yield for such shares to the termination date, less any losses affecting projected yield attributable to such shares, plus an

additional dividend, if any, equal to any excess net income of the series attributable to such shares. Any excess net income of a series on the termination date will be distributed as an additional dividend only to the shares of the series that are outstanding on the termination date of the series, and the excess net income will be allocated on a pro rata basis to all shares then outstanding. Additional dividends, if any, will be transferred in accordance with pre-authorized instructions or unless otherwise instructed, proceeds will be transferred to your TexasDAILY account.

liabilities by the total outstanding shares of the series as of the day the calculation is made.

Premature Redemption Penalty

The Premature Redemption penalty will be calculated by the adviser/administrator and will be equal to (i) all penalty charges, losses and other costs (including, without limitation, interest paid on funds borrowed to pay the redemption) associated with amending, terminating, selling or otherwise affecting any of the investments in the series in order to pay the Premature Redemption and (ii) an amount sufficient to maintain the projected yield on the remaining shares in the series to the stated termination date for the series or to the Planned Early Redemption Date, as the case may be, less any losses affecting projected yield attributable to such shares. Thus, a Premature Redemption of shares may result in a penalty which could reduce the return and the principal value of the investment in amounts not ascertainable at the time shares of TexasTERM are issued. The redemption value per share could be lower than the purchase price of the share, and the return could be lower than the projected yield quoted at the time of issuance of the share.

Allocation of Losses

Any losses incurred by a series (other than losses resulting from Premature Redemptions of shares of the series) will be allocated among all shares of the series outstanding. Such a loss may result from a default on an investment or from a sale of an investment. If such a loss occurs, the redemption value per share could be lower than that on which the projected yield was quoted at the time of issuance of the share.

Calculating Net Asset Value

The redemption value per share for any series of TexasTERM will be determined as of 12:00 noon Central time on any day when redemption is made. TexasTERM does not intend to maintain a \$1.00 net asset value (NAV).

The adviser/administrator, on behalf of the pool, determines the net asset value of the shares of TexasTERM at the close of each Business Day for the purpose of computing expenses and fees. The net asset value per share for each series of TexasTERM is calculated by dividing the total value of investments and other assets less any

Policies

How Sales Prices are Determined

Except in the case of ACH transactions, your shares will be sold at the first NAV that is calculated after we have received your request in proper form

Services to Participants

The Portfolio offers certain cash management features at no extra charge, including:

Statements The adviser/administrator will promptly provide confirmations of each investment. It will also provide monthly statements covering the previous month's transaction and the account balance and for TexasDAILY will show dividends paid as of the statement date. Account information is available on the web at www.texasterm.net.

Information Services Toll-free telephone service, **866-839-8376**, is available to provide Participants with information, including up-to-date account information and transaction history, and to receive instructions for the investment or withdrawal of funds.

Website Account information and information regarding the pool's Portfolios and programs along with current news concerning the pool can be found at www.texasterm.net. A password and user identification are required to initiate a transaction or access account information. The system can be accessed through the TexasTERM web site by selecting "Account Services." A password and user identification can be received by contacting customer service at **866-839-8376**.

Information on Portfolio Holdings

Each Portfolio discloses its holdings not less than online monthly and in shareholder reports that are issued annually.

For our policy on the disclosure of Portfolio holdings, see the attached Information Statement Addendum (ISA).

Rights we reserve

The pool reserves the right, acting through its appropriate entity, to do the following:

- add, change, or drop account minimums at any time without advance notice
- reject any investment or to limit the size of any Participant's account
- limit the frequency of purchases for any reason
- establish a minimum check amount or to terminate, suspend or alter checkwriting privileges

Tax Information

We suggest that you check with your tax advisor before investing in a Portfolio or through the CD program. Relevant considerations may include:

- Section 115(1) of the Code, which provides that the gross income of a state or political subdivision does not include income derived from the exercise of any essential government function.
 - Section 148 of the Code (and related regulations) covering rebate requirements, which may apply to anyone investing tax-exempt bond proceeds.
 - The arbitrage limitations or rebate requirements of section 148 of the Code (and related regulations), under which states and municipalities may be required to pay the U.S. Treasury a portion of earnings they derive from the investment of certain funds.
-

For More Information

We send each Participant annual reports containing independently audited financial statements for the Portfolio. We also provide monthly account summaries, which describe dividends declared and shares purchased through dividend reinvestment, as well as confirmations of all purchase and redemption transactions. Other individual account information is available upon request.

For more details about the Portfolio, refer to the attached Information Statement Addendum (ISA), which is incorporated by reference into (is legally considered a part of) this information statement.

To buy or sell shares of a Portfolio, make additional deposits, receive free copies of the offering documents or the Portfolio's reports, or for general inquiries, please contact us:

By telephone: 866-839-8376

By mail:

PFM Asset Management LLC
One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, PA 17101

On our website: www.texasterm.net

TexasTERM Local Government Investment Pool

Information Statement Addendum

July 11, 2013

Must be read in conjunction with the current information statement.

Ernst & Young LLP has audited the financial statements of the TexasTERM Local Government Investment Pool for the year ended December 31, 2012. These financial statements and the accompanying report can be found in the TexasTERM Local Government Investment Pool Annual Report for the year ended December 31, 2012, and are incorporated by reference into this Information Statement Addendum.

PFM Asset Management LLC

One Keystone Plaza, Suite 300

North Front & Market Streets

Harrisburg, PA 17101-2044

800-338-3383

Terms used in this addendum:

The Adviser/Administrator - PFM Asset Management LLC, the pool's investment adviser, administrator and transfer agent.

The Board - The Advisory Board of the pool.

Business Day - Any day that (1) both the Federal Reserve Bank of New York and the Trust's Custodian are open for business and (2) the primary trading markets for the Portfolio's instruments are open and the Trust's management believes there is an adequate market to meet purchase and redemption requests. Additionally, the Portfolio is authorized not to open for trading on a day that is otherwise a Business Day if the Securities Industry and Financial Markets Association ("SIFMA") recommends that the primary trading markets close. The Portfolio may also close early on a Business Day if the SIFMA recommends that primary trading markets close early.

In light of anticipated limited availability for money market securities and fixed income settlement capacity limitations, the Pool will not be open for business on Good Friday even if the primary trading markets are open. Specifically, no Federal Reserve wire settlement will occur, purchases and redemptions will not be accepted and no settlement will occur for the Portfolio.

Contract - The TexasTERM Common Investment Contract.

Investor - A shareholder of one or more Portfolios.

Participant - An entity that uses the services of one or more Programs.

PFIA - Public Funds Investment Act.

Pool - Local Government Investment Pool.

Portfolio - The TexasDAILY or TexasTERM Portfolios.

TexasTERM - Local Government Investment Pool

HISTORY AND DESCRIPTION OF THE POOL

Overview

The pool was established by the TexasTERM Advisory Board as a governmental agency under Chapter 791, Texas Government Code, and as a public funds investment pool under the Public Funds Investment Act, Chapter 2256, Texas Government Code. It is governed by the terms of a Common Investment Contract among the City of Austin, the City of Gonzales, and Lake Dallas Independent School District.

The pool consists of various Portfolios and series approved by the Advisory Board. It offers a series of professionally managed Portfolios that are available to municipalities, counties, school districts, special districts and other governmental entities in the State of Texas. These currently include the TexasDAILY and TexasTERM Portfolios. Multiple series may exist within a Portfolio. Participation in one of these Portfolios is not contingent upon participation in the other. The pool also offers a CD purchase program under which Participants who have a TexasDAILY account can purchase appropriate CDs directly from their issuers or via certain brokers.

Common Investment Contract and Units

Participants in the pool (called “Unitholders” in the contract) establish their accounts with the pool by either enacting an ordinance or adopting a resolution.

Each Participant receives a copy of the contract; all general descriptions of its terms contained in this Information Statement Addendum are subject to the specific language of the contract itself.

The contract permits the Advisory Board to issue an unlimited number of units of beneficial interest in a Portfolio, from a class or classes (Portfolios or series) as the Advisory Board may create from time to time. Units are transferable on the records of the Portfolio only by the record holder or by an agent of the record holder who has been duly authorized in writing. Transfer is accomplished by delivering to the Advisory Board or the transfer agent a duly executed instrument of transfer that meets all reasonable requirements established for the authentication of signatures, authorization of individuals to sign, and other procedural matters. Upon such delivery, the transfer will be recorded on the register of the Portfolio. Until the transfer is recorded, the Participant will be considered the holder of such Units for all purposes under the contract, regardless of whether the Advisory Board, transfer agent, officer, employee, or agent of the Portfolio has received notice of the proposed transfer.

For all matters requiring a vote of Participants, a Participant is entitled to one vote for each full unit (and a fractional vote for each fractional Unit) then outstanding in its name on the books of the Portfolio.

The Advisory Board may terminate a Portfolio or series. If this occurs, the Advisory Board will first pay (or adequately provide for the payment of) all liabilities, obtain all releases, indemnities, and refunding agreements that they deem necessary for their protection, and then distribute the remaining assets of the Portfolio in cash among the Participants according to their respective beneficial interests.

The contract may be amended by the vote of a majority of the Advisory Board without the vote or consent of Participants. No amendment will take effect until at least 90 days after Participants affected by the amendment have been notified. Participants who have not withdrawn from the contract by the date the amendment becomes effective will be deemed to have consented to it.

Participants are advised that if they withdraw their funds in response to an amendment to the contract, they may incur a loss resulting from such withdrawal.

INVESTMENT POLICIES

Portfolio Transactions

All securities purchased on behalf of a Portfolio must be delivered versus payment to a custodian bank acting for the Portfolio, and must be held in the name of the Portfolio, except for shares of money market mutual funds that are issued in book-entry form. Such money market mutual fund shares must be in the name of the Portfolio.

The Portfolios seek to obtain the best net price (yield basis) and the most favorable execution of orders. Securities are purchased directly from issuers or underwriters, or from dealers or banks that specialize in the types of instruments purchased by the Portfolios. Prices paid on purchases from underwriters will reflect a commission or concession paid by the issuer to the underwriter and purchases from dealers may include the spread between the bid and the ask price. When more than one dealer offers the same execution and price, the adviser/administrator may choose a dealer that has provided research advice (including quotations on investments). This allows the adviser/administrator to supplement its own research and analyses with the informed views and information of others. The adviser/administrator may combine purchase and sale orders for the Portfolios with orders for other investment companies or accounts that it manages when that allows it to obtain the best pricing and execution for all. When buying or selling a particular security or instrument on behalf of multiple accounts, the adviser/administrator undertakes to allocate those transactions equitably among the accounts, usually on the basis of account size.

INVESTMENT RESTRICTIONS

No Portfolio will:

- Purchase any securities other than those listed under "Portfolio and Program Details" in the Information Statement, unless State of Texas legislation expands the list of securities that are legal investments for all classes of Participants. In that case, the Board may take action to change the Portfolios' permitted investments to conform to such legislative changes, and the Board will give written notification to the Participants affected by any change to the Portfolios' permitted investments.
- Invest in securities of any issuer in which an Advisory Board member or officer, or employee or agent of a Portfolio is an officer, director, or 5% shareholder, unless such investment is periodically authorized by resolutions adopted by the majority of the Advisory Board members who are not officers, directors, or 5% shareholders of such issuer.
- Make loans (although it may enter into repurchase agreements that are eligible investments for the Portfolio).
- Borrow money or pledge, hypothecate, or mortgage its assets to an extent greater than 25% of the total market value of its assets, and then only as a temporary measure for extraordinary or emergency purpose, to facilitate withdrawal requests that might otherwise require untimely dispositions of Portfolio securities. Any borrowing must be repaid before the Portfolio in question makes any additional investments. Interest paid on a borrowing will reduce net income.
- Invest in derivatives. The definition of derivatives includes instruments with embedded features that alter their character or income stream or allow holders to hedge or speculate on a market or spreads between markets that are external to the issuer or are not correlated on a one-to-one basis to the associated index or market's such as collateralized mortgage obligations.
- Investment in Illiquid Securities. Illiquid investments are securities that cannot be sold or disposed of in the ordinary course of business at approximately the value ascribed to it by the Pool. The Texas Daily Portfolios may not invest more than 5% of net assets in the following illiquid investments, measured in aggregate. Illiquid investments include:
 - Restricted investments (those that, for legal reasons, cannot be freely sold).
 - Fixed time deposits with a maturity of more than seven days that are subject to early withdrawal penalties.
 - Any repurchase agreement maturing in more than seven days and not terminable at approximately the carrying value in the Pool before that time.
 - Other investments that are not readily marketable at approximately the carrying value in the Pool.

If the 5% limitation on investing in illiquid securities is adhered to at the time of investment, but later increases beyond 5% resulting from a change in the values of the Portfolio's securities or total assets, the Pool shall then bring the percentage of illiquid investments back into conformity as soon as practicably possible. The Pool believes that

these liquidity requirements are reasonable and appropriate to assure that the securities in which the Pool invests are sufficiently liquid to meet reasonably foreseeable redemptions of shares.

Compliance with Investment Restrictions

Each investment restriction is a fundamental policy that cannot be changed without approval of the Participants holding a majority of the outstanding shares of a Portfolio.

INVESTMENT PRACTICES

Collateral Requirements

Repurchase agreements The securities underlying a repurchase agreement act as collateral under the agreement. Securities purchased by a Portfolio under the terms of a repurchase agreement are limited to US government and federal agency obligations. These obligations may have a final maturity greater than 397 days. Each Portfolio requires that, at the time a repurchase agreement is made, the underlying securities have a market value at least equal to 102% (or 100%, if the Counterparty is a Federal Reserve Bank) of the amount of the initial purchase price plus any applicable interest. The foregoing notwithstanding, in no event may the value of the collateral on any day be less than 100% of the repurchase price. If an agreement is in effect for more than one day, the adviser/administrator is responsible for monitoring the value of the underlying securities and, in the event their value drops below the amount of the initial purchase price plus the accrued interest, the counterparty is required to provide additional securities or money to bring the value up to at least 102% or 100%, if the Counterparty is the Federal Reserve Bank).

All securities underlying repurchase agreements are required to be delivered to the custodian, or to another custodian approved by a Portfolio and its counterparty. At the expiration of each repurchase agreement, a Portfolio receives payment of the principal and interest earned under the agreement as a condition for the return of the underlying securities to the counterparty. If the counterparty fails to pay the agreed upon resale price on the delivery date, a Portfolio's losses may include a decline in the value of the underlying securities to an amount below the repurchase price, any costs of disposing of the securities, and any loss from any delays in foreclosing on the securities.

Certificates of Deposit The securities underlying a certificate of deposit are also deemed to be collateral and shall be pledged to a Portfolio and held in an account in the Portfolio's name or otherwise in accordance with FDIC requirements. The value of the underlying collateral at all times will be at least equal to the initial amount invested plus accrued interest. The adviser/administrator is responsible for monitoring the value of the underlying securities. In the event their value drops below the amount of the initial investment price plus accrued interest, the issuing bank must provide additional securities or money. All securities underlying certificates of deposit must be delivered to the custodian or to another custodian approved by the Portfolio and the issuing bank. At the expiration of the certificate of deposit, the Portfolio receives the principal and interest earned as a condition for the return of the underlying securities to the counterparty. If the banking institution fails to make timely payment on the deposit, the Portfolio's losses would be similar to those described above with respect to repurchase agreements.

ADVISORY BOARD

The Advisory Board is responsible for the overall management of the pool. The Advisory Board's responsibilities include formulating and implementing investment and operating policies for each Portfolio. In addition, the Board selects and oversees the activities of the Portfolios' adviser/administrator and custodian, and monitors each Portfolio's investment performance and share valuation. Advisory Board members serve for a term of two years which are staggered. At each annual meeting, Advisory Board members whose terms are expiring then are elected by the Participants. Nominations are made by a nominating committee that includes from three to seven Board members.

Compensation

The present Board members serve without compensation, but are reimbursed by each Portfolio for reasonable travel and other out-of-pocket expenses incurred in connection with their duties.

Indemnification

Those Advisory Board members and officers of the pool that are government officials or employees enjoy the same immunities from liability and suit as are enjoyed by officers of the Participants. The contract provides that each Advisory Board member, officer, employee and agent of the pool will be indemnified to the fullest extent provided by Texas law, and as further described in the contract. So long as they have acted in good faith under the belief that their actions are in the best interest of the pool, Advisory Board members and officers of the pool will not be responsible for or liable for their neglect or wrongdoing, but nothing in the contract will protect any Advisory Board member against any liability they incur because of fraud, willful misfeasance or bad faith

Advisory Board Members

Name	Position	Professional Background
Art Alfaró	Participant Board Member	Treasurer, City of Austin (2005-present). Prior experience with City of Austin: Assistant Treasurer (1998-2005); Financial Analyst III (1993-1998); Financial Analyst II (1990-1993); Financial Analyst I (1989-1990); Management Professional Intern (1986-1989). Director, Government Treasurers' Organization of Texas; serves on boards of Austin Police Retirement System, Austin Fire Fighter's Relief and Retirement Fund, and City of Austin Investment Committee.
Wes Eversole	President	Mr. Eversole has over 25 years' experience in public school finance and currently serves as the Deputy Superintendent and the Chief Financial Officer for the Lake Dallas Independent School District. Wes has been employed with Lake Dallas ISD since 1991. His experience includes all aspects of financial management and district operations. He is a Certified Texas School Business Official. Wes is a member of the Association of School Business Officials, Texas
Leandro Garcia, CPA	Participant Board Member	Chief Financial Officer, Brownsville Public Utilities Board (2005-present). Prior experience: over thirty years in public finance, including various accounting and financial management positions at Austin Energy and the Austin Water Utility; advised municipalities and other governmental entities on bond issues as a financial consultant with Public Financial Management.
David M. Landeros	Secretary	Executive Director for Business Services, South San Antonio Independent School District. Prior experience: over thirty-six years in financial management for schools, governments and businesses. BBA, Accounting and MBA, Operations Management, from St. Mary's

Deborah Laudermilk	Participant Board Member	Investment Officer, Travis County (2009-present). Prior experience: responsible for investor relations at Active Power, Golfsmith, SigmaTel and Silicon Labs; managed cash, investments and financing at Treasury Department of Temple-Inland; 18 years at Teacher Retirement System of Texas, first as an equity analyst and then a portfolio manager/investment officer. BBA, International Business and Finance, from University of Texas at Austin; MBA, Management from St. Edwards University
Sharon McCoy-Huber	Treasurer	Financial Services Manager, San Antonio River Authority. Prior experience: over thirty years' experience in all aspects of public finance, with emphasis on reporting, strategies and analysis. County Auditor for Walker County; Controller of the Huntsville Independent School District; Director of Finance for the City of New Braunfels. Received Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting continuously since 1994. Member, Government Finance Officers Association, Government Finance Officers Association of Texas, and Government Treasurers' Organization of Texas, where she served as secretary and a board member. BBA, Accounting, from Texas A&M University
Edward B. Peacock, CPA, CGFO	Non-Participant Board Member	Consultant/business owner since 2002, providing interim financial management support, training and continuity to local governments; works with cities on strategic plans for financial management, as well as operating, capital budget and investment policies, cash management programs, accounting, and other administrative and financial matters; also specializes in initiating and completing annual financial reporting and budget publications for submission to GFOA awards programs. Prior experience: various accounting and financial management positions for the cities of Grand Prairie, Keller, DeSoto and Flower Mound. Member of Texas Society of CPA's, Texas City Management Association, Government Finance Officers Association Special Review Committee (CAFR Reviewer), and Government Finance Officers Association of Texas Financial Reporting and Regulatory Response Committee. BBA, Accounting, from University of Texas at Arlington

Meetings

The Advisory Board meets quarterly (typically January, April, July and October). The Advisory Board receives reports from the adviser/administrator and reviews the performance of the Portfolios in consultation with the adviser/administrator.

ADVISORY, ADMINISTRATIVE AND DISTRIBUTION ARRANGEMENTS

Investment Advisory Arrangements

PFM Asset Management LLC is the pool's adviser/administrator and administrator, with an office at 221 West Sixth Street Suite 1900, Austin, Texas 78701. The daily management of the investment affairs and research relating to the pool's Portfolios is conducted by or under the supervision of the adviser/administrator. The adviser/administrator is registered under the Investment Advisers Act of 1940.

PFM Asset Management LLC is registered under the Investment Advisers Act of 1940, as amended, and is under common ownership with Public Financial Management, Inc. ("PFM"), a financial advisory firm. PFM Asset Management LLC was established by the shareholders of PFM in September 2001 to conduct the investment advisory business in which PFM had been engaged since 1980. PFM served as investment adviser and administrator of the pool from its inception until September 18, 2002, when it was replaced by the adviser/administrator. PFM Asset Management LLC personnel, and the investment management staff that serves the Pool, formerly employed by PFM, are now employed by the adviser/administrator. The adviser/administrator is also investment manager and/or program administrator for additional

local government investment pool programs. Please refer to www.pfm.com for additional information.

Advisory Services

The Advisory Board has entered into an Investment advisory agreement with the adviser/administrator. Under this agreement, the adviser/administrator manages the investment of each Portfolio's assets, including the placement of orders for the purchase and sale of securities. The adviser/administrator also obtains and evaluates any information and advice relating to the economy and the securities market that it considers necessary or useful for managing the assets of each Portfolio in a manner consistent with the Portfolio's investment objectives and policies.

Portfolio Transactions

The adviser/administrator is responsible for decisions to buy and sell securities for each Portfolio and arranges for the execution of all securities transactions. The Portfolios purchase securities from dealers, underwriters, and issuers and sell them to dealers and other persons. Money market instruments bought from dealers are generally traded on a "net" basis with dealers who act as principal for their own accounts and without a stated commission, although the price of the security usually includes a profit to the dealer. Securities purchased in underwritten offerings include a fixed amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. When a Portfolio purchases securities directly from, or sells them to, an issuer, it pays no commissions or discounts.

Each Portfolio's policy regarding purchases and sales of securities requires that primary consideration be given to obtaining the most favorable price and efficient execution of transactions. Therefore, the adviser/administrator will effect transactions with those dealers it believes will provide the most favorable price and efficient execution. If the adviser/administrator believes such price and execution can be obtained from more than one dealer, it may choose to place Portfolio transactions with those dealers who also furnish research and other services to a Portfolio or the adviser/administrator. Such services may include: information as to the availability of securities for purchase or sale, statistical or factual information or opinions pertaining to investments, access to wire services, and appraisals or evaluations of Portfolio securities. The services that the adviser/administrator receives from dealers may benefit it in the management of accounts of other clients, and may not in all cases benefit a Portfolio directly. While the services are useful in supplementing its own research and facilities, the adviser/administrator believes that their value is not determinable and that they do not significantly reduce its expenses. Therefore, no management fee paid by a Portfolio to the adviser/administrator is reduced on account of receiving these services.

Transfer Agent Services

The adviser/administrator maintains account records for each Participant, provides written confirmation of each investment and withdrawal, produces statements of account, calculates and distributes net income, and processes all transactions.

Administrative Services

- The adviser/administrator:
- maintains the books of each Portfolio,
- supervises, under the direction of the Advisory Board, all aspects of each Portfolio's operations
- periodically updates and prepares each Portfolio's information statement
- prepares each Portfolio's tax returns, financial statements and reports
- supervises and coordinates the activities of the custodian for the assets of each Portfolio, and
- provides office space, equipment, and personnel to administer all the Portfolios.

Marketing Services

The adviser/administrator:

- arranges for, and pays the costs of, printing and distributing the information statement to local governments, school districts and special districts

- prepares and distributes other explanatory and promotional materials, and
- provides technical assistance and guidance to local governments, school districts, and special districts who are considering use of a Portfolio for cash management and/or short-term investment needs.

Personnel of the adviser/administrator also make visits to local governments, school districts, special districts and other governmental entities to present the facts about the pool, its Portfolios, and the CD program and to explain their use, advantages, and benefits.

Portfolio Accounting Services

For the Portfolios, the adviser/administrator:

- maintains records of all securities owned
- performs the bookkeeping for all sales and purchases
- determines the daily, monthly and quarterly income distribution amounts, and
- under the direction of the Advisory Board, determines the net asset value of shares of each Portfolio on each business day.

Distribution Services

Shares of the Portfolios are distributed by the adviser/administrator's wholly-owned subsidiary, PFM Fund Distributors, Inc., a member of FINRA (www.finra.org), and subject to the rules of the Municipal Securities Rulemaking Board (MSRB).

Under a distribution agreement with the pool, the distributor serves as the exclusive distributor of shares of the Portfolios. The distribution agreement has an initial term expiring December 16, 2011, then continues in effect from year to year if approved annually by the Board, including a majority of the independent trustees, by a vote cast in person at a meeting called for such purpose. Either party may terminate the agreement without penalty upon 60 days' written notice and it will also terminate automatically in the event of its assignment, as defined by the 1940 Act. The agreement requires the distributor to bear all costs associated with distribution of shares of the Portfolios, including the incremental cost of printing prospectuses, annual reports, and other periodic reports for distribution to prospective investors and the costs of preparing, distributing, and publishing sales literature and advertising materials (except for certain expenses under any possible 12b-1 Plan that are approved by the Board and paid by the relevant Portfolio or class).

YIELD INFORMATION

The pool may, from time to time, quote current yield information for the Portfolio in published reports, literature, and advertisements. These quotes may include:

One-day allocation factor The daily net income dividend declared by a Portfolio divided by its daily net assets.

Current one-day yield, or current dividend yield The current one-day allocation factor of a Portfolio divided by the daily net asset value per share (normally \$1.00) multiplied by 365.

Current seven-day yield, or current annualized yield The sum of the current one-day allocation factors of a Portfolio during the prior seven calendar days, divided by the daily net asset value per share (normally \$1.00) at the beginning of the base period, with the result multiplied by (365/7).

Monthly distribution yield The sum of a month's current allocation factors divided by the number of calendar days in that month and multiplied by 365/366. Each Portfolio publishes this yield in each month-end account statement.

Effective annual yield Computed by dividing the monthly distribution yield for a monthly calendar period by 12, adding 1 and then raising the sum to the power of 12, and subtracting 1 from the result. This reflects the value of compounding and represents the annualization of the monthly distribution yield with all dividends reinvested.

The yields quoted should not be considered a representation of future yields since the yield is not fixed. For TexasDAILY, actual yields will depend on the type, quality, yield and maturities of securities held by a Portfolio, changes in interest rates, market conditions and other factors.

VALUATION

The adviser/administrator and the Advisory Board will periodically monitor, as they deem appropriate and at such intervals as are reasonable in light of current market conditions, the relationship between the amortized cost value per share and a net asset value per share based upon available indications of market value. The net asset value per share of a Portfolio may be affected by general changes in interest rates that result in increases or decreases in the value of securities held by the Portfolio. The market value of securities will tend to vary inversely to changes in prevailing interest rates. If interest rates rise after a security is purchased, such a security, if sold, might be sold at a price less than its amortized cost. Similarly, if interest rates decline, such a security, if sold, might be sold at a price greater than its amortized cost. If a security is held to maturity, no loss or gain is normally realized as a result of these price fluctuations.

Withdrawals by Participants could require the sale of Portfolio securities prior to maturity. In the event that the difference between the amortized cost and market value per share exceeds 1/2 of 1 percent, the adviser/administrator and the Advisory Board will consider what, if any, corrective action should be taken to minimize any material dilution or other unfair results arising from differences between the two. This action could include reducing the number of outstanding shares by having each Participant proportionately contribute shares to the Portfolio's capital, suspending or rescinding dividends, declaring a special capital distribution, selling Portfolio securities prior to maturity to reduce the average maturity or to realize capital gains or losses, transferring Portfolio securities to a separate account, or redeeming shares in kind. If the number of outstanding shares is reduced in order to maintain a constant net asset value of \$1.00 per share, Participants will contribute, in proportion to the Portfolio's capital, the number of shares that represent the difference between the amortized cost valuation and market valuation of the Portfolio. By investing in the Portfolio, Participants are deemed to have agreed to make a contribution if these circumstances arise.

THE CD PROGRAM

Program Description

In investing through the CD program, a Participant engages PFM Asset Management as investment adviser under the terms described in the Information Statement, this document, and the Program Application and Investment Advisory Agreement ("CD Agreement") between the Participant and PFM Asset Management.

The adviser/administrator maintains a database that includes information on all participating financial institutions that meet the CD program's eligibility criteria, along with each financial institution's currently posted CD rates. This database is linked to a data system that tracks every CD a Participant has ever purchased through the CD program.

A Participant's purchases of CDs will be funded from a TexasDAILY account designated by the Participant. The payment of interest and repayment of principal at maturity by the financial institution issuing a CD will be deposited in the designated TexasDAILY account promptly upon receipt by the cash management bank for TexasDAILY.

All CDs purchased through the CD program are direct investments of the Participant. They are not assets of the pool and are not held in any Portfolio of the pool. The adviser/administrator does not approve or endorse any issuer. The pool does not issue the CDs and does not in any way guarantee or insure the payment of principal or interest on the CDs. Neither the pool nor any of its Portfolios has any involvement with, or interest, financial or otherwise, in any CD, other than that the TexasDAILY Portfolio may receive funds for reinvestment from the payment of principal or interest on the CDs. Investments made by a Participant in the CD program are governed solely by the terms of the CD agreement between the Participant and the adviser/administrator and the pool plays no role with respect to such investments. There can be no

assurance that the investment objectives of the CD program will be achieved.

To safeguard the proceeds coming from matured CDs, these proceeds will be deposited only in the TexasDAILY account that the Participant specifies in the CD Agreement. Instructions in the CD Agreement will remain in effect until the adviser/administrator receives written notification to change them. Thus, any changes to addresses, account registrations, or names or signatures of authorized officials, or other critical information will require appropriate documentation. Instructions or forms may be obtained by calling 866-839-8376.

Expenses

When a Participant informs the adviser/administrator of an interest in buying a CD, the adviser/administrator uses the two linked databases to generate a list of CDs that address the desired dollar amount and maturity date and whose purchase would not place outside FDIC coverage any assets the Participant has deposited through the CD program. If the amount a Participant plans to invest involves the purchase of more than one CD maturing on a specific date, the adviser/administrator will quote a blended rate. All CD rates, whether individual or blended, are quoted gross and also net of an investment management fee of up to 0.25% of the principal amount of the CD(s). From this fee, the adviser/administrator will pay all normal and ordinary costs of the program, including banking fees and any fee of a deposit broker. Upon receiving authorization from a Participant to purchase one or more CDs, the adviser/administrator will use its best efforts to execute the purchase as selected by the Participant. The Participant is solely responsible for making all CD selection and purchase decisions, and has no obligation to purchase any CD recommended by the adviser/administrator.

For services provided by the adviser/administrator, each Participant purchasing CDs through the CD program will pay up to 0.25% of the principal amount of each CD purchased. The Participant's designated account will be charged for the management fee under whichever of the following arrangements the Participant chooses:

- The entire management fee will be deducted from Participant's designated account upon settlement of the CD (refundable pro rata in the event of an early withdrawal or termination of the CD Agreement).
- The monthly amount of the management fee (calculated with respect to the number of months between the date of purchase and the maturity) will be deducted from Participant's designated account after the close of each month (accelerated, in the event of an early withdrawal, to the date of early withdrawal or termination of the CD Agreement).

The adviser/administrator will pay from the management fee the brokerage and certain bank wire costs for the CDs and will reimburse the pool for other costs directly related to the CD program. As applicable, the Participant must pay any additional costs associated with the CD Purchase Program.

FDIC Insurance

Many of the financial institutions whose CDs are offered through the CD program are comparatively small and are not rated by national credit rating organizations, and their CDs are not collateralized. It can therefore be of particular importance to Participants that the full value of their assets be covered by FDIC insurance.

Individual CDs offered through the CD program will normally be limited to amounts covered by the applicable FDIC insurance limit, so that all principal and accrued interest will be within FDIC insurance limits for the term of the CD. The adviser/administrator will facilitate the simultaneous purchase of multiple CDs from different financial institutions, with all CDs having the same maturity date. The minimum CD purchase is \$97,000 (or an amount such that the total value the CD including interest will not exceed the applicable insurance limit) and the minimum maturity is 90 days. Some financial institutions may impose further limits on the size of deposits.

The adviser/administrator does not track any CDs purchased, or any deposits made, outside the CD program. Each Participant is therefore responsible for identifying and remedying any lapses in FDIC coverage that may occur because of CDs purchased outside the CD program or because a Participant purchased a CD from a financial institution with which it has a deposit relationship (which the adviser/administrator does not recommend). Before purchasing any CD through the CD program, a Participant must affirm that the purchase will not put the Participant in a position of exceeding the applicable FDIC insurance limits with respect to the issuing financial institution.

Information on FDIC insurance limits is set forth in the Federal Deposit Insurance Act, 12 U.S.C. §§1811, *et seq.*, and in the related regulations found in Part 330 of Title 12 of the Code of Federal Regulations (12 C.F.R. Part 330). Each

Participant should review these regulations with appropriate legal counsel before enrolling in the program. Each Participant is ultimately responsible for its own compliance with FDIC insurance regulations, and for filing and collecting on any claims made against FDIC insurance.

ARBITRAGE REBATE COMPLIANCE

The adviser/administrator provides comprehensive Arbitrage Rebate Compliance services to Participants who invest their bond proceeds in TexasDAILY or TexasTERM (use of “TexasTERM” refers to Arbitrage Rebate Compliance services available via either Portfolio throughout this section).

TexasTERM is designed to assist Investors in complying with certain arbitrage rebate requirements of the Code to the extent those requirements are applicable to an Investor’s tax-exempt financing. Investments are purchased and investment documentation is maintained in accordance with requirements of the Code, and rebate calculations are prepared for Investors by the adviser/administrator in a manner and at such times as to enable Investors to comply with these requirements using procedures that have been reviewed by program counsel. TexasTERM is also designed to assist Investors in determining whether they have satisfied the expenditure tests for any available exceptions from the arbitrage rebate requirements.

General Policies Concerning Arbitrage Rebate

The adviser/administrator follows and recommends that Investors follow certain practices designed to provide a clear audit trail for purposes of complying with the Regulations concerning arbitrage rebate. These include the following:

- (1) An Investor should invest all bond proceeds subject to the arbitrage rebate requirements in TexasTERM on the same day as they are received by the Investor. This will enable TexasTERM to track the investment and expenditure of these funds.
- (2) An Investor should, at the time of initial investment, identify all funds subject to the arbitrage rebate requirement that are subject to the rebate requirement at the same bond yield. A separate account should be established for each fund or funds subject to a different bond yield for arbitrage rebate computation purposes, by completing an Account Registration Form provided by the adviser/administrator. The adviser/administrator will also provide advice on the number and type of accounts that will be needed to provide a clear audit trail.
- (3) An Investor should notify the adviser/administrator when making its initial investment whether all or some of the bond proceeds it is investing are expected to qualify for certain exceptions to rebate commonly known as the spending exceptions. The spending exceptions include the “6-month spending exception,” “the 18-month spending exception,” and “the 2-year spending exception.” In addition, if the bond proceeds are expected to qualify for the “2-year spending exception,” the Investor should indicate to the adviser/administrator whether the Investor has elected to pay a penalty in lieu of rebate or to pay rebate if the spend down percentages are not met.
- (4) An Investor should not draw down the entire bond proceeds account before providing for any rebate requirement or penalty payment.

When an account is opened, the adviser/administrator will request certain information from an Investor, including the issue date for the related bonds, to permit scheduling of the Exception Compliance Report, whether the Investor expects to qualify for an exception to the arbitrage rebate requirement and whether an election to pay a penalty in lieu of rebate was made under the 2-year spending exception. Copies will be requested of the official statement, non-arbitrage certificate or other tax certificate, bond resolution and similar documents and the appropriate IRS Form 8038 for the issue or similar document. The adviser/administrator will send the Investor a Confirmation Letter which asks the Investor to confirm the information supplied by the Investor regarding its bonds, such as the bond yield, issuance date, bond year election and any applicable rebate exceptions, penalty elections and yield restrictions. The adviser/administrator relies on the accuracy of the information supplied by the Investor in the Confirmation Letter, and the adviser/administrator will make no independent determination of the bond yield or other information supplied in the Confirmation Letter. If the Investor supplies inaccurate information in the Confirmation Letter, or if the Investor fails to return a completed Confirmation Letter, then the rebate calculations and other rebate services provided by the adviser/administrator may not be accurate. For bond proceeds invested outside of TexasTERM, with the opening of an account the adviser/administrator will require the Investor to furnish a rebate calculation report, at the sole cost of the Investor, covering the period from the date of bond issuance to the date of investment in TexasTERM.

Rebate Calculation Services

The adviser/administrator will provide estimates and formal reports of rebate liabilities as described below. Upon request, the adviser/administrator will provide an estimated interim rebate calculation report (an “Interim Estimate”) to an Investor whose bonds are subject to rebate. The Interim Estimate is only an estimate of the Investor’s rebate liability for the purpose of giving the Investor assistance in its planning and financial reporting. The Interim Estimate will summarize all of the following:

- The allowable investment yield.
- TexasTERM investment activities for the relevant period.
- The rebate liability to be paid at the end of the relevant period using the methodology and assumptions described under the caption “Tax Matters.”

If the Investor has elected the penalty in lieu of rebate for proceeds eligible for the 2-year spending exception, the adviser/administrator will prepare a report every six months until all such proceeds are expended determining the amount of the penalty payment.

For each bond issue for which an Investor notifies the adviser/administrator by means of the Account Registration Form that it is subject to rebate, as long as proceeds are invested in TexasTERM the adviser/administrator will provide a formal rebate calculation report (a “Formal Report”) within 30 days after the fifth bond-year anniversary and each succeeding fifth bond year, and within 30 days after the date on which the last bond of an issue is discharged unless the Investor requests that a Formal Report be furnished for different computation dates. Investors may request a Formal Report at any other time or at a more frequent interval than every five years. The Formal Report will normally consist of a statement of cash flows and certain calculations of yields and earnings prepared by the adviser/administrator.

If all the bonds have been discharged as a result of a refunding, it is the responsibility of the Investor to provide timely notice to the adviser/administrator that such event has occurred and supply the adviser/administrator with any information required to complete the final Arbitrage Report.

An Investor could be liable for rebate payments in addition to the amount identified in the Formal Report if, among other things, there are changes in the Regulations, if the date of the Formal Report does not correspond with a Computation Date (as defined in the Regulations), if payment of the amount is not made within 60 days of a Computation Date, if the yield on the related tax-exempt, tax-credit, or taxable obligations changes, and/or if the Investor supplies incomplete or inaccurate information in the Confirmation Letter described in “General Policies Concerning Arbitrage Rebate” above.

It is advisable that an Investor not withdraw all of its funds prior to completion of rebate estimates and a Formal Report, and that withdrawals be made within the time frame described above in order to track all earnings accurately and to assist the Investor in fulfilling its rebate obligation. Investors may request an exception from these rules, but such an exception may result in the Investor having to fulfill its rebate obligation from other source of funds, and may make it impossible for the adviser/administrator and program counsel to prepare a complete and accurate Formal Report.

Rebate Exception Services

As stated above under “General Policies Concerning Arbitrage Rebate,” an Investor should inform the adviser/administrator by means of the Account Registration Form if it expects to qualify for an exception to the arbitrage rebate requirement and whether an election to pay a penalty in lieu of rebate was made under the 2-year spending exception. Thirty days before any expenditure test date contained in the Code and Regulations which is related to the 6-month spending exception, the 18-month spending exception or 2-year spending exception from the rebate requirements, the adviser/administrator will provide a notice to each Investor if the Investor has informed the adviser/administrator that it expects to qualify for a particular exception. The notice will track the cumulative percentage of bond proceeds drawn from funds invested in TexasTERM from any bond issue whose proceeds are then invested in TexasTERM and compare the cumulative percentage of funds drawn to the requirements of the applicable exception to assist the Investor in determining its eligibility for such exception.

If, after the last test date, TexasTERM records show that the required spend down percentage on each test date has been met, the adviser/administrator will provide a Final Exception Compliance Report to the Investor. If requested by the Investor, the Exception Compliance Report will include an opinion of program counsel. (See Rebate Calculation Expenses herein) Such Exception Compliance Report will assume that all draws from TexasTERM represent expenditures of bond proceeds by the Investor that occurred on or before the dates of the draws.

Yield Restriction Services

If the Investor has returned its Confirmation Letter and such letter contains yield restriction information, the adviser/administrator will notify the Investor if any unspent funds invested with **TexasTERM** have become yield restricted as a result of the end of an applicable temporary period. This notification will also include a discussion of options available to the Investor to comply with the yield restriction requirements. **The Investor should consult with its bond counsel prior to determining how it intends to comply with the yield restriction requirements.** If bond counsel determines that the Investor is eligible to make yield reduction payments and the Investor selects this option, **the adviser/administrator** will provide estimated yield reduction payment reports upon request. This report is only an estimate for the purpose of assisting the Investor in its planning and financial reporting. The estimate report will summarize all of the following:

- The allowable investment yield.
- TexasTERM investment activities for the relevant period.
- The yield reduction payment liability to be paid at the end of the applicable bond-year anniversary computed using the methodology and assumptions described under the caption “Tax Matters.”

For each bond issue for which an Investor notifies the adviser/administrator that it has decided to make yield reduction payments, if necessary, to comply with yield restriction as long as the yield restricted proceeds are invested in TexasTERM, the adviser/administrator will provide a formal yield reduction payment report within 30 days after the fifth bond year anniversary and each succeeding fifth bond year, and within 30 days after the date on which the last bond of an issue is discharged unless the Investor requests that a formal yield reduction payment report be furnished for different computation dates. Investors may request a formal yield reduction payment report at any other time or at a more frequent interval than every five years. The formal yield reduction payment report will normally consist of a statement of cash flows and certain calculations of yields and earnings prepared by the adviser/administrator.

It is the Investor’s responsibility to notify the adviser/administrator if the bonds have been refunded and/or discharged as the result of a refunding. The Investor should check with its bond counsel to make this determination and to identify if there are any transferred proceeds of the refunding bonds that should be yield restricted.

If after consulting with bond counsel the Investor decides to actively yield-restrict unspent funds to comply with yield restriction, the adviser/administrator will assist the Investor in this endeavor. This generally will involve purchasing State and Local Government Series (“SLGS”) securities or similar legal investments to maintain compliance with yield restriction. The actual size and maturity of investments will depend on such matters as the yield restriction status of the unspent proceeds, the applicable bond yield and current market conditions.