TOWN OF MILTON INVESTMENT POLICY

I. The Investment of General Funds, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds

A. Scope

This section of the policy applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, and capital project funds. Section two will deal with trust funds, bond proceeds, and any other funds with special circumstances such as stabilization funds.

B. Objectives

Massachusetts General Laws, Chapter 44, section 55B requires the municipal/district treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution. Modern banking systems enable the public treasurer to maintain even these funds in interest bearing form until the date a disbursement order clears through the banking system.

The state law further requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.

- **Liquidity** is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.

- **Yield** is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

C. Investment Instruments

Note: Public investments in Massachusetts are not protected through provisions in State law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, albeit at a cost to the entity of a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

The Treasurer may invest in the following instruments:
- Massachusetts State pooled fund: **Unlimited amounts** (Pool is liquid)

The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the State
Treasurer and currently managed by Fidelity Investments. It invests pursuant to its Investment Policy excerpted below and dated June 2003. Under Government Accounting Standards Board Regulation (GASB III), it is not considered an uncollateralized product.

Investment Policies and Restrictions
The Trust's Investment Adviser will seek to achieve the Trust's investment objectives by limiting the Trust's investments to the highest quality U.S. dollar denominated money market instruments of domestic and foreign issuers, U.S. Government securities, and repurchase agreements, as are authorized for investment pursuant to the statutory requirements to which the Trust is subject. Although the Trust's Investment Adviser may not buy all of these instruments or use all of these techniques, currently the statutory requirements to which the Trust is subject permit the Trust's Investment Adviser to invest the Trust's assets in any of the following to achieve the Trust's investment objectives:

i. Obligations of the U.S. Government and foreign governments and their agencies or instrumentalities

ii. Obligations of banks (including certificates of deposit, time deposits, and bankers' acceptances) located in the United States

iii. Obligations of other companies in the financial services industry, including banks, bank holding companies, savings and loan associations, consumer and industrial finance companies, securities brokerage companies, and a variety of firms in the insurance field

iv. Deposits in any savings bank, cooperative bank and federal savings and loan institution whose principal office is located in the Commonwealth of Massachusetts

v. Short-term corporate obligations, including commercial paper, notes, and bonds

vi. Other short-term debt obligations

vii. Overnight and term repurchase agreements and reverse repurchase agreements secured by any of the obligations listed above.

The Trust shall be managed in accordance with the following additional investment policies and restrictions:

i. The Trust's assets will be managed to maintain a dollar-weighted average portfolio maturity of 90 days or less.

ii. The Trust’s Investment Adviser will purchase only instruments with a remaining effective maturity of 397 days or less, except that obligations underlying a repurchase agreement may have a final maturity of more than 397 days.

iii. At the time of purchase, no more than 10% of the Trust's net assets will be invested in the securities of any one issuer, except that there is no limitation on the percentage of net assets that may be invested in securities of the U.S. Government, its agencies or instrumentalities, or in repurchase agreements collateralized fully by such obligations.

iv. No more than 25% of the net assets of the Trust may be invested in any one industry; except there is no limitation on the percentage of net assets that may be invested in the financial services industry.

v. Investments in securities that are illiquid securities (i.e., not readily marketable), other than securities that provide for payment within seven days, will be limited to no more than 10% of the Trust's net assets at the time of purchase.

U.S. Treasuries that will be held to maturity: **Unlimited amounts (Up to one year maturity from date of purchase)**
3. U.S. Agency obligations that will be held to maturity. **Unlimited amounts** (Up to one year maturity from date of purchase)

4. Bank accounts or Certificates of Deposit, hitherto termed CD's. (Up to one year) which are fully collateralized through a third party agreement: **Unlimited amounts**

5. Bank accounts and C.D.’s (Up to one year) insured by F.D.I.C. and in some cases also Depository Insurance Fund (DIF): **$5,000,000 limit**

6. **Unsecured bank deposits** of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments **will be limited to no more than 5% of an institution’s assets and no more than 25% of a municipality’s cash**. Their credit worthiness will be tracked by Veribanc or other bank credit worthiness reporting systems. They will be diversified as much as possible. The rating of any banking institution used by the Town must be maintained as Green by Veribanc standards. An institution that falls to a Yellow standing shall have no more than 2% of the Town’s funds invested and such limit will fall to 0% if the rating remains Yellow for more than one calendar quarter.

**D. Diversification**

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities as well as concentration in a specific institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools (MMDT), no more than 30% of the Town's investments shall be invested in a single financial institution.

**E. Authorization**

The Treasurer has authority to invest municipality/district funds, subject to the statutes of the Commonwealth cited above.

**F. Ethics**

The Treasurer and Assistant Treasurer shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Town Administrator and Board of Selectmen any material financial interest in financial institutions that do business with the town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the town's investments.

**G. Relationship with Financial Institutions**

Financial institutions should be selected first and foremost with regard to safety. The Town shall subscribe to and use one or more of the recognized bank rating services, such as Veribanc. Brokers should be recognized, reputable dealers.

The Treasurer shall require any brokerage houses and broker/dealers, wishing to do business with the municipality, to supply the following information to the Treasurer:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- A statement that the dealer has read the municipality's investment policy and will comply with it
Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of 10 million dollars)

H. Reporting Requirements

Quarterly, a report containing the following information will be prepared by the Treasurer and distributed to the Town Administrator and/or Board of Selectmen, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the “Diversification” section of this Investment Policy.
- A summary of the income earned on a monthly basis and year to date basis shall be reported.
- The municipal treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.
- The Department of Revenue Quarterly Reconciliation of Cash Report and an accounting of quarterly interest earned will satisfy the requirements of this section.

II The Investment of Trust Funds and Bond Proceeds

This section of the policy applies only to funds that could be invested long term, i.e. trust funds, stabilization funds and bond proceeds. For issues subject to arbitrage rebate, an arbitrage tracking system such as those available at banks and Mass Municipal Depository Trust (MMDT) will be used to track expenditures of and interest earned on borrowed funds. Alternative tracking systems should be approved by and used under the advice of Bond Counsel.

A. Arbitrage Regulations

Tax free debt may be issued by cities, towns, and districts, which means that they are able to borrow at rates well below market rates. At the same time, the federal government has issued regulations to prevent them from issuing debt with the goal of investing the borrowed funds at a higher rate of interest than that at which the money was borrowed, or committing arbitrage. If the federal regulations are not followed, there are fines and penalties, but even worse, the tax free status of the debt could be jeopardized. The following arbitrage regulations will be followed:

Unless debt is issued as a "small issuer," that is, an entity issuing less than $5 million of tax exempt debt in a calendar year, the proceeds shall be used within certain prescribed time frames, or be subject to fines and penalties as described above. In addition, in municipalities that issue $5,000,000 or more in a year to finance certain public school facilities, the limit increases to $10,000,000 for that year.

Following, find the general rules and time frames for spending borrowed funds in order to avoid having to pay a rebate to the Federal government on investment income earned on the borrowed funds. All funds must be used according to the following schedules or sooner:

1. **CONSTRUCTION DEBT**
   - First six months: 10%
   - First year: 45%
   - Eighteen months: 75%
   - Two years: 100%

2. **CAPITAL EXPENDITURES DEBT OTHER THAN CONSTRUCTION PROJECTS**
First six months: 15%
First year: 60%
Eighteen months: 100%

3. **ALL OTHER MUNICIPAL PURPOSE DEBT**
   First six months: 100%

**B. TRUST FUNDS**

Trust Funds may be co-mingled and invested in any instruments allowed by the Legal List issued by the Banking Commissioner each July. Each trust fund must be accounted for separately.

**C. STABILIZATION FUNDS**

The Stabilization Fund shall not exceed ten per cent of the equalized valuation of the city or town, and any interest shall be added to and become a part of the fund. The treasurer may invest the proceeds in the following:

- National Banks
- Savings Banks
- Cooperative banks or trust companies organized under Massachusetts laws
- Securities legal for savings banks (i.e. those on the Legal List described above)
- Federal Savings and Loan Associations situated in the Commonwealth
- Massachusetts Municipal Depository Trust
Chapter 44: Section 54. Investment of trust funds

Section 54. Trust funds, including cemetery perpetual care funds, unless otherwise provided or directed by the donor thereof, shall be placed at interest in savings banks, trust companies incorporated under the laws of the commonwealth, banking companies incorporated under the laws of the commonwealth which are members of the Federal Deposit Insurance Corporation, or national banks, or invested by cities or towns in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine, or in paid-up shares and accounts of and in co-operative banks, or in shares of savings and loan associations or in shares or savings deposits of federal savings and loan associations doing business in the commonwealth to an amount not exceeding one hundred thousand dollars, or in bonds or notes which are legal investments for savings banks. Cities and towns having such funds in the custody of the treasurer in an aggregate amount in excess of two hundred and fifty thousand dollars may also invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than fifteen per cent of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half per cent of such funds be invested in the stock of any one bank or insurance company. This section shall not apply to the city of Boston.

Chapter 44: Section 55. Public funds on deposit; limitations; investments

Section 55. A city, town, or district or regional school district shall not at any one time have on deposit in a bank or trust company or banking company an amount exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess. The treasurer of any city, town, district or regional school district shall not deposit funds for which he is accountable in any bank, trust company or banking company with which such treasurer is associated as an officer or employee or has been associated as an officer or employee at any time during the three years immediately preceding the date of any such deposit. For the purpose of paying the principal or interest due on any bond, note or other obligation of the city of Boston, which is payable or requested to be paid in the city of New York, the city of Boston may keep on deposit in any national bank or trust company in the city of New York a sum not exceeding in the aggregate twenty-five thousand dollars; provided, that for a period of two weeks prior to the date of any such payment or payments, said amount may be increased by a sum or sums sufficient to cover the same. A treasurer of a city, town, district or regional school district may invest such portion of revenue cash as he shall deem not required to pay expenses until such cash is available and all or any part of the proceeds from the issue of bonds or notes, prior to their application to the payment of liabilities incurred for the purposes for which the bonds or notes were authorized, in term deposits or certificates of deposit, in trust companies, national banks, savings banks, banking companies or cooperative banks, or in obligations issued or unconditionally guaranteed by the United States government or any agency thereof and having a maturity from date of purchase of one year or less, or in United States government securities or securities of United States government agencies purchased under an agreement with a trust company, national bank or banking company to repurchase at not less than the original purchase price of said securities on a fixed date, not to exceed ninety days or in shares of beneficial interest issued by money market funds registered with the Securities and Exchange Commission under the Investment Company Act of
1940, as amended, operated in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulations, that have received the highest possible rating from at least one nationally recognized statistical rating organization and the purchase price of shares of beneficial interest purchased pursuant to this section shall not include any commission that these companies may charge, or in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine; provided, however, that no temporary notes in anticipation of revenue shall be issued under section four as long as any revenue cash, exclusive of revenue sharing or other revenue cash the use of which is restricted to purposes other than current maintenance expenses, remain so invested.

**Chapter 44: Section 55A. Liability of depositor for losses due to bankruptcy**

Section 55A. A city, town, district or regional school district officer receiving public money and lawfully and in good faith and in the exercise of due care depositing the same in a savings bank or trust company organized under the laws of the commonwealth, on paid-up shares and accounts of and in cooperative banks, a banking company organized under the laws of the commonwealth which is a member of the Federal Deposit Insurance Corporation, or in a national bank doing business in the commonwealth or in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine, or, in the case of the city of Boston, in accordance with the provisions of section fifty-five in a national bank or trust company in the city of New York, or in good faith and in the exercise of due care purchasing share accounts of a federal savings and loan association located in the commonwealth, shall not be personally liable to the city, town, district or regional school district for any loss of such money by reason of the closing up of such depository or federal and loan association for the liquidation of its affairs.

**Chapter 44: Section 55B. Investment of public funds**

Section 55B. All moneys held in the name of a city, town, district or regional school district or any other account under the jurisdiction of a city, town, district, or regional school district or officer thereof, which are not required to be kept liquid for purposes of distribution, shall be invested in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available, taking account of safety, liquidity and yield. All officers of a city, town district or regional school district who control the investment of such funds shall invest them prudently, consistent with the provisions of sections fifty-four and fifty-five and, if the funds are the result of gift or grant or bequest, the terms of such gift or grant or bequest, so as to accrue the highest amount of interest reasonably available on such funds taking account of safety, liquidity and yield. The provisions of section sixty-two shall not apply to this section.
Pursuant to GENERAL LAWS CHAPTER 167 SECTION 15A

As of July 1, 2007

By the Division of Banks

LIST OF LEGAL INVESTMENTS

July 2007

The following is a list of stocks, bonds, notes, railroad equipment trust certificates and other interest-bearing obligations which, in the opinion of the Division of Banks, are now legal investments, under the provisions of Massachusetts General Laws chapter 167, section 15A.

"Legal" Investments, under section 15A, consist, as specified in that statute, of those issues which meet the requirements under any of the provisions of sections 42 to 48, inclusive, and paragraph 6 of section 49 of chapter 168 of the General Laws in effect on June 30, 1983.

The investments authorized under those sections of law, as well as those securities added under the authority of section 15B of chapter 167, now constitute the List of Legal Investments for the Commonwealth of Massachusetts.

Investments meeting the criteria set forth above but not yet on the List, including mutual funds investing solely in such legal investments, will be considered for addition to this List upon petition to the Commissioner of Banks, provided, however, that investments governed by said Section 15B must follow the process for inclusion on the List set out in that statute.

Approval of any security by the Commissioner of Banks for addition to the List should not in any way be construed as a recommendation by this Office for investment. Each investor has the responsibility of evaluating the merits of a particular investment for the individual institution as well as determining whether that investment meets the investor's financial objectives.

NOTE:

Prior to making investments in banks and other corporations which have loans to or produce armaments for use in specified countries, General Laws chapter 32§23 should be reviewed.

For more information contact:

Andrea L. Cipolla, Assistant Chief Director
Commonwealth of Massachusetts Division of Banks
One South Station, Third Floor
FEDERAL, STATE, AND INTERNATIONAL OBLIGATIONS

Statutory Requirements: (formerly General Laws chapter 168, section 42)

Any such corporations may invest in bonds, notes or other interest-bearing obligations of the following classes:

1. **United States**: Direct obligations of the United States, or in such obligations as are unconditionally guaranteed as to the payment of principal and interest by the United States.

2. **Massachusetts**: Legally issued, assumed or unconditionally guaranteed bonds, notes or other interest-bearing obligations of this commonwealth.

3. **Other States**: Legally issued, assumed or unconditionally guaranteed bonds, notes or other interest-bearing obligations of any state of the United States other than this commonwealth, which has not, within the twenty years prior to the making of such investment, defaulted for a period of more than one hundred and twenty days in the payment of any part of either principal or interest of any legally issued or assumed obligation; provided that the full faith and credit of such state is pledged for the payment of the principal and interest of such obligations.

4. **Canada**: Bonds, notes or other obligations issued, or guaranteed as to both principal and interest, by the Dominion of Canada; provided (a) that such bonds, notes or obligations shall be payable in United States funds either unconditionally or at the option of the holder thereof; and (b) that at the date of investment the said Dominion of Canada shall not have been in default in the payment of interest or principal of any of its obligations for a period in excess of thirty-one days at any time within the twenty years preceding such date of investment. Not more than five percent of the deposits of any such corporation may be invested in obligations authorized under this paragraph.

5. **Other International Obligations**: Bonds, notes or obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development (World Bank), the Inter-American Development Bank or the Asian Development Bank containing an unconditional promise to pay, or an unconditional guarantee of the payment of, the interest thereon regularly, and the principal thereof on or before a specified date, in lawful currency of the United States; provided that not more than three percent of the deposits of any such corporation shall be invested in such bonds, notes or obligations; and provided, further, that the commissioner may at any time on his own initiative, or shall, upon the written request of the directors of the Mutual Savings Central Fund, Inc., (On August 26, 1999, the Mutual Savings Central Fund, Inc. was renamed the Depositors Insurance Fund, Inc.) suspend the authorization granted by this paragraph for such period or periods as he may determine.

6. **Federal Agency Obligations**: 

a. Obligations of, or instruments issued by, and fully guaranteed as to principal and interest by the Federal National Mortgage Association, established under the National Housing Act, as amended;

b. Debentures, bonds or other obligations issued by any federal home loan bank or consolidated federal home loan bank debentures or bonds issued by the federal home loan bank board under the Federal Home Loan Bank Act, as amended;

c. Debentures issued by the central bank for co-operatives or consolidated debentures issued by said central bank and the twelve regional banks for co-operatives under the Farm Credit Act of 1933, as amended;

d. Collateral trust debentures or other similar obligations issued by any federal intermediate credit bank or consolidated debentures or other similar obligations issued by the twelve federal intermediate credit banks under the Federal Farm Loan Act, as amended;

e. Farm loan bonds issued by any federal land bank under the Federal Farm Loan Act, as amended;

f. Promissory notes representing domestic farm labor housing loans authorized by section five hundred and fourteen of the Federal Housing Act of nineteen hundred and forty-nine, as amended by the Federal Housing Act of nineteen hundred and sixty-one, when such notes are fully guaranteed as to principal and interest by the Farmers Home Administration of the United States Department of Agriculture;

g. Bonds, notes or obligations issued, assumed or guaranteed by the Export-Import Bank of the United States;

h. Obligations of any person, including any form of mortgage-backed security, as to which the payment of principal and interest according to the terms of such obligations is guaranteed by the Government National Mortgage Association under the provisions of the National Housing Act, as amended;

i. Certificates issued by the Federal Home Loan Mortgage Corporation representing interests in mortgage loans made, acquired or participated in by said Federal Home Loan Mortgage Corporation;

j. System-wide obligations issued under the provisions of the Farm Credit Act of 1971 (Public Law 92-181 Sec. 4.2) by the institutions included in the Federal Farm Credit System.

**MUNICIPAL OBLIGATIONS**

*Statutory Requirements:* (formerly General Laws chapter 168, section 43)
Any such corporation may invest in bonds, notes or other interest-bearing obligations of the following classes:

1. **Massachusetts**: Legally issued or assumed bonds, notes or other interest bearing obligations of a county, city, town or legally established district of this commonwealth.

2. **Other States**: Legally issued or assumed bonds, notes or other interest-bearing obligations of any city or town of any other state of the United States, which was incorporated as such at least ten years prior to the date of such investment; provided (a) that the population of such city or town at the date of such investment is not less than thirty thousand nor more than one hundred thousand, and the net indebtedness thereof does not exceed six per cent of the last preceding assessed valuation of the taxable real property therein, or (b) that the population of such city or town at the date of such investment is more than one hundred thousand, and the net indebtedness thereof does not exceed eight per cent of such assessed valuation. Said population shall be as established by the last national or state census or city or town census, taken in the same manner as the national or state census and certified by the clerk of said city or town. As used in this paragraph the words "net indebtedness" shall mean the indebtedness of a city or town, omitting debts created for supplying the inhabitants with water or electricity, or both, and debts created in anticipation of taxes to be paid within one year from date of issue, and deducting the amount of sinking funds available for the payment of the indebtedness included. The provisions of this paragraph shall not authorize investments in obligations of any city or town situated outside the commonwealth which has been in default for more than one hundred and twenty days in the payment of any part of principal or interest of such obligations within ten years immediately preceding the making of such investment.

3. **Full Faith and Credit Requirement**: The full faith and credit of the county, city, town or district shall be pledged for the full payment of principal and interest of all bonds, notes or other interest-bearing obligations legal for investment under any provision of this section.

**RAILROAD OBLIGATIONS**

**Statutory Requirements**: (formerly General Laws chapter 168, section 44)

Bonds, notes or other interest-bearing obligations of railroad corporations subject to the conditions, limitations and requirements of section 44.

**RAILROAD EQUIPMENT TRUST CERTIFICATES**

The outstanding Philadelphia Plan Equipment Trust Certificates of the following companies are legal.

- Burlington Northern, Santa Fe
- Norfolk Southern Railway Company
- Union Pacific Railroad Company

**TELEPHONE COMPANY OBLIGATIONS**

**Statutory Requirements**: (formerly General Laws chapter 168, section 45)
Bonds, notes or other obligations of telephone companies subject to the conditions, limitations and statutory requirements of section 45.

All outstanding issues, which meet statutory requirements, of the following companies:

**AT & T**
- Carolina Telephone & Telegraph Company
- Illinois Bell Telephone Company
- Indiana Bell Telephone Company
- Ohio Bell Telephone Company
- SBC Communications, Inc. (formerly Southwestern Bell Telephone Company)
- Southern New England Telephone Company
- United Telephone Company of Ohio
- United Telephone Company of Pennsylvania
- Verizon Florida, Inc. (formerly General Telephone Company of Florida)
- Verizon North, Inc. (formerly General Telephone Companies of Illinois, Michigan, Pennsylvania, and Wisconsin)
- Verizon New England, Inc. (formerly New England Telephone & Telegraph Company)
- Verizon New Jersey, Inc. (formerly New Jersey Bell Telephone Company)
- Verizon New York, Inc. (formerly New York Telephone Company)
- Verizon, Northwest, Inc. (formerly General Telephone Company of the Northwest, Inc.)
- Verizon Pennsylvania, Inc. (formerly Bell Atlantic Pennsylvania)
- Verizon Virginia, Inc. (formerly Chesapeake & Potomac Telephone Company of Virginia)
- Verizon Washington, DC, Inc. (formerly Chesapeake & Potomac Telephone Company (DC))

Holders of obligations of companies affected by the mergers or acquisitions noted below should contact the appropriate service representative office of the company for further direction:

1. The merger of Bell Atlantic and GTE was finalized on June 30, 2000 under the new name of Verizon Communications.

2. SBC Communications completed the acquisition of Ameritech Corporation on October 8, 1999.

3. SBC Communications completed the acquisition of AT & T Corporation on November 21, 2005.

4. AT & T completed the acquisition of Bell South Corporation on December 29, 2006.

**PUBLIC SERVICE COMPANY OBLIGATIONS**

**Statutory Requirements:** (formerly General Laws chapter 168, section 46)

A. Massachusetts Public Service Companies

Bonds, notes or other interest-bearing obligations of a gas, electric light or water company incorporated or doing business in this commonwealth and subject to the control and supervision thereof; provided, that the
net earnings of such company, after payment of all operating expenses, taxes and interest as reported to, and according to the requirements of, the proper authorities of the commonwealth, have been, in each of the three fiscal years preceding the making or renewing of such investment, equal to not less than four percent on all its capital stock outstanding in each of said years; and provided, further, that the gross earnings of said company in the fiscal year preceding the making or renewing of such investment have been not less than one hundred thousand dollars. A list of the companies, the securities of which prima facie comply with the requirements of this subdivision A shall be furnished annually by the proper authorities of the commonwealth having supervision over such companies to the commissioner at such time after June sixteen in each year as he shall designate.

B. Other Public Service Companies

Bonds of a gas, electric light or water company, maturing not later than 40 years subsequent to the date of such investment, issued or assumed by any company incorporated under the laws of the United States or any state thereof subject to the conditions, limitations and requirements of the former Massachusetts General Laws chapter 168, § 46, subdivision B.

AEP Texas Central Company (formerly Central Power & Light Company)
AEP Texas North Company (formerly West Texas Utilities Company)
Alliant Energy (formerly Interstate Power Company)
Atlantic City Electric Company
Central Illinois Light Company
CLECO (formerly Central Louisiana Electric Company)
Constellation Energy Group (formerly Baltimore Gas & Electric)
Delmarva Power & Light Company
Duke Energy Corporation
Empire District Electric Company
Florida Power and Light Company
Florida Power Corporation
Gulf Power Company
Hawaiian Electric Company
Idaho Power Company
Iowa Southern Utilities Company
Kentucky Utilities Company
Louisville Gas and Electric Company
MGE Energy (formerly Madison Gas & Electric Company)
Midwest Power Systems, Inc.
Minnesota Power and Light Company (a Division of Allete Inc.)
Mississippi Power Company
Narragansett Electric Company
New England Power Company
Northern States Power Company (Minnesota)
Northern States Power Company (Wisconsin)
OGE Energy (formerly Oklahoma Gas and Electric Company)
Potomac Electric Power Company
PPL Electric Utilities Corporation (formerly Pennsylvania Power & Light Company)
Public Service Company of Oklahoma
Public Service Electric & Gas Company
South Carolina Electric & Gas Company
Southern Indiana Gas & Electric Company
Southwestern Electric Power Company
Southwestern Public Service Company
Virginia Electric & Power Company
Wisconsin Electric Power Company
Wisconsin Power & Light Company
Wisconsin Public Service Corporation

BANK STOCKS

Statutory Requirements: (formerly General Laws chapter 168, section 47)

Bank and Bank Holding Company common stock subject to the conditions, limitations and requirements of section 47.

BANK STOCKS IN MASSACHUSETTS

Cambridge Trust Company, Cambridge
Millbury National Bank, Millbury

BANK HOLDING COMPANIES - MASSACHUSETTS

Slade's Ferry Bancorp (formerly Slade's Ferry Trust Co.)
State Street Corporation

BANKS AND HOLDING COMPANY COMMON STOCKS LOCATED OUTSIDE OF MASSACHUSETTS

AmSouth Bancorporation, Alabama (Regions Financial Corporation's acquisition of AmSouth Bancorporation was effective as of November 4, 2006.)
Fifth Third Bancorp, Ohio
Wachovia Corporation, North Carolina
Wilmington Trust Company, Delaware

INSURANCE COMPANY STOCKS

Statutory Requirements: (formerly General Laws chapter 168, section 48)

Fire and Casualty Insurance Companies capital stock subject to the conditions, limitations and requirements of section 48.
BANK DEBENTURES AND NOTES

Statutory Requirements: (formerly General Laws chapter 168, section 49, paragraph 6)

Bank debentures, convertibles, notes or other evidences of indebtedness (e.g., Federal Funds) subject to the conditions, limitations and requirements of former Massachusetts General Laws chapter 168, section 49, paragraph 6.

MASSACHUSETTS

Cambridge Trust Company
Bank of America (Bank of America Corporation's acquisition of FleetBoston Financial Corporation was effective as of April 1, 2004.)
Slade's Ferry Bancorp
State Street Bank and Trust Company

OTHER OBLIGATIONS

Legal under former section 50
(Now legal under provisions of chapter 167, section 15B)

Massachusetts Bay Transportation Authority: Various Issues
Massachusetts Port Authority: Various Issues
Massachusetts Turnpike Authority: Various Issues
Tennessee Valley Authority: Various Issues
Washington D.C. Metropolitan Area Transit Authority: 7.35 due July 1, 2012

COMMON AND PREFERRED STOCKS

Eligible under the provisions and limitations of former section 50
(Now legal pursuant to General Laws chapter 167, section 15B, paragraph 2)

Abbott Laboratories
Altria Group (formerly Philip Morris Companies)
American International Group, Inc.
Bank of America Corporation (Bank of America Corporation's acquisition of FleetBoston Financial Corporation was effective as of April 1, 2004.)
Bristol Myers Squibb Company
Coca Cola Company
Consolidated Edison
Eli Lilly & Company
Emerson Electric Company
General Electric Company
General Mills, Inc.
Hewlett-Packard Company
INVESTMENT FUNDS

As provided under General Laws chapter 167, section 15A, such list shall include the name of any investment fund, approved by the commissioner, which invests only in such stocks, bonds, notes and other interest-bearing obligations which are legal investments as provided herein. The shares of any such investment fund so approved shall be legal investments pursuant to this section to the same extent as any such stocks, bonds, notes and other interest bearing obligations.

BBH TRUST (formerly "The 59 Wall Street Trust"):

BBH U. S. Treasury Money Fund

BLACKROCK PROVIDENT INSTITUTIONAL FUNDS:

T-Fund

DREYFUS:

Government Cash Management

Treasury Cash Management

Treasury Prime Cash Management

FEDERATED INVESTORS FUNDS:

Federated GNMA Trust

Federated Government Ultrashort Duration Fund

Federated Intermediate Government Fund, Inc.
(formerly Federated Limited Duration Government Fund, Inc.)

FIDELITY:

Fidelity Institutional Money Market Treasury Portfolio Fund

Fidelity U. S. Government Reserves

Fidelity U.S Treasury Money Market Fund
(Formerly Spartan U.S. Treasury Money Market Fund)

FRANKLIN TEMPLETON:

Franklin Federal Money Fund

INSTITUTIONAL DAILY INCOME FUND:

U.S. Treasury Portfolio

ISI:

ISI Total Return US Treasury

MERRILL LYNCH:

U.S.A. Government Reserves

U.S. Treasury Money Fund

PIONEER FUNDS:

America Income Trust

TAMARACK FUNDS

Tamarack U.S. Government Money Market Fund

THE RESERVE FUND:

U.S. Government Fund

TRUST FOR CREDIT UNIONS:

Ultra Short Duration Government Portfolio
(formerly Government Securities Portfolio)