HOUSE BILL 93-1157
BY REPRESENTATIVES Kaufman, DeGette, Friednash, Owen, Tucker, and Wright; also SENATORS Ament and Blickensderfer.

AN ACT
CONCERNING THE REQUIREMENTS FOR A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Part 7 of article 75 of title 24, Colorado Revised Statutes, 1988 Repl. Vol., is REPEALED AND REENACTED, WITH AMENDMENTS, to read:

PART 7
INVESTMENT FUNDS - LOCAL GOVERNMENT POOLING

24-75-701. Definitions. As used in this Part 7, unless the context otherwise requires:

1) "Administrator" means the administrator of a local government investment pool trust fund created pursuant to section 24-75-703.

2) "Board" or "Board of Trustees" means the board of trustees composed of members that are selected from among the treasurers or other local officials empowered to invest the funds of local governments pursuant to section 24-75-703 (2), and any other independent and unaffiliated trustees named by such members.

3) "Custodian" means a designee located in the State of Colorado, with authority, including control, over public funds of a local government investment pool trust fund. For purposes of this subsection (3), "control" includes possession of public funds of a local government investment pool trust fund, as well as the authority to establish accounts for such public funds in banks and to make deposits.

*Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.*
Withdrawals, or disbursements of such public funds. If the exercise of authority over such public funds requires action by or the consent of two or more putative custodians, then such custodians shall be treated as one custodian with respect to such public funds.

(4) "Financial institution" means an institution, with its primary place of business in this state and authorized by its charter to exercise fiduciary powers, that is a state bank, an industrial bank, a savings and loan association, or a trust company chartered by this state, a national bank organized or chartered under 12 U.S.C. sec. 2, or a federal savings and loan association organized or chartered under 12 U.S.C. sec. 12.

(5) (a) "Investment adviser" means, except as provided in paragraph (b) of this subsection (5), any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. "Investment adviser" also includes financial planners and other persons who, as an integral component of other financially related services, provide such investment advisory services to a local government investment pool trust fund for compensation or who hold themselves out as providing investment advisory services to a local government investment pool trust fund for compensation.

(b) "Investment adviser" does not include:

(I) A publisher of any bona fide newspaper, magazine, or business or financial publication with a regular and paid circulation; a publisher of any securities advisory newsletter with a regular and paid circulation which does not provide advice to subscribers on their specific investment situations; or any author of material included in any such newspaper, magazine, publication, or newsletter who does not otherwise come within the definition of an "investment adviser" or "investment adviser representative";

(II) An investment adviser representative;

(III) A broker-dealer or sales representative for a broker-dealer licensed by the securities commissioner whose performance of investment advisory services is solely incidental to the conduct of its business as a broker-dealer and who receives no special compensation for such services;

(IV) A financial institution or any person employed by or directly associated with a financial institution;

(V) A lawyer, certified public accountant, professional engineer, professional geologist, or teacher, if such person:
(A) Does not take possession of the funds or securities of a local government investment pool trust fund in connection with providing investment advisory services; and

(B) Does not receive commissions or other compensation, directly or indirectly, from the sale of any security to any local government investment pool trust fund to whom such person provides advice about the value or advisability of investing in such security; and

(C) Does not engage in the business of advising a local government investment pool trust fund as to the value of securities or as to the advisability of investing in, purchasing, or selling securities and provides such advice, if at all, in a manner solely incidental to the practice of the person's profession;

(VI) Any official, employee, or representative of the United States, any state, any political subdivision of a state, or any agency or body corporate or other instrumentality thereof, acting in such person's official capacity on behalf of such entity;

(VII) Any other person or class of persons the securities commissioner designates by rule or order.

(6) "Investment adviser representative" means any individual who is a partner, officer, or director of an investment adviser, who occupies a similar status with or performs similar functions for an investment adviser, or who is employed or otherwise associated with an investment adviser, except clerical or ministerial personnel, and who:

(a) Makes any recommendations or otherwise renders advice regarding securities;

(b) Manages accounts or portfolios of clients of the investment adviser;

(c) Determines which recommendation or advice regarding securities should be given;

(d) Solicits, offers, negotiates for the sale of, or sells, investment advisory services; or

(e) Supervises employees who perform any of the duties specified in this subsection (6).

(7) "Investment advisory services" means those activities performed by a person in connection with such person's engaging in any of the activities described in paragraph (a) of subsection (5) of this section.

(8) "Local government" means any county, city and county, town, school district, special district, or other political subdivision of the state, or any department, agency, or instrumentality thereof, or any
(9) "LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND" MEANS THE TRUST FUND CREATED PURSUANT TO SECTION 24-75-703, THAT IS COMPRISED OF MONEYS DEPOSITED BY PARTICIPATING LOCAL GOVERNMENTS IN SUCH TRUST FUND AND HELD BY A CUSTODIAN.

(10) "PARTICIPATING LOCAL GOVERNMENT" MEANS A LOCAL GOVERNMENT THAT PARTICIPATES IN A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND.

(11) "SECURITIES COMMISSIONER" MEANS THE COMMISSIONER OF SECURITIES CREATED BY SECTION 11-51-701, C.R.S.

(12) "TRUST FUND" MEANS A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND.

24-75-702. Local governments - authority to pool surplus funds. (1) IN ACCORDANCE WITH THE PROVISIONS OF THIS PART 7, IT IS LAWFUL FOR ANY LOCAL GOVERNMENT TO POOL ANY MONEYS IN ITS TREASURY, WHICH ARE NOT IMMEDIATELY REQUIRED TO BE DISBURSED, WITH THE SAME SUCH MONEYS IN THE TREASURY OF ANY OTHER LOCAL GOVERNMENT AND TO DEPOSIT SUCH MONEYS IN A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND IN ORDER TO TAKE ADVANTAGE OF SHORT-TERM INVESTMENTS AND MAXIMIZE NET INTEREST EARNINGS.

(2) ANY TRUST FUND FORMED PURSUANT TO THIS PART 7 SHALL BE SUBJECT TO PART 4 OF ARTICLE 6 AND PART 2 OF ARTICLE 72 OF THIS TITLE, AND SHALL BE CONSIDERED A LOCAL PUBLIC BODY FOR PURPOSES OF THOSE PROVISIONS.

24-75-703. Local government investment pooling - trust method - resolution - filing requirements. (1) THE GOVERNING BODY OF EACH LOCAL GOVERNMENT THAT DESIRES TO PARTICIPATE IN A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND SHALL COOPERATE IN DRAFTING A UNIFORM RESOLUTION TO BE ADOPTED BY A MAJORITY VOTE OF THE GOVERNING BODY OF EACH PARTICIPATING LOCAL GOVERNMENT. THE RESOLUTION SHALL PROVIDE FOR, BUT NEED NOT BE LIMITED TO, THE FOLLOWING:

(a) ESTABLISHMENT OF A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND;

(b) A STATEMENT OF THE PURPOSES AND OBJECTIVES OF THE TRUST FUND, INCLUDING, BUT NOT LIMITED TO:

(I) THE INVESTMENT OBJECTIVES OF THE TRUST FUND;

(II) A DESCRIPTION OF ELIGIBLE TRUST FUND INVESTMENTS;

(III) CREDIT STANDARDS FOR TRUST FUND INVESTMENTS;

(IV) ALLOWABLE MATURITY RANGES FOR TRUST FUND INVESTMENTS;

(V) THE PORTFOLIO CONCENTRATIONS PERMITTED FOR EACH TYPE OF SECURITY
OWNED BY THE TRUST FUND; AND

(VI) SUPERVISION OF THE TRUST FUND BY A BOARD OF TRUSTEES COMPOSED OF
MEMBERS THAT ARE SELECTED FROM AMONG THE TREASURERS OR OTHER LOCAL
OFFICIALS EMPOWERED TO INVEST LOCAL FUNDS OF THE PARTICIPATING LOCAL
GOVERNMENTS AND SUCH OTHER INDEPENDENT AND UNAFFILIATED TRUSTEES
NAMED BY SUCH MEMBERS AND, A DESCRIPTION OF THE POWERS AND DUTIES OF
THE BOARD OF TRUSTEES;

(c) APPOINTMENT OF AN ADMINISTRATOR WITH ITS PRIMARY PLACE OF BUSINESS
IN THIS STATE FOR THE TRUST FUND BY THE BOARD OF TRUSTEES, THE MANNER
OF SUCH ADMINISTRATOR’S APPOINTMENT, AND THE DUTIES OF SUCH ADMINISTRATOR;

(d) APPOINTMENT OF A CUSTODIAN OF THE TRUST FUND BY THE BOARD OF
TRUSTEES AND A STATEMENT OF THE POWERS AND DUTIES OF THE CUSTODIAN AND
THE CUSTODIAL ARRANGEMENTS, INCLUDING, BUT NOT LIMITED TO:

(I) THE SAFEKEEPING PRACTICES UTILIZED FOR THE TRUST FUND;

(II) MAXIMUM AND MINIMUM ACCOUNT SIZES;

(III) MAXIMUM AND MINIMUM TRANSACTION SIZES FOR DEPOSITS TO AND
WITHDRAWALS FROM SUCH ACCOUNTS;

(IV) INSTRUCTIONS FOR ESTABLISHING ACCOUNTS AND MAKING DEPOSITS TO
AND WITHDRAWALS FROM SUCH ACCOUNTS; AND

(V) THE REQUIREMENT THAT THE PRIMARY RECORDS OF THE TRUST FUND BE
MAINTAINED IN THIS STATE.

(e) APPOINTMENT BY THE BOARD OF TRUSTEES OF AN INVESTMENT ADVISER
WITH ITS PRIMARY PLACE OF BUSINESS IN THIS STATE REGISTERED WITH THE
SECURITIES AND EXCHANGE COMMISSION UNDER THE FEDERAL "INVESTMENT
ADVISERS ACT OF 1940" OR EITHER A LICENSED BROKER-DEALER WITH ITS
PRIMARY PLACE OF BUSINESS IN THIS STATE OR A FINANCIAL INSTITUTION TO ACT IN
AN ADVISORY CAPACITY, AND A DESCRIPTION OF THE DUTIES AND OBLIGATIONS OF
SUCH ADVISER, ADVISORY BROKER-DEALER, OR FINANCIAL INSTITUTION;

(f) THE REPAYMENT FROM THE EARNINGS OF THE TRUST FUND OF COSTS
INCURRED IN THE ESTABLISHMENT OF THE TRUST FUND;

(g) PAYMENT OF THE EXPENSES OF ADMINISTRATION FROM THE INCOME
RECEIVED FROM THE EARNINGS OF THE TRUST FUND;

(h) LIMITATIONS, IF ANY, ON THE AGGREGATE AMOUNT OF MONEYS WHICH ANY
PARTICIPATING LOCAL GOVERNMENT MAY HAVE ON DEPOSIT IN THE TRUST FUND
AT ONE TIME;

(i) LIMITATIONS, IF ANY, ON THE PERIOD OF TIME THAT THE FUNDS OF ANY
PARTICIPATING LOCAL GOVERNMENT MAY BE HELD IN TRUST;
(j) Penalties upon participating local governments for early withdrawal of funds and procedures for resolving other contingencies which may jeopardize the earning potential of the trust fund; except that, any such penalty shall be payable only from earnings on the funds of the participating local government and the amount deposited by each participating local government in the trust fund;

(k) Distribution of the income from earnings of the trust fund to participating local governments on a pro rata basis;

(l) Maintenance of separate accounts for each participating local government; however, individual transactions and totals of all investments, or the share belonging to each participating local government, shall be recorded in the accounts;

(m) Annual audits of trust fund management pursuant to section 11-51-906 (4), C.R.S.;

(n) Quarterly reports to each participating local government which show the investments and the earnings thereon pursuant to section 11-51-906 (2), C.R.S.;

(o) Disclosure of administrative and associated costs incurred by the trust fund;

(p) Purchase of surety or other bonds necessary to protect the trust fund;

(q) That neither the trust fund’s administrator, investment adviser, or investment adviser representative may act as a principal in the purchase of securities from or the sale of securities to the trust fund; and

(r) The method of voting of the trust membership and whether the voting shall be by each participating local government or by number of shares held by any participating local government.

(2) The securities commissioner may, by rule or order and subject to such terms and conditions as prescribed therein, waive any of the requirements set forth in subsection (1) of this section if the securities commissioner finds that the applicability of such requirements is not necessary in the public interest and for the protection of participating local governments.

(3) By separate resolution similarly adopted, the governing body of each participating local government shall authorize investment of any moneys in its treasury, which are not immediately required to be disbursed, in a local government investment pool trust fund established pursuant to this section. The resolution shall name the local government official, who may be the treasurer or other official empowered to invest local funds, responsible for deposit and
WITHDRAWAL OF SUCH FUNDS. IN MAKING SUCH DEPOSITS AND WITHDRAWALS, SUCH OFFICIAL SHALL USE PRUDENCE AND CARE TO PRESERVE THE PRINCIPAL AND TO SECURE THE MAXIMUM RATE OF INTEREST CONSISTENT WITH SAFETY AND LIQUIDITY. THE RESOLUTION SHALL BE FILED WITH THE BOARD OF TRUSTEES OF THE TRUST FUND.

(4) ANY LOCAL GOVERNMENT WHICH INVESTS IN A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND SHALL MAKE AVAILABLE FOR PUBLIC INSPECTION THE NAME, ADDRESS, AND TELEPHONE NUMBER OF ANY SUCH TRUST FUND IN WHICH THE LOCAL GOVERNMENT HAS DEPOSITED FUNDS, AS WELL AS THE MOST RECENT INFORMATION STATEMENT OR PROSPECTUS PROVIDED BY SUCH TRUST FUND DESCRIBING THE FUNDS, INVESTMENTS, AND PERFORMANCE, INCLUDING NET RATE OF RETURN EARNED FOR THE MOST RECENT YEAR OR QUARTER AFTER DEDUCTION OF ADMINISTRATIVE EXPENSES.

24-75-704. Investments - limitations. (1) THE INVESTMENTS MADE WITH LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND MONEYS SHALL BE LIMITED TO THOSE INSTRUMENTS WHICH ALL PARTICIPATING LOCAL GOVERNMENTS MAY INDIVIDUALLY INVEST IN BY LAW. THE TRUST FUND SHALL NOT BE USED TO CIRCUMVENT SUCH STATUTORY LIMITATIONS ON THE INVESTMENT AUTHORITY OF PARTICIPATING LOCAL GOVERNMENT ENTITIES.

(2) IN ORDER TO ASSURE COMPLIANCE WITH SUBSECTION (1) OF THIS SECTION, THE SECURITIES COMMISSIONER MAY, BY RULE OR ORDER, REQUIRE TRUST FUNDS TO BE IN SUBSTANTIAL COMPLIANCE WITH THE RULES AND REGULATIONS REGARDING MONEY MARKET FUNDS PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION UNDER SECTION 270 OF THE FEDERAL "INVESTMENT COMPANY ACT OF 1940". THE SECURITIES COMMISSIONER MAY, BY RULE OR ORDER, WAIVE OR MODIFY SUCH RULES OR ORDERS IF THE SECURITIES COMMISSIONER FINDS THAT THEIR APPLICATION IN A PARTICULAR INSTANCE IS NOT NECESSARY IN THE PUBLIC INTEREST.

24-75-705. Board of trustees - duties - liabilities. (1) THE BOARD OF TRUSTEES OF ANY LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND MONEYS AUTHORIZED BY THIS SECTION SHALL INVEST IN COMPLIANCE WITH THE REQUIREMENTS OF THIS SECTION AND WITH THAT DEGREE OF JUDGMENT AND CARE, UNDER THE CIRCUMSTANCES THEN PREVAILING, WHICH PERSONS OF PRUDENCE, DISCRETION, AND INTELLIGENCE EXERCISE IN THE MANAGEMENT OF THEIR OWN AFFAIRS, NOT FOR SPECULATION, BUT FOR INVESTMENT, CONSIDERING THE PROBABLE SAFETY OF THEIR CAPITAL AND NEED FOR LIQUIDITY AS WELL AS THE PROBABLE INCOME TO BE DERIVED.

(2) THE BOARD SHALL EXERCISE THE FUNCTIONS OVER WHICH SUCH BOARD HAS SUBSTANTIAL DISCRETION SOLELY IN THE INTEREST OF THE PARTICIPATING LOCAL GOVERNMENTS AND FOR THE EXCLUSIVE PURPOSE OF PROVIDING EARNINGS AND DEFRAYING EXPENSES INCURRED IN ADMINISTERING THE TRUST FUND. THE BOARD SHALL ACT IN ACCORDANCE WITH THE PROVISIONS OF THIS PART 7 AND WITH THE CARE, SKILL, AND DUE DILIGENCE IN LIGHT OF THE CIRCUMSTANCES THEN PREVAILING THAT A PERSON IN LIKE CAPACITY AND FAMILIAR WITH SUCH MATTERS WOULD USE IN THE CONDUCT OF AN ENTERPRISE OF LIKE CHARACTER AND WITH LIKE AIMS.

(3) IT IS UNLAWFUL FOR A MEMBER OF THE BOARD TO ENGAGE IN ANY ACTIVITIES
WHICH MIGHT RESULT IN A CONFLICT OF INTEREST WITH SUCH MEMBER’S FUNCTIONS AS A FIDUCIARY OF THE TRUST FUND.

**24-75-706. Custodian - location - unlawful activities.** (1) It is unlawful for any custodian of a local government investment pool trust fund to:

(a) Maintain the primary records of the assets of the trust fund anywhere but within the state of Colorado;

(b) Act as a trustee, administrator, or investment adviser of the trust fund, except that a financial institution, or any person employed by or directly associated with a financial institution, acting as a custodian for a trust fund is not prohibited from also acting as administrator or in any advisory capacity for such trust fund;

(c) Effect any transaction to relinquish possession of, distribute, expend, or transfer any of the assets of the trust fund without the prior written authorization of the board, except for:

(I) The purchase or sale of authorized investments or the exchange of such assets for other assets of equal or greater value provided that such sale, purchase, or exchange is solely in the accounts of the trust fund;

(II) Distributions to participating local governments; or

(III) The payment of routine fees and expenses that have been authorized by the board of trustees in the annual budget of the trust fund; or

(d) Execute any transaction with any of the assets of the trust fund without the written instruction of the investment adviser or a financial institution acting in an advisory capacity.

(2) The custodian shall reconcile the accounts of a trust fund on a daily basis.

**24-75-707. Investment adviser - duties - unlawful activities.** (1) An investment adviser, a broker-dealer, or a financial institution acting in an advisory capacity for a local government investment pool trust fund which contracts with the board of trustees of such trust fund shall be held to the standard of conduct set forth in section 24-75-705 with respect to those functions over which such investment adviser, broker-dealer, or financial institution has substantial discretion.

(2) It is unlawful for any investment adviser to a local government investment pool trust fund or any investment adviser representative of such investment adviser to:

(a) Act as a member of the board of trustees or custodian of that trust fund; or

(b) Maintain the primary records of the trust fund anywhere but within
THIS STATE; EXCEPT THAT, THE SECURITIES COMMISSIONER MAY, BY RULE OR ORDER, AND SUBJECT TO SUCH TERMS AND CONDITIONS AS PRESCRIBED THEREIN, PERMIT THE MAINTENANCE OF SUCH RECORDS IN ANOTHER STATE IF THE SECURITIES COMMISSIONER FINDS THAT MAINTENANCE OF SUCH RECORDS IN THIS STATE IS NOT NECESSARY IN THE PUBLIC INTEREST AND FOR THE PROTECTION OF PARTICIPATING LOCAL GOVERNMENTS.

(3) IT IS UNLAWFUL FOR ANY BROKER-DEALER OR FINANCIAL INSTITUTION ACTING IN AN ADVISORY CAPACITY TO A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND OR ANY PERSON EMPLOYED BY OR DIRECTLY ASSOCIATED WITH A BROKER-DEALER OR FINANCIAL INSTITUTION ACTING IN AN ADVISORY CAPACITY TO SUCH A TRUST FUND TO:

(a) ACT AS A MEMBER OF THE BOARD OF TRUSTEES OF THAT TRUST FUND; OR

(b) MAINTAIN THE PRIMARY RECORDS OF THE TRUST FUND ANYWHERE BUT WITHIN THIS STATE; EXCEPT THAT, THE SECURITIES COMMISSIONER MAY, BY RULE OR ORDER, AND SUBJECT TO SUCH TERMS AND CONDITIONS AS PRESCRIBED THEREIN, PERMIT THE MAINTENANCE OF SUCH RECORDS IN ANOTHER STATE IF THE SECURITIES COMMISSIONER FINDS THAT MAINTENANCE OF SUCH RECORDS IN THIS STATE IS NOT NECESSARY IN THE PUBLIC INTEREST AND FOR THE PROTECTION OF PARTICIPATING LOCAL GOVERNMENTS.

24-75-708. Administrator - duties - unlawful activities. (1) EVERY LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND SHALL BE ADMINISTERED BY AN ADMINISTRATOR IN THIS STATE APPOINTED BY THE BOARD OF TRUSTEES OF SUCH POOL. THE ADMINISTRATOR SHALL HAVE SUCH DUTIES AS MAY BE PRESCRIBED BY THE SECURITIES COMMISSIONER BY RULE.

(2) IT IS UNLAWFUL FOR AN ADMINISTRATOR TO:

(a) ACT AS A TRUSTEE OR CUSTODIAN OF A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND, EXCEPT THAT A FINANCIAL INSTITUTION, OR ANY PERSON EMPLOYED BY OR DIRECTLY ASSOCIATED WITH A FINANCIAL INSTITUTION, ACTING AS THE ADMINISTRATOR FOR A TRUST FUND IS NOT PROHIBITED FROM ALSO ACTING AS CUSTODIAN FOR SUCH TRUST FUND; OR

(b) MAINTAIN THE PRIMARY RECORDS OF THE TRUST FUND ANYWHERE BUT WITHIN THIS STATE; EXCEPT THAT, THE SECURITIES COMMISSIONER MAY, BY RULE OR ORDER, AND SUBJECT TO SUCH TERMS AND CONDITIONS AS PRESCRIBED THEREIN, PERMIT THE MAINTENANCE OF SUCH RECORDS IN ANOTHER STATE IF THE SECURITIES COMMISSIONER FINDS THAT MAINTENANCE OF SUCH RECORDS IN THIS STATE IS NOT NECESSARY IN THE PUBLIC INTEREST AND FOR THE PROTECTION OF PARTICIPATING LOCAL GOVERNMENTS.

24-75-709. Administration and enforcement. THIS PART 7 SHALL BE ADMINISTERED AND ENFORCED BY THE SECURITIES COMMISSIONER PURSUANT TO SECTION 11-51-902, C.R.S.

SUBSECTIONS to read:

**11-51-501. Fraud and other prohibited conduct.** (2) IT IS UNLAWFUL FOR A CUSTODIAN OF THE FUNDS OR SECURITIES OF A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND ORGANIZED UNDER THE PROVISIONS OF PART 7 OF ARTICLE 75 OF TITLE 24, C.R.S., TO EFFECT ANY TRANSACTION TO RELINQUISH POSSESSION OF, DISTRIBUTE, EXPEND, OR TRANSFER ANY OF THE ASSETS OF THE TRUST FUND WITHOUT THE PRIOR WRITTEN AUTHORIZATION OF THE BOARD, EXCEPT FOR:

(a) THE PURCHASE OR SALE OF AUTHORIZED INVESTMENTS OR THE EXCHANGE OF SUCH ASSETS FOR OTHER ASSETS OF EQUAL OR GREATER VALUE PROVIDED THAT SUCH SALE, PURCHASE, OR EXCHANGE IS SOLELY IN THE ACCOUNTS OF THE TRUST FUND;

(b) DISTRIBUTIONS TO PARTICIPATING LOCAL GOVERNMENTS; OR

(c) THE PAYMENT OF ROUTINE FEES AND EXPENSES THAT HAVE BEEN AUTHORIZED BY THE BOARD OF TRUSTEES IN THE ANNUAL BUDGET OF THE TRUST FUND.

(3) IT IS UNLAWFUL FOR ANY INVESTMENT ADVISER OF A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND ORGANIZED UNDER THE PROVISIONS OF PART 7 OF ARTICLE 75 OF TITLE 24, C.R.S., TO:

(a) TAKE CUSTODY OR POSSESSION OF THE FUNDS OR SECURITIES OF THE TRUST FUND;

(b) ACT AS A PRINCIPAL IN ANY TRANSACTION IN SECURITIES WITH THE TRUST FUND UNLESS THE EXPRESS PRIOR WRITTEN AUTHORIZATION OF THE BOARD OF TRUSTEES IS OBTAINED WITH REGARD TO EACH SUCH TRANSACTION AND UNLESS THE TRANSACTION IS EFFECTED WITHOUT MARK-UP AND AT THE FAIR MARKET PRICE OF THE SECURITIES PURCHASED OR SOLD; OR

(c) DEPOSIT, CONVEY, OR MAINTAIN THE FUNDS OR SECURITIES OF THE TRUST FUND IN ANY ACCOUNT THAT IS IN ANY OTHER NAME THAN THAT OF THE TRUST FUND.

(4) IT IS UNLAWFUL FOR ANY BROKER-DEALER OR FINANCIAL INSTITUTION ACTING IN AN ADVISORY CAPACITY TO A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND ORGANIZED UNDER THE PROVISIONS OF PART 7 OF ARTICLE 75 OF TITLE 24, C.R.S., OR ANY PERSON EMPLOYED BY OR DIRECTLY ASSOCIATED WITH SUCH BROKER-DEALER OR FINANCIAL INSTITUTION TO:

(a) ACT AS A PRINCIPAL IN ANY TRANSACTION IN SECURITIES WITH THE TRUST FUND UNLESS THE EXPRESS PRIOR WRITTEN AUTHORIZATION OF THE BOARD OF TRUSTEES IS OBTAINED WITH REGARD TO EACH SUCH TRANSACTION AND UNLESS THE TRANSACTION IS EFFECTED WITHOUT MARK-UP AND AT THE FAIR MARKET PRICE OF THE SECURITIES PURCHASED OR SOLD; OR

(b) DEPOSIT, CONVEY, OR MAINTAIN THE FUNDS OR SECURITIES OF THE TRUST FUND IN ANY ACCOUNT THAT IS IN ANY OTHER NAME THAN THAT OF THE TRUST FUND.

**SECTION 3.** 11-51-701, Colorado Revised Statutes, 1987 Repl. Vol., as amended, is amended to read:
11-51-701. Division of securities - creation - powers and duties. There is hereby created the division of securities within the department of regulatory agencies, the head of which shall be the commissioner of securities, who shall be appointed by the executive director of the department of regulatory agencies, pursuant to the provisions of section 13 of article XII of the state constitution. The division shall be responsible for the administration of the provisions of articles 51, 53, and 59 of this title and part 7 of article 75 of title 24, C.R.S., and shall perform such other duties as are imposed upon it by law.

SECTION 4. Article 51 of title 11, Colorado Revised Statutes, 1987 Repl. Vol., as amended, is amended BY THE ADDITION OF A NEW PART to read:

PART 9
LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND
ADMINISTRATION AND ENFORCEMENT ACT

11-51-901. Short title. This part 9 shall be known and may be cited as the "LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND ADMINISTRATION AND ENFORCEMENT ACT".

11-51-902. General powers of the securities commissioner. The securities commissioner is hereby empowered to administer and enforce the provisions of part 7 of article 75 of title 24, C.R.S., and all the provisions of this part 9.

11-51-903. Interests in a local government investment pool trust fund. (1) For the purposes of this part 9, unless the context otherwise requires:

(a) The interest of a participating local government in a local government investment pool trust fund is a "security", as defined by section 11-51-201 (17); and

(b) The solicitation of a local government to participate in a local government investment pool trust fund constitutes an "offer" to sell a security, as defined by section 11-51-201 (13) (c), by the trust fund to the local government, and the consummation of an agreement to participate in a local government investment pool trust fund constitutes a "sale" of a security, as defined by section 11-51-201 (13) (a), by the trust fund to the local government.

11-51-904. Requirement for registration of local government investment pools. (1) It is unlawful for the board of trustees of any local government investment pool trust fund to permit the investment of trust fund assets unless the trust fund is registered with the securities commissioner under this part 9.

(2) It is unlawful for a local government to participate in a local government investment pool trust fund unless the trust fund is registered with the securities commissioner under this part 9.

11-51-905. General registration requirements. (1) A local government
INVESTMENT POOL TRUST FUND SHALL REGISTER WITH THE SECURITIES COMMISSIONER UNDER THIS PART 9 BY FILING A NOTICE, IN SUCH FORM AS PRESCRIBED BY THE SECURITIES COMMISSIONER, AND A COPY OF THE RESOLUTION ADOPTED PURSUANT TO SECTION 24-75-703, C.R.S.

(2) ANY LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND ORGANIZED PURSUANT TO THE PROVISIONS OF PART 7 OF ARTICLE 75 OF TITLE 24, C.R.S., AS IT EXISTED PRIOR TO THE EFFECTIVE DATE OF PART 7 OF ARTICLE 75 OF TITLE 24, C.R.S., AS AMENDED, SHALL REGISTER WITH THE SECURITIES COMMISSIONER UNDER THIS PART 9 BY FILING A NOTICE, IN SUCH FORM AS PRESCRIBED BY THE SECURITIES COMMISSIONER, AND THE RESOLUTION ADOPTED PURSUANT TO THE PROVISIONS OF PART 7 OF ARTICLE 75 OF TITLE 24, C.R.S., AS IT EXISTED PRIOR TO THE EFFECTIVE DATE OF PART 7 OF ARTICLE 75 OF TITLE 24, C.R.S., AS AMENDED, NO LATER THAN THIRTY DAYS AFTER SUCH EFFECTIVE DATE.

(3) THE INFORMATION TO BE PROVIDED TO THE SECURITIES COMMISSIONER BY A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND IN THE NOTICE FOR REGISTRATION SHALL INCLUDE, BUT NEED NOT BE LIMITED TO:

(a) THE NAME AND ADDRESS OF THE TRUST FUND;

(b) THE NAME AND ADDRESS OF THE ADMINISTRATOR OF THE TRUST FUND;

(c) THE NAME AND ADDRESS OF EACH OF THE CUSTODIANS OF THE ASSETS OF THE TRUST FUND;

(d) THE NAME AND ADDRESS OF EACH OF THE INVESTMENT ADVISERS OF THE TRUST FUND AND EACH OF THE FINANCIAL INSTITUTIONS ACTING IN AN ADVISORY CAPACITY FOR THE TRUST FUND;

(e) IDENTIFICATION OF EACH PARTICIPATING LOCAL GOVERNMENT IN THE TRUST FUND; AND

(f) THE TOTAL ASSETS OF THE TRUST FUND AS OF THE DATE OF FILING.

(4) EVERY FILING OF THE NOTICE AND RESOLUTION REQUIRED UNDER THIS SECTION SHALL BE ACCOMPANIED BY A FEE, WHICH SHALL BE DETERMINED AND COLLECTED PURSUANT TO SECTION 11-51-707; EXCEPT THAT NO SUCH REGISTRATION FEE SHALL BE MORE THAN FIVE THOUSAND DOLLARS.

11-51-906. REPORTS TO THE SECURITIES COMMISSIONER. (1) A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND SHALL INFORM THE SECURITIES COMMISSIONER OF ANY MATERIAL CHANGE REGARDING THE ADMINISTRATOR, INVESTMENT ADVISER, BROKER-DEALER OR FINANCIAL INSTITUTION ACTING IN AN ADVISORY CAPACITY, OR CUSTODIAN OF THE TRUST FUND WITHIN TEN DAYS OF SUCH CHANGE.

(2) (a) THE BOARD OF TRUSTEES OF A LOCAL GOVERNMENT INVESTMENT POOL TRUST FUND SHALL FILE QUARTERLY REPORTS WITH THE SECURITIES COMMISSIONER IN THE FORM PRESCRIBED BY THE SECURITIES COMMISSIONER.
(b) Such reports shall demonstrate that the trust fund is in full compliance with the provisions of Part 7 of Article 75 of Title 24, C.R.S., as amended.

(c) The information to be provided in such quarterly reports may include, but need not be limited to:

(I) The identity of the participating local governments;

(II) The amount of participation of each such participating local government; and

(III) The total assets of the trust fund.

(d) In addition to the quarterly reports required in paragraph (a) of this subsection (2), the securities commissioner may, by rule or order, require the board of trustees of a local government investment pool trust fund to file such other periodic reports with the securities commissioner as are necessary to demonstrate that the trust fund is in full compliance with the provisions of Part 7 of Article 75 of Title 24, C.R.S., as amended.

(3) The financial statements of a local government investment pool trust fund shall be prepared in accordance with generally accepted accounting principles except as the securities commissioner may otherwise provide by rule or order.

(4) (a) A local government investment pool trust fund shall file with the securities commissioner an annual audit of the trust fund to be completed at least annually, but at intervals of not more than fifteen months, performed by an independent certified public accountant.

(b) The securities commissioner may, by rule or order, provide that such audits include safeguards to ensure that they adequately describe the financial condition of the trust fund.

(c) Such audit shall be completed and submitted to the securities commissioner within the time lines the securities commissioner by rule or order prescribes.

(d) Such audit shall include, but need not be limited to, the following information:

(I) The name and address of each custodian holding or which at any time since the last annual audit held any assets of the trust fund;

(II) The amount and description of the assets of the trust fund on deposit with or otherwise in the custody of each such custodian; and

(III) Any other information the securities commissioner prescribes by rule or order.
(e) Every filing of the annual audit required under this subsection (4) shall be accompanied by a fee, which shall be determined and collected pursuant to section 11-51-707; except that no such annual fee shall be more than two thousand dollars.

11-51-907. Access to records. (1) The securities commissioner, in a manner reasonable under the circumstances, may examine, without notice, any accounts held by a custodian on behalf of a local government investment pool trust fund and all books, records, and papers pertaining thereto, and all accounts, books, records, and papers pertaining thereto, within or without this state, in the possession of any administrator, the board of trustees, any investment adviser of or broker-dealer or financial institution acting in an advisory capacity to the trust fund, any person employed by or directly associated with such broker-dealer or financial institution in connection with providing such advisory services, or any investment adviser representative.

(2) The securities commissioner, in a manner reasonable under the circumstances, may copy, or cause to be copied, or request from and shall receive copies of such documents as are made and maintained by the custodians, administrator, board of trustees, investment adviser of or broker-dealer or financial institution acting in advisory capacity to the trust fund, any person employed by or directly associated with such broker-dealer or financial institution in connection with providing such advisory services, or any investment advisor representative in connection with a local government investment pool trust fund in the normal course of business, at the expense of such person, in order to determine compliance with this part 9 and part 7 of article 75 of title 24, C.R.S., as amended.

11-51-908. Confidentiality of information. Financial information and the identities of participating local governments in the possession of, filed with, or obtained by the securities commissioner under this part 9 shall be confidential. No such information may be disclosed by the securities commissioner or any of the officers or employees of the division of securities except in connection with any investigation or proceeding or with the consent of the board of trustees of the local government investment pool trust fund to which such information pertains. Such information shall be construed as information within the meaning of section 24-72-204 (3) (a) (IV), C.R.S.

SECTION 5. 11-51-707 (3) (a), Colorado Revised Statutes, 1987 Repl. Vol., as amended, is amended to read:

11-51-707. Collection of fees - division of securities cash fund created. (3) (a) The division shall set the amount of each fee which it is authorized by law to collect under this article. The budget request and the fees for the division shall reflect direct and indirect costs. The division, in the discretion of the securities commissioner, may set registration fees payable under section 11-51-302 according to a scale of rates applied to the dollar amount of securities to be registered, with a maximum fee specified. The division, in the discretion of the securities commissioner,
may set an exemption fee payable under section 11-51-307 (1) (k) for each series, portfolio, separate account, or fund of an open-end management company or unit investment trust. The division, in the discretion of the securities commissioner, may set registration fees payable under section 11-51-905 (4), according to a scale of rates applied to the asset size of the trust fund as of the date of registration. The division, in the discretion of the securities commissioner, may set annual fees payable under section 11-51-906 (4) (e), according to a scale of rates applied to the asset size of the trust fund as of the date of the filing of the annual audit.

**SECTION 6. Effective date.** This act shall take effect July 1, 1993.

**SECTION 7. Safety clause.** The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Approved: April 8, 1993