
Operations Manual

LOCAL GOVERNMENT INVESTMENT POOL

OFFICE OF THE WASHINGTON STATE TREASURER

AUGUST 2019



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INTRODUCTION TO THE LOCAL GOVERNMENT INVESTMENT POOL

The Local Government Investment Pool was authorized by Chapter 294, Laws of 1986. In part, this legislation states: "The purpose of this chapter is to enable political subdivisions to participate with the state in providing maximum opportunities for the investment of surplus funds consistent with the safety and protection of such funds. The legislature finds and declares that the public interest is found in providing maximum prudent investment of surplus funds, thereby reducing the need for additional taxation. The legislature also recognizes that not all political subdivisions are able to maximize the return on their temporary surplus funds. The legislature therefore provides in this chapter a mechanism whereby political subdivisions may, at their option, utilize the resources of the State Treasurer's Office to maximize the potential of surplus funds while ensuring the safety of public funds."

The impetus for this legislation came from a number of bankruptcies that occurred involving various government bond dealers. Public funds were lost when it was discovered that the investments public treasurers had thought they had purchased did not actually exist. As a result of losses in this state as well as others, the State Auditor now requires a much more stringent handling of investment transactions by public funds managers. As a result, the additional investment requirements caused a major increase in the expense of managing public funds, particularly for those entities with relatively small amounts of funds to invest.

The idea of a Local Government Investment Pool (LGIP) was developed in order to allow all public entities to continue to manage their funds in a manner that would allow them to maximize the yield on their investments while meeting the safety requirements for the funds. Local investment pools are currently operating in states. They have been highly successful endeavors that have afforded their participants a flexible investment vehicle with which to manage the funds in their custody.

COMMON QUESTIONS & ANSWERS

Q: Do I need to notify the LGIP of a deposit as well as a withdrawal?

A: Yes. The LGIP needs to know how much money is available for daily investment. If money is deposited and the LGIP is not notified, those funds will not be invested on the day of deposit and the Pool participant will not receive same-day credit.

Q: Is there a minimum transaction size?

A: Yes. Five thousand dollars (\$5,000) is the minimum transaction size for both deposits and withdrawals (WAC 210-01-060).

Q: Is there a maximum transaction size?

A: No. However, to more accurately project our daily cash flows, we would like to be notified of a deposit or withdrawal of ten million dollars (\$10,000,000) or more at least a day prior to transfer.

Q: When do the interest earnings post to the account?

A: Interest earned will be distributed monthly on the first business day of the following month.

Q: Can I have funds that I request for withdrawal sent to a different bank account other than the one I originally set up with the LGIP, even if this is a onetime circumstance.

A: No. For your protection, funds may only be transmitted to the bank account designated on the Authorization Form. Changes to the participant's bank information must be made in writing to the Office of the State Treasurer (see Appendix, Authorization Form).

Q: Is there a limit to the number of transactions I can do in any one day?

A: Each pool participant is limited to ONE transaction per business day (see Appendix, WAC 210-01-070).

Q: How long can I leave my funds in the LGIP?

A: There is no set maturity date on funds in the LGIP. You may leave your funds on deposit with the pool for one day, one month, or any length of time appropriate to your cash flow needs.

Q: Can I enter transactions online?

A: Yes. Authorized persons can enter deposits and withdrawals over the Internet using the Treasury Management System (TM\$). TM\$ also allows participants to view statements, reports, and account information.

These are only a few of the common questions about the pool. If you have other questions, call the LGIP at (800)331-3284.

PARTICIPATION SPECIFICATIONS

ORDINANCE/RESOLUTION/ACKNOWLEDGEMENT OF INVESTMENT

Every municipality choosing to utilize the LGIP must file a certified copy of an ordinance/resolution/acknowledgement of investment containing:

- Name and address of the entity;
- A statement that the entity agrees to deposit or withdraw funds with the Local Government Investment Pool in accordance with the provisions of the Washington Administrative Code (WAC); and,
- The titles of the officials who have the authority to delegate the deposit and withdrawal of funds with the Local Government Investment Pool.

TRANSACTION LIMITATION

The minimum transaction size is \$5,000 for deposits AND withdrawals.

NOTIFICATION OF LARGE DEPOSITS/WITHDRAWALS

There is no formal maximum transaction size; however, to more accurately project daily cash flows, please notify the LGIP of a deposit or withdrawal of ten million dollars (\$10,000,000) or more at least a day prior to transfer.

STEPS FOR DEPOSITING FUNDS BY WIRE

1. Call the Local Government Investment Pool (800-331-3284) OR log on to TM\$ on the days prior to deposit or the day of deposit. If requesting the transaction on the day of deposit, the following restrictions apply:
2. To ensure same day credit, a pool participant must inform the office of the state treasurer of any deposit over one million dollars no later than 9 a.m. on the same day the deposit is made. Deposits for one million dollars or less can be requested at any time prior to 10 a.m. on the day of deposit.
 - a. For all other deposits over one million dollars that are requested prior to 10 a.m., a pool participant may receive same day credit at the discretion of the office of the state treasurer, taking into account when notification is received, the amount of the deposit, or any other factor that may affect the office of the state treasurer's ability to accommodate the requested deposit.
 - b. All deposits will made by electronic funds transfer to an account designated by the state treasurer. It is the responsibility of each pool participant to pay any bank charges associated with such electronic transfers.
3. Failure to wire funds by a pool participant (after notification to the state

treasurer of an intended transfer) will result in a bank overdraft in the state treasurer's bank account. Bank penalties for overdrafts will be assessed to those pool participants responsible for the overdraft.

4. For wire instructions, please call 1-800-331-3284.

STEPS FOR WITHDRAWING FUNDS BY WIRE

1. Call the Local Government Investment Pool (**800-331-3284**) OR log on to TM\$ on the days prior to, or on the day of, withdrawing funds. If requesting the transaction on the day of withdrawal, the following restrictions apply:
2. A pool participant, in order to withdraw funds from the pool, must notify the office of the state treasurer of any withdrawal over one million dollars no later than 9 a.m. on the same day the withdrawal is made. Withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of withdrawal.
 - a. For all other withdrawals over one million dollars that are requested prior to 10 a.m., a pool participant may receive such withdrawal on the same day it is requested at the discretion of the office of the state treasurer, taking into account when the request is received, the amount of the requested withdrawal, or any other factor that may affect the office of the state treasurer's ability to accommodate the requested withdrawal.
 - b. Each local government entity participating in the pool shall file with the state treasurer a letter designating the financial institution at which funds withdrawn from the pool shall be deposited. This letter shall contain the name of the financial institution, location of the financial institution, account number to which funds will be deposited and account name. This letter shall be signed by local officials authorized to receive and disburse funds, as described in WAC 210-01-030. Disbursements from the pool will be by electronic funds transfer.
3. Failure of the state treasurer to wire funds to a pool participant (after proper notification to the state treasurer to disburse funds to a pool participant) may result in a bank overdraft in the pool participant's bank account. The state treasurer will reimburse pool participants for such bank overdraft penalties charged to the pool participant's bank account.
4. The LGIP will transfer the funds to the bank account specified on the Authorization Form. For your protection, funds may only be wired to this designated account.

STEPS FOR DEPOSITING FUNDS BY ACH

1. Call the Local Government Investment Pool (800-331-3284) OR log on to TM\$ on the business days prior to deposit.
2. To ensure next day credit, a pool participant must notify the office of the state treasurer of any deposit no later than 2 p.m. on the banking day before the deposit is made.
3. All deposits will be made by ACH to an account designated by the state treasurer. It is the responsibility of each pool participant to pay any bank charges associated with such ACH transaction.
4. Failure to ACH funds by a pool participant (after notification to the state treasurer of an intended transfer) will result in a bank overdraft in the state treasurer's bank account. Bank penalties for overdrafts will be assessed to those pool participants responsible for the overdraft.
5. For LGIP ACH account information, please call 1-800-331-3284

STEPS FOR WITHDRAWING FUNDS BY ACH

1. Call the Local Government Investment Pool (800-331-3284) OR log on to TM\$ on the banking days prior to withdrawing funds.
2. A pool participant, in order to withdraw funds from the pool, must notify the office of the state treasurer of any withdrawal no later than 2 p.m. on the banking day before the withdrawal is requested.
3. Each local government entity participating in the pool shall file with the state treasurer a letter designating for ACH transaction the financial institution at which funds withdrawn from the pool shall be deposited. This letter shall contain the name of the financial institution, location of the financial institution, account number to which funds will be deposited and account name. This letter shall be signed by local officials authorized to receive and disburse funds, as described in WAC 210-01-030. Disbursements from the pool will be by ACH transmission.
4. Failure of the state treasurer to ACH funds to a pool participant (after proper notification to the state treasurer to disburse funds to a pool participant) may result in a bank overdraft in the pool participant's bank account. The state treasurer will reimburse pool participants for such bank overdraft penalties charged to the pool participant's bank account.
5. The LGIP will transfer the funds to the bank account specified on the ACH Authorization Form. For your protection, funds may only be ACH to this designated account.

INTEREST EARNINGS

The LGIP daily factor is a net earnings figure that is calculated daily using the investment income earned (excluding realized gains or losses) each day, assuming daily amortization and/or accretion of income of all fixed income securities held by the Fund, less the administrative fee. The daily factor is reported on an annualized 7- day basis, using the daily factors from the previous 7 calendar days. The reporting of a 7-day annualized yield based solely on investment income which excludes realized gains or losses is an industry standard practice that allows for the fair comparison of funds that seek to maintain a constant NAV of \$1.00. The actual yield factor is a net daily earnings figure that is calculated using the total net earnings including realized gains and losses occurring each day, less the administrative fee. The total net earnings of the LGIP will be declared daily and paid monthly to each pool participant's account in which the income was earned on a per-share basis. These funds will remain in the pool and earn additional interest unless withdrawn and sent to the pool participant's designated bank account as specified on the Authorization Form. Interest earned will be distributed monthly on the first business day of the following month.

STATEMENTS AND REPORTING

On the first working day of every month each active pool participant will be sent a monthly statement which includes the pool participant's beginning balance, ending balance, deposits, withdrawals, administrative fees, gross earnings, net earnings, and the gross and net earnings rates for the month. Included with the statement is the monthly enclosure. This report contains information regarding the maturity structure of the portfolio and balances broken down by security type.

The LGIP will provide pool participants an overview of "LGIP Portfolio Statistics and Additional Information" on the LGIP website. In addition to the compliance report, benchmark, comparison data, and statistical information about the LGIP, a market summary will provide a review of the activity in the financial markets. The Office of the State Treasurer views this as an important vehicle to keep participants informed of LGIP issues.

An Annual Comprehensive Financial Report (ACFR) is distributed to each pool participant for the State's fiscal year ending each June. The ACFR is an extensive document that includes the following LGIP information:

- Introductory Information
 - Organization Chart
 - Advisory Committee Member List Key
 - Personnel List
 - Compliance Report

- Audited Financial Report/
Independent Auditors' Report
Financial Statements

- Investments Section
 - Portfolio
 - Charts
 - Schedule of Pool Participants Investment Policy

- Statistical Information
 - Net Assets and Net Income Tables
 - Average Balance Portfolio
 - Yield
 - Average Maturity Graphs

The “LGIP Portfolio Statistics and Additional Information” and the ACFR are available on the Office of the State Treasurer website at: <https://www.tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/>

ADMINISTRATIVE FEES

The State Treasurer will require reimbursement for the administration and recovery of costs associated with the operation of the Local Government Investment Pool.

The administrative fee accrues daily from pool participants’ earnings prior to the earnings being posted to their account. The administrative fee will be paid monthly. In the event that there are no earnings, the administrative fee will be deducted from principal.

DIRECT DEPOSIT PROGRAM

Local Government Investment Pool (LGIP) participants that receive State collected revenues, distributed by the State Treasurer's Office, may elect to have those monies deposited directly to their LGIP account. This program began on July 1, 1989 and there has been a very positive response from those participants who are involved.

Direct deposit benefits:

- (1) Funds credited to LGIP account via direct deposit will begin earning interest that same day.
- (2) Funds may be withdrawn, in whole or in part, on the day of deposit by notifying the LGIP at 800-331-3284 prior to 9:00 a.m.
- (3) Funds are deposited directly into your LGIP account via ACH; therefore, wire charges for transferring funds out of your bank account are avoided.

Local governments choosing to use this option will continue to receive a remittance advice from the State Treasurer detailing the funds they have received in any particular distribution. Authorization for direct deposit will remain in effect until the State Treasurer receives written notification that the local government no longer wishes to participate in the direct deposit program.

The LGIP is pleased to offer this additional service in the hopes that it may aid the facilitation of your cash management program.

<https://tre.wa.gov/partners/for-local-governments/revenue-distribution/>

ENROLLMENT INSTRUCTIONS FOR THE LOCAL GOVERNMENT INVESTMENT POOL

1. Prepare Resolution and have this approved by local governing authority.
2. Complete Authorization Form including bank account information, authorized personnel, ACH information (optional), and online TM\$access (optional).
3. Evaluate the Direct Deposit Program described on page 6. If your entity elects to participate in this deposit vehicle, complete the direct deposit authorization form (see Appendix). The Office of the State Treasurer must receive the form two weeks prior to the direct deposit date taking effect.

Forms can be requested by calling the LGIP line, 1-800-331-3284

4. Prior to participation contact the LGIP Administrator for directions to send the Resolution, Authorization form, and Direct Deposit form (optional) .

WASHINGTON ADMINISTRATIVE CODE (WAC) RULES

WAC 210-10-010. Definitions.

Unless the context requires otherwise:

"Extended asset fund" means a subpool whose investments generally have a longer maturity than the money market fund and may be more restricted in the number of contributions and withdrawals than the money market fund.

"Financial institution" means a public depository as defined in RCW 39.58.010.

"Financial officer" means the same as that term is defined in RCW 43.250.020.

"Funds" means the same as that term is defined in RCW 43.250.020.

"Government finance official" means the same as that term is defined in RCW 43.250.020.

"Local government investment pool" or "pool" means the aggregate of all funds from pool participants that are placed in the custody of the state treasurer for investment and reinvestment.

"Money market fund" means a subpool whose investments are primarily money market instruments.

"Net asset value" with respect to the assets of a subpool shall mean the value of the assets of that subpool reduced by its accrued liability.

"Pool participant" means any eligible governmental entity as that term is defined in RCW 43.250.020 that is invested in a subpool.

"Prospectus" means a written offer of an investment in the pool or in any subpool designated as a prospectus by the state treasurer.

"Subpool" means a subcomponent of the pool as may be established and designated by the state treasurer from time to time. Each subpool shall have its own name, assets, and liabilities as designated by the state treasurer. The state treasurer may designate separate investment policies, restrictions, objectives, and strategies for each subpool.

"Value" with respect to an asset shall mean (a) with respect to securities for which market quotations are readily available, the market value of such securities, and (b) with respect to other securities or assets, fair value as determined by the state treasurer. In determining fair value, the state treasurer may appoint and rely upon a pricing service. With respect to the money market fund, "value" shall mean the amortized cost of the money market fund's assets unless the state treasurer determines otherwise.

WAC 210-10-020 Requirements for participation in the pool.

(1) Before participating in the pool, all pool participants shall file with the state treasurer, any documentation required by the state treasurer. Such documentation shall, at a minimum, provide the following information:

(a) Name and address of the pool participant;

(b) A statement that the pool participant agrees to contribute or withdraw funds in the local government investment pool in accordance with the provisions of the Washington Administrative Code and the prospectus for the purpose of investment as stated therein; and

(c) The names and titles of the officials authorized to order the contribution or withdrawal of funds in the local government investment pool.

(2) It shall be the responsibility of pool participants to properly execute and file any required documentation with the state treasurer. The state treasurer shall not allow participation in the local government investment pool unless such documentation has been filed with the state treasurer.

WAC 210-10-030 State treasurer's liability.

The state treasurer shall not be liable for:

(1) Any loss, including loss of capital, resulting from investments in the pool and/or any subpool, as applicable, except as provided for in RCW 43.250.040;

(2) Any damages resulting from misfeasance, malfeasance, nonfeasance, or defalcation on the part of a government finance official, financial officer, or pool participant;

(3) Any loss, including loss of capital, that results from a pool participant's failure to comply with the provisions of the Washington Administrative Code or the prospectus; or

(4) Any loss, including loss of capital, resulting from a pool participant seeking, and being granted, a withdrawal due to necessity, from the extended asset fund.

WAC 210-10-040 Transaction limitation.

The state treasurer reserves the right at its sole discretion to set a minimum and/or maximum transaction amount from any subpool and to limit the number of transactions, whether contribution, withdrawal, or transfer, permitted in a day or other given period of time, or whether to pay withdrawal proceeds in kind or in cash. The state treasurer may establish thresholds and defer withdrawals in excess of those thresholds and pay them out on a deferred or delayed basis from any subpool. In addition, the state treasurer reserves the right at its sole discretion to reject any proposed contribution order, and in particular to reject any proposed contribution made by a pool participant engaged in behavior deemed by the state treasurer to be abusive.

WAC 210-10-050 Contribution procedures.

(1) Contribution procedures for the money market fund:

(a) All contributions will be effected by electronic funds transfer to an account in the money market fund designated by the state treasurer. It is the responsibility of each pool participant to pay any bank charges associated with such electronic transfers to the state treasurer.

(b) Funds transmitted by automated clearing house (ACH) will be held for a period of time as designated by the state treasurer in the prospectus.

(c) Failure to transmit funds by a pool participant after notification to the state treasurer of an intended transfer will result in penalties. Penalties for failure to timely transmit funds will be assessed to the account of the pool participant responsible. Reversal of an ACH transmission will constitute a failure to transmit funds.

(d) Contribution requests received in good order will receive the net asset value per unit of the money market fund next determined after the order is accepted by the state treasurer.

(2) Contribution procedures for the extended asset fund:

Direct investments into the extended asset fund are not permitted. Contributions to the extended asset fund may only be effected by means of a contribution from the money market fund. Contributions will take place monthly, on the 10th calendar day of the month (or on the next business day, if the 10th does not fall on a business day).

Pool participants must notify the state treasurer of any contribution on the business day prior to a permitted contribution date no later than the time on that day specified in the prospectus. The state treasurer may allow contributions with less than the required notice in its sole discretion.

Contributions to the extended asset fund will be effected by way of a corresponding withdrawal from the pool participant's specified money market fund account. On the contribution date, shares will be sold from the specified money market fund account at the net asset value determined as of the order acceptance date. Shares of the extended asset fund will be purchased using the extended asset fund's net asset value determined as of the order acceptance date.

WAC 210-10-060 Contribution limits and earnings credit.

(1) Contribution limits and earnings credit for the money market fund:

To ensure same day credit, a pool participant must inform the state treasurer of any contribution over one million dollars, except for funds transmitted by ACH, no later than 9 a.m. on the same day the contribution is made. Contributions for one million dollars or less, other than those funds transmitted by ACH, can be requested at any time prior to 10 a.m. on the day of contribution.

For all other contributions over one million dollars that are requested prior to 10 a.m., a pool participant may receive same day credit at the sole discretion of the state treasurer. Contributions that receive same day credit will count, for earning rate purposes, as of the day in which the contribution was made. Contributions for which no notice is received prior to 10 a.m. will be credited as of the following business day.

Participants transmitting a contribution via ACH must notify the state treasurer no later than 2 p.m. the business day prior to the contribution date.

(2) Earnings credit:

Income earnings credit on funds contributed to a subpool will be credited to each subpool in the timing and manner described in the prospectus.

WAC 210-10-070 Withdrawal procedures.

(1) Withdrawal procedures for the money market fund:

Each pool participant shall file with the state treasurer a letter designating the financial institution at which funds withdrawn from the money market fund shall be deposited. This letter shall contain the name of the financial institution, the location of the financial institution, the account name, and the account number to which funds will be deposited. This letter shall be signed by local officials authorized to receive and disburse funds, as described in WAC 210-10-020.

Disbursements from the subpool will be effected by electronic funds transfer. Failure by the state treasurer to transmit funds to a pool participant after proper notification to the state treasurer to disburse funds to a pool participant may result in a bank overdraft in the pool participant's bank account. The state treasurer will reimburse a pool participant for such bank overdraft penalties charged to the pool participant's bank account.

In order to withdraw funds from the money market fund, a pool participant must notify the state treasurer of any withdrawal over one million dollars no later than 9 a.m. on the same day the withdrawal is made except for funds transmitted by ACH. Withdrawals for one million dollars or less, other than those funds transmitted by ACH, can be requested at any time prior to 10 a.m. on the day of withdrawal.

For all other withdrawals from the money market fund over one million dollars that are requested prior to 10 a.m., a pool participant may receive such withdrawal on the same day it is requested at the sole discretion of the state treasurer.

Participants requesting withdrawals via ACH must notify the state treasurer no later than 2 p.m. the business day prior to the requested withdrawal date. Funds contributed by ACH will not be available for withdrawal for a period of time as designated by the state treasurer in the prospectus.

Withdrawal requests with respect to the money market fund received in good order will receive the net asset value per unit of the money market fund next determined after the order is accepted by the state treasurer.

(2) Withdrawal procedures for the extended asset fund.

Withdrawal orders will be accepted on a quarterly basis and must be received two business days prior to the intended withdrawal date. Withdrawals will occur on the 10th calendar day of the months so designated in the prospectus. If the 10th is not a business day, the withdrawal will occur on the following business day. Other withdrawals may be permitted due to necessity, if the governing body of a pool participant sets forth, by resolution or other appropriate official action, that a withdrawal is necessary to meet the cash flow needs of the pool participant.

Withdrawals from the extended asset fund will be effected by way of a corresponding contribution into the pool participant's specified money market fund account. On the withdrawal date, shares will be sold from the specified extended asset fund account at the net asset value determined as of the next business day after the order acceptance date. Shares of the money market fund will be purchased using the money market fund's net asset value determined as of the next business day after the order acceptance date.

Pool participants must notify the state treasurer of any withdrawal two business days prior to a permitted withdrawal date no later than the time on that day specified in the prospectus. The state treasurer may allow withdrawals with less than the required notice in its sole discretion.

WAC 210-10-080 Transfer procedures.

A pool participant may transfer funds from one money market fund account to another. To ensure same day credit, a pool participant must inform the state treasurer of any transfer no later than 10 a.m. on the same day the transfer is made.

Contributions to the money market fund through ACH will not be available for transfer for a period of time as designated by the state treasurer in the prospectus.

WAC 210-10-090 Reporting requirements.

The state treasurer will provide to each pool participant a monthly statement showing that pool participant's beginning balance, contributions, withdrawals, transfers, administrative charges, earnings rate, earnings, and ending balance in each subpool for the preceding calendar month.

WAC 210-10-100 Administrative deductions.

As authorized in RCW 43.250.060, the state treasurer will require reimbursement for the administration and recovery of costs associated with the operation of the pool. Each pool participant will reimburse the state treasurer based upon each pool participant's share of the total pool assets in the timing and manner described in the prospectus.

WAC 210-10-110 Portfolio management.

The state treasurer shall manage the funds invested in each subpool in such a manner as to effectively maximize the yield to the subpool. The state treasurer shall have the sole responsibility in setting the investment strategy for each subpool.

WAC 210-10-120 The prospectus.

The state treasurer may specify by means of a prospectus, or supplement thereto, such terms and conditions not otherwise set forth in the administrative code applicable to the management and operation of the pool and/or any subpool, including investment policies, restrictions, objectives not inconsistent with WAC 210-10-110, contributions, the crediting of income, gain or loss, the allocation of liabilities among subpools, and withdrawals and contributions among subpools, as the state treasurer may deem appropriate, from time to time. Material changes to a prospectus may be made by the state treasurer by means of a supplement or restated prospectus, effective as of the date sent to pool participants or as of the later date stated therein.

WAC 210-10-130 Liquidation and termination.

The state treasurer may liquidate and terminate any subpool in its sole discretion. Upon declaring a liquidation, the state treasurer shall make arrangements for the disposition of the affected subpool's assets and either the payment of all liabilities or the establishment of adequate reserves for the discharge of the subpool's liabilities, if any. Pool participants will receive their pro rata share of the subpool's assets net of such liabilities or reserves. Notwithstanding the foregoing, the state treasurer may hold back up to ten percent of the value of the liquidating subpool until all liabilities are discharged. Residual amounts, if any, will be distributed to pool participants on a pro rata basis. Pool participants will not earn income on any amounts held back.

WAC 210-10-140 Restriction on withdrawals.

The state treasurer may take any measure and impose any restriction on withdrawals from any subpool or any category of pool participant, including, but not limited to, prorating over time any withdrawal order and/or satisfying any withdrawal order by offering pool participants withdrawals in-kind, as described in the prospectus.