

**RESOLUTION REGARDING ANNUAL REVIEW OF
DISTRICT INVESTMENT POLICY AND INVESTMENT STRATEGIES**

THE STATE OF TEXAS §
 §
COUNTIES OF WILLIAMSON §
AND TRAVIS §

WILLIAMSON-TRAVIS COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1

WHEREAS, Section 2256.005, Government Code, requires the Board of Directors (the “Board”) of Williamson-Travis Counties Municipal Utility District No. 1 (the “District”) to, not less than annually, adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed the District’s investment policy and investment strategies, and the written instrument so adopted must record any changes made either to the investment policy or investment strategies; and

WHEREAS, the Board has reviewed its investment policy and investment strategies and has determined that a change regarding maximum maturity of certificates of deposit is needed as shown on page 4 of the attached redline.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF WILLIAMSON-TRAVIS COUNTIES MUNICIPAL UTILITY DISTRICT NO. 1 THAT:

Section 1. The District states that it has reviewed the District’s Investment Policy that was previously adopted on August 21, 2019 and has determined that changes are required as shown on the attached redline of the Williamson-Travis Counties Municipal Utility District No. 1 Investment Policy.

PASSED AND ADOPTED the 16th day of September, 2020.



Catherine Franke
President, Board of Directors

ATTEST:



Chris Rocco
Secretary, Board of Directors

[DISTRICT SEAL]

**WILLIAMSON-TRAVIS COUNTIES
MUNICIPAL UTILITY DISTRICT NO.1**

INVESTMENT POLICY

Adopted: ~~August 21, 2019~~ September 16, 2020

PURPOSE

This Investment Policy sets forth a specific investment policy and strategy guidelines for the Williamson-Travis Counties Municipal Utility District No. 1 (the "District") in order to achieve the goals of safety, liquidity, diversification and yield for all investment activity. It is adopted in compliance with the Public Funds Investment Act (Texas Local Government Code, Chapter 2256, the "Act"). The Policy sets forth:

- the general policies governing investment of District funds;
- the specific investment strategies applicable to each particular fund of the District;
- the guidelines for investment of District funds; and,
- the investment management practices of the District.

It is the policy of the District to invest all available funds in compliance with applicable legal requirements and the guidelines stated in this Policy. Investments will be made under provisions of state and federal law, this Policy, and restriction in any District bond resolutions.

All investments shall be managed in a manner to provide the highest reasonable market yield with maximum security while meeting the cash flow demands of the District.

SCOPE

The Investment Policy applies to all financial assets of the District and all transactions with those assets.

INVESTMENT OBJECTIVES

The District shall manage and invest its cash and assets with four major objectives, listed in order of priority: safety, liquidity, diversification and yield. Safety will remain the primary objective. The District's investment portfolio will be planned and managed to utilize the assets to generate interest as a source of income from all operation and capital funds. All investment shall be managed in a manner responsive to the public trust and consistent with law.

Effective cash management is recognized as a foundation of this Policy. Cash management is the process of managing monies in order to insure cash availability and reasonable yield on short term investments. The District will maintain a cash management program which includes timely collection of accounts receivable, vendor payments in accordance with invoice terms, and prudent investment of assets.

A. Safety of Capital: The primary objective of the District is to ensure the preservation of principal. Each investment transaction shall be conducted in a manner to avoid capital losses, whether from security defaults, safekeeping, or erosion of market value.

B. Liquidity: The District will retain sufficient liquidity to ensure adequate and timely availability of funds necessary to pay obligations as they become due. The portfolio shall be structured to meet all

expected obligations by matching investment maturities with forecasted cash flow liabilities and maintain additional liquidity for unexpected liabilities.

C. Diversification: The portfolio shall be diversified by market sector and maturity in order to avoid market risk.

D. Yield: The District will seek to optimize return on investments within the constraints of safety and liquidity.

STANDARD OF CARE

The standard of prudence to be applied to all investments shall be the “prudent person rule”. The District will seek to ensure that all persons involved in the investment process act responsibly in the preservation of District capital. District investments will be made with the exercise of judgment and care, under 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 as well as the probable income to be derived.

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the Officer has responsibility rather than a consideration as to the prudence of a single investment.

The Investment Officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally liable for a specific security’s credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

INVESTMENT STRATEGY BY FUND TYPE

The District shall pursue a conservative portfolio management strategy. The portfolio will be designed on projected cash flows to provide for all anticipated liquidity needs. Investments are to be chosen in a manner which promotes portfolio diversity by market sector, credit and maturity. The choice of high-credit quality government investments and high-grade, money market instruments are designed to assure the marketability of those investments should liquidity needs arise. The investment process shall be designed to produce a reasonable return commensurate with low-risk securities and designed to meet cash flow demands.

The District may commingle funds for investment purposes while addressing the unique characteristics of the funds represented in the portfolios. Funds in the following District accounts will be invested by the District Investment Officer as specified herein.

Operating Funds

Operating funds shall have as their primary objective assurance that anticipated cash flow needs are met with adequate investment liquidity. The secondary objective is to obtain a reasonable yield with minimal volatility. This may be accomplished by purchasing high credit quality securities matched to known liabilities. A fund balance equal to one month of expenses must be kept liquid. A ladder of investments to meet anticipated cash needs will be established. The maximum maturity of any investment will be two (2) years from date of purchase reflecting the fiscal year limitations. A maximum dollar weighted average maturity of one year will be established based on the stated final maturity date of each security.

Debt Service Fund

Debt service funds are to be invested to ensure adequate funding for each consecutive debt service payment so as not to exceed an "unfunded" debt service date with the maturity of any investment. (An unfunded debt service date is defined as an interest or principal payment date that does not have cash or investment maturities targeted to satisfy said payment.) The maximum maturity of any investment shall be one (1) year to stated maturity and a maximum dollar weighted average maturity of such funds shall be six months. Investments shall be made in full compliance with and satisfaction of requirements of the District's bond resolutions

Capital Projects and Purchase Fund

Capital project or Purchase funds shall have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in liquid securities to allow for flexibility and unanticipated project outlays. Investments of funds with a known liability date must match the date the funds will be needed. Funds in this account will be invested in accordance with any applicable orders of the Texas Commission on Environmental Quality and to meet the construction needs of the District, as determined by the District's engineer. The maximum stated final maturity should not exceed two (2) years and a maximum weighted average maturity shall not exceed one year.

DELEGATION OF INVESTMENT RESPONSIBILITY AND AUTHORITY

Investment Officers

Any of the District's Directors may serve as an Investment Officer for the District. Investment Officers shall be designated by Board Resolution. The Investment Officer(s) have the authority to deposit, withdraw, invest, transfer, and manage the District's funds in accordance with this Policy. No person may engage in a District investment transaction except as provided under the terms of this Policy and supporting procedures.

All Investment Officers shall attend at least one investment training session from an independent source approved by the Board and containing at least six (6) hours of instruction relating to investment responsibilities within twelve (12) months after taking office or assuming duties. Except as provided below, the Investment Officers shall also attend at least four (4) hours of additional investment training relating to investment responsibilities within each two-year period thereafter from an independent source approved by the Board.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment Officers will avoid any transaction that might impair public confidence in the District's ability to govern effectively. Investment Officers shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of public trust.

All Investment Officers shall be familiar with this Policy and its underlying procedures. No Investment Officer may engage in an investment transaction except as provided under the terms of this Policy. The Investment Officer will continuously monitor the contents of the portfolio, the available markets, and the relative value of competing instruments to adjust the portfolio in response to market conditions.

The Investment Officers shall prepare a quarterly written report in accordance with this Policy and in compliance with the Act.

Investment Committee

An Investment Committee shall be established, composed of the District's Investment Officers and another member of the Board. The Investment Committee may choose to invite any advisers to Committee meetings. The Investment Committee must meet quarterly to monitor and review the investments and collateral of the District. The Investment Committee shall include in its deliberation such topics as: economic outlook, portfolio diversification, maturity structure, risk, and performance of the portfolio(s). The Investment Committee will review the quarterly reports prepared by the Investment Officers before presentation to the Board.

Board

The Board retains ultimate fiduciary responsibility for the investment of all funds. The Board will designate Investment Officers, adopt a broker/dealer list annually if using broker/dealers, review quarterly reports from the Officers, provide for Investment Officer training and review and approve the Policy on an annual basis.

Ethics and Conflicts of Interest

Investment Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Investment Officers shall disclose in writing to the Board any material financial interest in financial institutions that conduct business with the District or any personal financial/investment positions that could be related to the performance of the portfolio.

An Investment Officer who has a personal or business relationship with an individual or organization seeking to sell an investment to the District shall file a disclosure statement with the Texas Ethics Commission and the Board in accordance with the Act.

AUTHORIZED INVESTMENTS

Authorized investment under this Policy shall be limited to the instruments listed below and as further defined by the Act. If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the District until this Policy has been amended and the amended version adopted by the Board.

1. Obligations of the United States, its agencies and instrumentalities, excluding mortgage backed securities, with a maximum stated maturity of two (2) years.
2. Fully FDIC insured or collateralized depository certificates of deposit of banks doing business in Texas collateralized in accordance with the Policy, under a written depository agreement, and with a maximum stated maturity of ~~eighteen (18) months~~two (2) years.
3. Fully NCUSIF insured share certificates of credit unions doing business in Texas under a written agreement and with a maximum maturity of one year. Insurance must be provided through the National Credit Union Association Share Insurance Fund.
4. Fully collateralized direct repurchase agreements with a defined termination date, secured in accordance with this Policy and placed with a primary securities dealer. All repurchase agreement transactions shall be governed by an executed Bond Market Master Repurchase Agreement. Maximum stated maturity shall be 90 days except for flex repurchase agreements. Capital project funds may be invested in a single flex repurchase agreement the maximum stated maturity for which shall be matched to the expenditure plan.
5. Texas local government investment pools which strive to maintain a \$1 NAV, as defined by the Act and specifically approved by resolution of the Board.
6. AAA-rated, SEC registered money market mutual funds which strive to maintain \$1 net asset value at all times.
7. FDIC insured or collateralized depository accounts of designated depositories in Texas, collateralized in accordance with this Policy and including interest bearing accounts and money market accounts.

Competitive Bidding Requirement

All securities, including certificates of deposit, will be purchased only after at least three (3) offers are taken to verify that the District is receiving fair market value/price for the investment.

Delivery versus Payment Requirement

All security transactions, including collateral for repurchase agreements shall be conducted on a delivery versus payment (DVP) basis.

Loss of Rating or Authorization

An investment that requires a minimum rating does not qualify as an authorized investment during the period that the investment does not have the required minimum rating. The Investment Officer shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall notify the Board of Directors of the District of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two business days after the loss of the required rating. The Investment Officer(s) must take all prudent measures to liquidate an investment that does not have minimum rating.

The District is not required to liquidate investments that were authorized investment at the time of purchase. The Investment Officer(s) shall inform the Investment Committee and take all prudent measures to ascertain whether the security must, or should, be sold.

COLLATERALIZATION

Time and Demand Bank Deposits Pledged Collateral

Collateralization is required on all bank time and demand deposits over the applicable FDIC insurance coverage. All securities pledged to the District for these deposits shall be held by an independent third party institution outside the holding company of the pledging bank.

In order to anticipate market changes and provide a level of additional security for all funds, the market value of the collateral will be maintained at 102% of total principal and accrued interest. The depository will be responsible for monitoring and maintaining the collateral and margins daily. The custodian will provide monthly reports directly to the District detailing the collateral.

Collateral will be pledged under the terms of a written depository agreement executed under the terms of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). The depository agreement shall be approved by resolution of the bank's board or loan committee. If the custodian is the Federal Reserve, the District will execute a Circular 7 form.

Repurchase Agreements Owned Collateral

Collateral under a repurchase agreement is owned by the District. It shall be held by an independent third party safekeeping agent approved by the District under an executed Bond Market Master Repurchase Agreement. Collateral with a market value totaling 102% of the principal and accrued interest is required and the counter-party is responsible for the monitoring and maintaining of collateral and margins daily.

Authorized Collateral

Acceptable collateral for bank deposits and repurchase agreements shall include only:

- obligations of the U.S. Government, its agencies and instrumentalities, including mortgage backed securities passing the bank test,
- governmental obligations of any state, city, county or authority rated at least AA by two nationally recognized rating agencies, and
- FHLB Letters of Credit.

Preference will be given to pledged securities.

SAFEKEEPING

The Act, this Policy, and prudent treasury management require that all securities be settled on a delivery versus payment basis and be held in safekeeping by an independent third party financial institution approved by the District.

Securities must be safe-kept in the District's depository bank or with an independent custodian approved by the Board to perfect delivery versus payment separation in the transaction.

All safekeeping arrangements shall be approved by the Investment Officer(s) and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts to the District listing each specific security, rate, description, maturity, cusip, and other pertinent information. Each safekeeping receipt shall be clearly marked that the security is held for the District.

AUTHORIZED FINANCIAL INSTITUTIONS AND BROKER/DEALERS

The Investment Officer(s) will maintain a list of financial institutions (banks and credit unions) and broker/dealers authorized to do business with the District. The list will contain no less than three firms and not more than five broker/dealers. These firms are to be selected according to credit-worthiness and service. The list of authorized broker/dealers only is an Exhibit to this Policy and approved by resolution with adoption of this Policy.

All broker/dealers must provide the Investment Officer(s) with:

- Proof of Financial Industry Regulatory Authority (FINRA) registration and CRD number,
- Proof of registration with the Texas State Securities Commission,

A copy of the current policy will be sent to every broker/dealer and bank/credit union and pool. The banking services depository, nor the brokerage subsidiary of the depository, shall be used for brokerage services in order to perfect delivery versus payment (DVP) requirements of the Act.

In accordance with the Act, a copy of the District Investment Policy shall be presented to any local government pool (or a *discretionary* investment adviser) used by the District. The pool must execute a written certification in a form acceptable to the District that (a) they have reviewed the Policy and (2) acknowledged that the firm has implemented reasonable procedures to preclude investment transactions which are not authorized by the Policy.

The certification does not relieve the District responsibility that they are in compliance with this Policy, No funds will be placed in the pool until such certification is delivered to the Investment Officer.

INTERNAL CONTROLS

The Investment Officer(s) shall establish a system of controls to regulate the activities of the investment program and subordinate staff. The controls will be reviewed annually with the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

Cash Flow Forecasting

Cash flow forecasting is a control designed to protect and sustain cash flow requirements of the District. The Investment Officer(s) will maintain a cash flow spreadsheet to monitor and forecast needs for investment purposes.

REPORTING AND PERFORMANCE EVALUATION

The Investment Officer(s) shall submit quarterly reports to the Investment Committee and the Board in accordance with the Act and containing sufficient information to permit an informed outside reader to evaluate the management and performance of the investment program. At a minimum the report shall include:

- A. Description of each investment and depository position by market sector,
- B. Amortized book value and market value at the beginning and end of the reporting period on a detailed and summary basis,
- C. Changes in market value during the period to measure volatility,
- D. The book value and market value of each separately invested asset at the beginning and end of the reporting period,
- E. The stated maturity date of each separately invested asset,
- F. The portfolio or fund for which each investment was acquired,
- G. The total earnings for the period (accrued interest plus net amortization), and
- H. The overall yield for the portfolio(s) in comparison to its benchmark yield for the period.

The quarterly report will be signed by the Investment Officer(s) and contain a statement that the reports have been prepared in compliance with this Policy and the Act. Market prices used for market value calculations shall be obtained from independent sources.

Benchmark

The benchmark for the total portfolio shall be the six-month Treasury Bill for the comparable reporting period reflecting the market sectors authorized for investment and the maximum weighted average maturity of each fund type. A comparison of the portfolio yield to the benchmark yield indicates the relative risk incorporated into the portfolio.

COMPLIANCE AUDIT

The District, in conjunction with its annual financial audit, will perform a compliance audit of management controls on investments and adherence to the District's Investment Policy.

DEPOSITORIES

The District will designate one banking services institution through a competitive process as its central banking services provider at least every five years. This institution will be used for normal banking services including disbursements, deposits, and safekeeping of securities. In selecting a depository, the services, cost of services, credit worthiness, earnings potential, and collateralization shall be considered. An institution outside the jurisdictional limits of the District may be selected as a depository.

Depository agreements executed in accordance with FIRREA will be established before funds are transferred.

Other banking institutions from which the District may purchase certificates of deposit or share certificates will be designated as depositories and must execute a written depository contract in accordance with the provisions of this Policy. No time or demand deposit shall be made except in a qualified public depository as established by state law.

INVESTMENT POLICY ADOPTION

The Investment Committee may suggest Policy changes to the Board at any time. The Board shall review and adopt, by resolution, its Investment Strategies and Policy not less than annually, and more frequently upon request of any Director, and the approving resolution shall include any changes made to the Policy.

EXHIBIT A

**WILLIAMSON-TRAVIS COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 1**

AUTHORIZED BROKER/DEALERS

As of: November 19, 2018

The authorized broker/dealer list for Williamson-Travis Counties Municipal Utility District No. 1 is shown below. Each of these firms, and the individual covering the account, are sent the current Investment Policy. The Policy establishes specific criteria for the brokers and requires that the list of brokers/dealers be approved annually by the Board. When any material changes are made to the Investment Policy the new Policy is sent out for re-certification.

Legg Mason Wood Walker

Raymond James

RBC Dain Rauscher

Stifel Nicolaus

Mutual Securities

Wells Fargo

Bank of America/Merrill Lynch

**WILLIAMSON-TRAVIS COUNTIES
MUNICIPAL UTILITY DISTRICT NO.1**

INVESTMENT POLICY

Adopted: September 16, 2020

PURPOSE

This Investment Policy sets forth a specific investment policy and strategy guidelines for the Williamson-Travis Counties Municipal Utility District No. 1 (the "District") in order to achieve the goals of safety, liquidity, diversification and yield for all investment activity. It is adopted in compliance with the Public Funds Investment Act (Texas Local Government Code, Chapter 2256, the "Act"). The Policy sets forth:

- the general policies governing investment of District funds;
- the specific investment strategies applicable to each particular fund of the District;
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It is the policy of the District to invest all available funds in compliance with applicable legal requirements and the guidelines stated in this Policy. Investments will be made under provisions of state and federal law, this Policy, and restriction in any District bond resolutions.

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The Investment Policy applies to all financial assets of the District and all transactions with those assets.

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DELEGATION OF INVESTMENT RESPONSIBILITY AND AUTHORITY

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Ethics and Conflicts of Interest

Investment Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Investment Officers shall disclose in writing to the Board any material financial interest in financial institutions that conduct business with the District or any personal financial/investment positions that could be related to the performance of the portfolio.

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1. Obligations of the United States, its agencies and instrumentalities, excluding mortgage backed securities, with a maximum stated maturity of two (2) years.
2. Fully FDIC insured or collateralized depository certificates of deposit of banks doing business in Texas collateralized in accordance with the Policy, under a written depository agreement, and with a maximum stated maturity of two (2) years.
3. Fully NCUSIF insured share certificates of credit unions doing business in Texas under a written agreement and with a maximum maturity of one year. Insurance must be provided through the National Credit Union Association Share Insurance Fund.
4. Fully collateralized direct repurchase agreements with a defined termination date, secured in accordance with this Policy and placed with a primary securities dealer. All repurchase agreement transactions shall be governed by an executed Bond Market Master Repurchase Agreement. Maximum stated maturity shall be 90 days except for flex repurchase agreements. Capital project funds may be invested in a single flex repurchase agreement the maximum stated maturity for which shall be matched to the expenditure plan.
5. Texas local government investment pools which strive to maintain a \$1 NAV, as defined by the Act and specifically approved by resolution of the Board.
6. AAA-rated, SEC registered money market mutual funds which strive to maintain \$1 net asset value at all times.
7. FDIC insured or collateralized depository accounts of designated depositories in Texas, collateralized in accordance with this Policy and including interest bearing accounts and money market accounts.

Competitive Bidding Requirement

All securities, including certificates of deposit, will be purchased only after at least three (3) offers are taken to verify that the District is receiving fair market value/price for the investment.

Delivery versus Payment Requirement

All security transactions, including collateral for repurchase agreements shall be conducted on a delivery versus payment (DVP) basis.

Loss of Rating or Authorization

An investment that requires a minimum rating does not qualify as an authorized investment during the period that the investment does not have the required minimum rating. The Investment Officer shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall notify the Board of Directors of the District of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two business days after the loss of the required rating. The Investment Officer(s) must take all prudent measures to liquidate an investment that does not have minimum rating.

The District is not required to liquidate investments that were authorized investment at the time of purchase. The Investment Officer(s) shall inform the Investment Committee and take all prudent measures to ascertain whether the security must, or should, be sold.

COLLATERALIZATION

Time and Demand Bank Deposits Pledged Collateral

Collateralization is required on all bank time and demand deposits over the applicable FDIC insurance coverage. All securities pledged to the District for these deposits shall be held by an independent third party institution outside the holding company of the pledging bank.

In order to anticipate market changes and provide a level of additional security for all funds, the market value of the collateral will be maintained at 102% of total principal and accrued interest. The depository will be responsible for monitoring and maintaining the collateral and margins daily. The custodian will provide monthly reports directly to the District detailing the collateral.

Collateral will be pledged under the terms of a written depository agreement executed under the terms of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). The depository agreement shall be approved by resolution of the bank's board or loan committee. If the custodian is the Federal Reserve, the District will execute a Circular 7 form.

Repurchase Agreements Owned Collateral

Collateral under a repurchase agreement is owned by the District. It shall be held by an independent third party safekeeping agent approved by the District under an executed Bond Market Master Repurchase Agreement. Collateral with a market value totaling 102% of the principal and accrued interest is required and the counter-party is responsible for the monitoring and maintaining of collateral and margins daily.

Authorized Collateral

Acceptable collateral for bank deposits and repurchase agreements shall include only:

- obligations of the U.S. Government, its agencies and instrumentalities, including mortgage backed securities passing the bank test,
- governmental obligations of any state, city, county or authority rated at least AA by two nationally recognized rating agencies, and
- FHLB Letters of Credit.

Preference will be given to pledged securities.

SAFEKEEPING

The Act, this Policy, and prudent treasury management require that all securities be settled on a delivery versus payment basis and be held in safekeeping by an independent third party financial institution approved by the District.

Securities must be safe-kept in the District's depository bank or with an independent custodian approved by the Board to perfect delivery versus payment separation in the transaction.

All safekeeping arrangements shall be approved by the Investment Officer(s) and an agreement of the terms executed in writing. The third party custodian shall be required to issue safekeeping receipts to the District listing each specific security, rate, description, maturity, cusip, and other pertinent information. Each safekeeping receipt shall be clearly marked that the security is held for the District.

AUTHORIZED FINANCIAL INSTITUTIONS AND BROKER/DEALERS

The Investment Officer(s) will maintain a list of financial institutions (banks and credit unions) and broker/dealers authorized to do business with the District. The list will contain no less than three firms and not more than five broker/dealers. These firms are to be selected according to credit-worthiness and service. The list of authorized broker/dealers only is an Exhibit to this Policy and approved by resolution with adoption of this Policy.

All broker/dealers must provide the Investment Officer(s) with:

- Proof of Financial Industry Regulatory Authority (FINRA) registration and CRD number,
- Proof of registration with the Texas State Securities Commission,

A copy of the current policy will be sent to every broker/dealer and bank/credit union and pool. The banking services depository, nor the brokerage subsidiary of the depository, shall be used for brokerage services in order to perfect delivery versus payment (DVP) requirements of the Act.

In accordance with the Act, a copy of the District Investment Policy shall be presented to any local government pool (or a *discretionary* investment adviser) used by the District. The pool must execute a written certification in a form acceptable to the District that (a) they have reviewed the Policy and (2) acknowledged that the firm has implemented reasonable procedures to preclude investment transactions which are not authorized by the Policy.

The certification does not relieve the District responsibility that they are in compliance with this Policy, No funds will be placed in the pool until such certification is delivered to the Investment Officer.

INTERNAL CONTROLS

The Investment Officer(s) shall establish a system of controls to regulate the activities of the investment program and subordinate staff. The controls will be reviewed annually with the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees. Controls deemed most important would include: control of collusion, separation of duties, custody and safekeeping, delegation of authority, securities losses and remedial actions, and documentation on all transactions.

Cash Flow Forecasting

Cash flow forecasting is a control designed to protect and sustain cash flow requirements of the District. The Investment Officer(s) will maintain a cash flow spreadsheet to monitor and forecast needs for investment purposes.

REPORTING AND PERFORMANCE EVALUATION

The Investment Officer(s) shall submit quarterly reports to the Investment Committee and the Board in accordance with the Act and containing sufficient information to permit an informed outside reader to evaluate the management and performance of the investment program. At a minimum the report shall include:

- A. Description of each investment and depository position by market sector,
- B. Amortized book value and market value at the beginning and end of the reporting period on a detailed and summary basis,
- C. Changes in market value during the period to measure volatility,
- D. The book value and market value of each separately invested asset at the beginning and end of the reporting period,
- E. The stated maturity date of each separately invested asset,
- F. The portfolio or fund for which each investment was acquired,
- G. The total earnings for the period (accrued interest plus net amortization), and
- H. The overall yield for the portfolio(s) in comparison to its benchmark yield for the period.

The quarterly report will be signed by the Investment Officer(s) and contain a statement that the reports have been prepared in compliance with this Policy and the Act. Market prices used for market value calculations shall be obtained from independent sources.

Benchmark

The benchmark for the total portfolio shall be the six-month Treasury Bill for the comparable reporting period reflecting the market sectors authorized for investment and the maximum weighted average maturity of each fund type. A comparison of the portfolio yield to the benchmark yield indicates the relative risk incorporated into the portfolio.

COMPLIANCE AUDIT

The District, in conjunction with its annual financial audit, will perform a compliance audit of management controls on investments and adherence to the District's Investment Policy.

DEPOSITORIES

The District will designate one banking services institution through a competitive process as its central banking services provider at least every five years. This institution will be used for normal banking services including disbursements, deposits, and safekeeping of securities. In selecting a depository, the services, cost of services, credit worthiness, earnings potential, and collateralization shall be considered. An institution outside the jurisdictional limits of the District may be selected as a depository.

Depository agreements executed in accordance with FIRREA will be established before funds are transferred.

Other banking institutions from which the District may purchase certificates of deposit or share certificates will be designated as depositories and must execute a written depository contract in accordance with the provisions of this Policy. No time or demand deposit shall be made except in a qualified public depository as established by state law.

INVESTMENT POLICY ADOPTION

The Investment Committee may suggest Policy changes to the Board at any time. The Board shall review and adopt, by resolution, its Investment Strategies and Policy not less than annually, and more frequently upon request of any Director, and the approving resolution shall include any changes made to the Policy.

EXHIBIT A

**WILLIAMSON-TRAVIS COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 1**

AUTHORIZED BROKER/DEALERS

As of: November 19, 2018

The authorized broker/dealer list for Williamson-Travis Counties Municipal Utility District No. 1 is shown below. Each of these firms, and the individual covering the account, are sent the current Investment Policy. The Policy establishes specific criteria for the brokers and requires that the list of brokers/dealers be approved annually by the Board. When any material changes are made to the Investment Policy the new Policy is sent out for re-certification.

Legg Mason Wood Walker

Raymond James

RBC Dain Rauscher

Stifel Nicolaus

Mutual Securities

Wells Fargo

Bank of America/Merrill Lynch