

CERTIFICATE FOR ORDER

THE STATE OF TEXAS

§

COUNTY OF HARRIS

§

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

§

I, the undersigned Secretary of the Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board convened in regular session, open to the public, on the 6th day of November, 2017, at a meeting place within the boundaries of the Authority, and the roll was called of the members of the Board, to-wit:

Alan J. Rendl	President
Kelly P. Fessler	Vice President
Lenox A. Sigler	Secretary
Ron Graham	Assistant Secretary
Jim Pulliam	Treasurer/Investment Officer

All members of the Board were present except none, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting:

**SEVENTH AMENDED AND RESTATED ORDER DESIGNATING
INVESTMENT OFFICER AND ESTABLISHING RULES, POLICIES,
AND CODE OF ETHICS FOR THE INVESTMENT OF AUTHORITY
FUNDS AND REVIEW OF INVESTMENTS**

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Order be adopted; and, after due discussion, such motion, carrying with it the adoption of said Order, prevailed and carried by the following vote:

AYES:

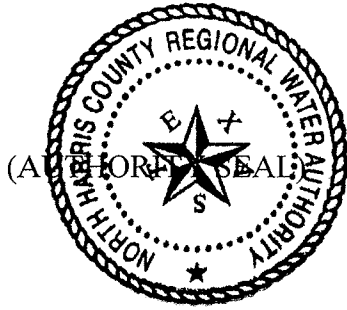
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NOES:

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2. A true, full, and correct copy of the aforesaid Order adopted at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Order has been duly recorded in said Board's minutes of such meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such meeting pertaining to the adoption of such Order; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance of the time, place, and purpose of such meeting and that such Order would be introduced and considered for adoption at such meeting and each of such officers and members consented, in advance, to the holding of such meeting for such purpose; such meeting was open to the public, as required by law, and public notice of the time, place and purpose of such meeting was given as required by Chapter 551, Texas Government Code, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED the 6th day of November, 2017.




Secretary, Board of Directors

**SEVENTH AMENDED AND RESTATED ORDER DESIGNATING INVESTMENT
OFFICER AND ESTABLISHING RULES, POLICIES, AND CODE
OF ETHICS FOR THE INVESTMENT OF AUTHORITY FUNDS AND
REVIEW OF INVESTMENTS**

THE STATE OF TEXAS §

COUNTY OF HARRIS §

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY §

WHEREAS, the North Harris County Regional Water Authority (the "Authority") is a governmental agency and body politic and corporate of the State of Texas created pursuant to Chapter 1029 (H.B. 2965), Acts of the 76th Texas Legislature 1999, amended by Chapter 1296 (H.B. 1110), Acts of the 77th Texas Legislature 2001, amended by Chapter 381 (S.B. 1725) and Chapter 248 (H.B. 1541), Acts of the 78th Texas Legislature 2003, amended by Chapter 1343 (S.B. 331), Acts of the 79th Texas Legislature 2005, amended by H.B. 2418, Acts of the 82nd Texas Legislature 2011, and amended by H.B. 3934, Acts of the 83rd Texas Legislature 2013 (collectively referred to as the "Act"), to accomplish the purposes provided by Section 59, Article XVI, Texas Constitution;

WHEREAS, Section 4.01 of the Act states that the Authority has all the rights, powers, privileges, authority, functions and duties necessary and convenient to accomplish the purposes of the Act, including those provided by Chapter 49, Texas Water Code, as amended;

WHEREAS, Section 49.157, Texas Water Code, as amended, provides that all deposits and investments of the Authority shall be governed by Subchapter A, Chapter 2256, Texas Government Code, as amended;

WHEREAS, Chapter 2256, Texas Government Code, as amended (the "Public Funds Investment Act"), requires the governing body of political subdivisions to adopt a written investment policy concerning the investment of its funds and funds under its control;

WHEREAS, in order to comply with the Public Funds Investment Act, the Board of Directors (the "Board") has previously adopted and implemented an Order Designating Investment Officer and Establishing Rules, Policies, and Code of Ethics for the Investment of Authority Funds and Review of Investments dated June 10, 2000 (the "Investment Policy") and subsequent amendments thereto dated October 9, 2001, August 4, 2008, August 3, 2009, September 12, 2011 and January 9, 2012;

WHEREAS, on June 2, 2014, the Board of the Authority determined that it was necessary to amend the Investment Policy to include a statement regarding the requirement that settlement of all transactions, except investment pools, be made on a delivery versus payment basis; and

WHEREAS, the 85th Texas Legislature enacted House Bill 1701, House Bill 2647 and House Bill 2928, all of which amend the Texas Public Funds Investment Act, and the Board

determined that it was necessary to amend the Investment Policy of the Authority in order to comply with recently enacted changes in the Public Funds Investment Act.

NOW, THEREFORE BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE I DEFINITIONS

Section 1.01 Definitions.

A. The following terms shall have the meaning assigned to them below:

1. "Bond Proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by the Authority and reserves and funds maintained by the Authority for debt service purposes.
2. "Book Value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.
3. "Funds" means public funds in the custody of the Authority that (i) are not required by law to be deposited in the State Treasury and (ii) the Authority has authority to invest.
4. "Investment Pool" means an entity created under the Government Code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are (i) preservation and safety of principal, (ii) liquidity, and (iii) yield.
5. "Market Value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.
6. "Pooled Fund Group" means an internally created fund of the Authority in which one or more institutional accounts of the Authority are invested.
7. "Qualified Representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:
 - a) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;
 - b) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

- c) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or
 - d) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under the Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.
8. "Separately Invested Asset" means an account or fund of the Authority that is not invested in a Pooled Fund Group.

ARTICLE II GENERAL POLICY STATEMENT

Section 2.01 Scope.

A. The Board of the Authority in accordance with the Public Funds Investment Act hereby establishes an Investment Policy relating to the investment of Authority funds. All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

B. General Objectives. Investment of funds shall be governed by the following investment objectives, in order of priority:

1. preservation and safety of principal;
2. liquidity;
3. yield; and
4. understanding of the suitability of the investment to the financial requirements of the Authority.

C. Annual Review. The Board of the Authority shall review annually this Investment Policy and Investment Strategies and shall make any changes thereto as determined by the Board of the Authority to be necessary and prudent for the management of Authority funds. The Board shall adopt a written order or resolution stating that it has reviewed the Investment Policy and Investment Strategies and setting forth the changes made, if any.

Section 2.02 Other Requirements.

A. Investment Diversification. There shall be no defined level of investment diversification as long as all funds of the Authority are invested in accordance with this Investment Policy. All the authorized investments described in Article V hereof are eligible

investments for Authority funds; provided, however, all funds shall be secured by guarantee, insurance or collateral as described in Article V hereof.

B. Yield. Authority funds shall be invested to obtain the maximum yield taking into consideration the preservation and safety of the principal and the liquidity of the investment in the priority set forth in Section 2.01(B) hereof.

C. Investment Maturities. Authority funds shall only be invested in funds described in Article V hereof and investments shall not be invested beyond the period of time allowed by law for public investments for the particular authorized investment.

D. Quality and Capability of Investment Management. Authority funds shall only be invested by persons with training or experience in the investment of public funds who are employed full time in a capacity that involves the investment of public funds and such persons must comply with the requirements set forth in Article IV hereof.

E. Maximum Dollar-Weighted Maturity Allowed. The maximum dollar-weighted maturity for any investment is not to exceed the maximum limits established by law for public investments.

Section 2.03 Electronic Wire Transfer. Subject to written authorization from the Board of the Authority, the Authority may use electronic means to transfer or invest all funds collected or controlled by the Authority. Electronic transfers shall only be made between Authority accounts and in the name of the Authority, unless otherwise authorized in writing by the Board of the Authority.

ARTICLE III INVESTMENT STRATEGY

Section 3.01 Written Investment Strategy. The Board of the Authority hereby adopts the Investment Strategy for each fund of the Authority described in Exhibits "A-1" through "A-6", attached hereto, as such funds are created and utilized by the Authority. The Investment Strategy describes the investment objectives for each fund and takes into consideration the following priorities in order of importance:

- A. understanding of the suitability of the investment to the financial requirements of the Authority;
- B. preservation and safety of capital;
- C. liquidity;
- D. marketability of the investment if the need arises to liquidate the investment before maturity;
- E. diversification of the investment portfolio; and
- F. yield.

Section 3.02 Annual Review of Investment Strategy. The Board of the Authority shall review annually the Investment Strategy for each fund of the Authority and shall make any changes thereto as determined by the Board to be necessary and prudent for the management of the Authority's funds. The Board shall adopt a written order or resolution stating that it has reviewed the Investment Policy and Investment Strategies and setting forth the changes made, if any.

ARTICLE IV INVESTMENT OFFICER

Section 4.01 Appointment of Investment Officer And Authorized Representatives For Investment of Funds, Responsibilities And Duties. Any officer of the Board may be appointed investment officer of the Authority (the "Investment Officer"). The Board hereby also appoints the person serving as the Authority's Financial Assistant to be the Authority's authorized representative for the investment and reinvestment of the Authority's funds in accordance with Section 49.1571, Texas Water Code. The Investment Officer and the Financial Assistant shall be responsible for the investment of Authority funds. All investments of Authority funds shall be in accordance with the Investment Policy of the Authority. Any investment of Authority funds shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs; however, the Board retains ultimate responsibility as fiduciaries of the assets of the Authority.

If the Board has contracted with another investing entity to invest its funds, as authorized by the Public Funds Investment Act, the Investment Officer of the other investing entity is considered to be the Investment Officer of the Authority for such purposes. The authority hereby granted to the Investment Officer and the Financial Assistant to invest the Authority's funds is effective until rescinded by the Board, until the expiration of the officer's term or the termination of the person's employment with the Authority, or if an investment management firm, until the expiration of the contract with the Authority.

Section 4.02 Investment Training. The Investment Officer and the Financial Assistant shall attend at least one (1) 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 12 months after taking office or assuming duties. Except as provided below, the Investment Officer and the Financial Assistant shall also attend at least four (4) hours of additional investment training relating to investment responsibilities within each two (2) year period thereafter from an independent source approved by the Board.

Training must include education on investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Public Funds Investment Act.

During January of each year, the independent source providing the investment training in which the Investment Officer and the Financial Assistant participated is to report their participation during the previous calendar year to the Texas State Comptroller.

Section 4.03 Internal Management Reports. The Investment Officer with the assistance of the Authority's Financial Assistant shall prepare and submit not less than quarterly to the Board of the Authority written reports of investment transactions for all funds of the Authority for the

preceding reporting period. The reports shall be signed by the Investment Officer and the Financial Assistant.

The reports shall (i) give a complete description of each investment, including the type of investment and the institution at which the investment is made, (ii) describe in detail the investment position of the Authority on the date of the report and (iii) include the following:

- A. a summary statement prepared in compliance with generally accepted accounting principles for each Pooled Fund Group that contains (i) the beginning market value for the reporting period; (ii) additions and changes to the market value during the period; (iii) ending market value for the period; and (iv) fully accrued interest for the reporting period;
- B. the book value and market value of each Separately Invested Asset at the end of the reporting period by the type of asset and type of fund invested;
- C. the maturity date of each Separately Invested Asset that has a maturity date;
- D. the account or fund or Pooled Fund Group for which each individual investment was acquired; and
- E. statement to the effect that the investments for the reporting period are in compliance with the investment strategy expressed in the Authority's Investment Policy.

Section 4.04 Disclosure of Personal Business Interest. If the Investment Officer or the Financial Assistant has a personal business relationship with an entity seeking to sell an investment to the Authority, then the Investment Officer or the Financial Assistant shall file a statement disclosing the personal business interest ("Disclosure Statement") with the Board of the Authority. If the Investment Officer or the Financial Assistant is related within the second degree by affinity or consanguinity, as determined by Chapter 573 of the Government Code, to an individual seeking to sell an investment to the Authority, then the Investment Officer or the Financial Assistant shall file a Disclosure Statement with the Board of the Authority. For purposes of the Authority's investments, the Investment Officer or the Financial Assistant has a personal business relationship with a business organization if:

- A. the Investment Officer or the Financial Assistant owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- B. funds received by the Investment Officer or the Financial Assistant from the business organization exceeds 10 percent of the Investment Officer's or Financial Assistant's gross income for the previous year; or
- C. the Investment Officer or the Financial Assistant has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the Investment Officer or the Financial Assistant.

The Investment Officer or the Financial Assistant filing any Disclosure Statement with the Board of the Authority pursuant to this Section 4.04 shall also file a copy of the Disclosure Statement with the Texas Ethics Commission.

Section 4.05 Standard of Care of Investment Officer and Financial Assistant. In determining whether the Investment Officer or the Financial Assistant has exercised prudence with respect to an investment decision, the Board of the Authority shall take into consideration (i) the investment of all funds, or funds under the Authority's control, over which the Investment Officer and the Financial Assistant have responsibility rather than consideration as to the prudence of a single investment and (ii) whether the investment decision was consistent with the Investment Policy of the Authority.

ARTICLE V AUTHORIZED INVESTMENTS

Section 5.01 Obligations of, or Guaranteed by, Governmental Entities.

A. The following are authorized investments of governmental entities:

1. obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks;
2. direct obligations of the State of Texas or its agencies and instrumentalities;
3. collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
5. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. bonds issued, assumed, or guaranteed by the State of Israel
7. interest-bearing banking deposits that are guaranteed or insured by:
 - a) the Federal Deposit Insurance Corporation or its successor; or
 - b) the National Credit Union Share Insurance Fund or its successor;and
8. interest-bearing banking deposits other than those described in Section 5.01(A)(7) hereof if:
 - a) the funds invested in the banking deposits are invested through:

- i. a broker with a main office or branch office in this stated that the Authority selects from a list the Board or designated investment committee of the Authority adopts as required by Section 2256.025 of the Public Funds Investment Act; or
 - ii. a depository institution with a main office or branch office in this stated that the Authority selects;
- b) the broker or depository institution selected as described in Section 5.01.(A) hereof arranges for the deposit of the funds in the banking deposits in one (1) or more federally insured depository institutions, regardless of where located, for the Authority's account;
- c) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and
- d) the Authority appoints as its custodian of the banking deposits issued for the entity's account:
 - i. the depository institution selected as described in Section 5.01.(A) hereof;
 - ii. an entity described by Texas Government Code, Section 2257.041(d); or
 - iii. a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

B. The following are prohibited investments under this Section 5.01:

- 1. obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- 2. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- 3. collateralized mortgage obligations that have a final stated maturity date of greater than 10 years; and
- 4. collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Section 5.02 Certificates of Deposit. A certificate of deposit is an authorized investment if the certificate of deposit is issued by a state or national bank domiciled in the State of Texas, a savings bank domiciled in the State of Texas, or a state or federal credit union domiciled in the State of Texas, and is:

A. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

B. secured by obligations described in Section 5.01(A) hereof, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described in Section 5.01(B); or

C. secured in accordance with Texas Government Code, Chapter 2257 (the "Texas Public Funds Collateral Act") or in any other manner and amount provided by law for deposits of the Authority.

D. In addition to the authority to invest funds in certificates of deposit under Subsections A-C of this Section, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this policy if:

1. the funds are invested by an investing entity through:
 - a) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025 of the Public Investment Act; or
 - b) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
2. the broker or depository institution selected by the investing entity under Subsection D(1)(a) of this Section arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;
3. the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and
4. the investing entity appoints the depository institution selected by the investing entity under Section 5.07 or an entity described by Section 2257.041(2) of the Act, or a clearing broker-dealer registered with the Securities and Exchange Commission in accordance with Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

Section 5.03 Repurchase Agreements.

A. A fully collateralized repurchase agreement is an authorized investment if the repurchase agreement:

1. has a defined termination date;
2. is secured by a combination of cash and obligations described by Section 5.01(A)(1) hereof;
3. requires the securities being purchased by the Authority or cash held by the Authority to be pledged to the Authority, held in the Authority's name, and deposited at the time the investment is made with the Authority or with a third party selected and approved by the Authority; and
4. is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

B. "Repurchase Agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described in Section 5.01(A)(1) hereof at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

C. The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

D. Money received by the Authority under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

Section 5.04 Bankers' Acceptances. A banker's acceptance is an authorized investment if the bankers' acceptance:

- A. has a stated maturity of 270 days or fewer from the date of issuance;
- B. will be, in accordance with its terms, liquidated in full at maturity;
- C. is eligible for collateral borrowing from a Federal Reserve Bank; and

D. is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Section 5.05 Commercial Paper. Commercial paper is an authorized investment if the commercial paper:

- A. has a stated maturity of 270 days or fewer from the date of issuance; and
- B. is rated not less than A-1 or P-1 or an equivalent rating by at least (i) two (2) nationally recognized credit rating agencies or (ii) one (1) nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Section 5.06 Mutual Funds.

A. A no-load money market mutual fund is an authorized investment if the mutual fund:

1. is registered with and regulated by the Securities and Exchange Commission;
2. provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
3. has a dollar-weighted average stated maturity of 90 days or fewer; and
4. includes in its investment objectives the maintenance of a stable net asset value of \$1.00 for each share.

B. In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (A), a no-load mutual fund is an authorized investment if the mutual fund:

1. is registered with the Securities and Exchange Commission;
2. has an average weighted maturity of less than two (2) years;
3. is invested exclusively in obligations approved by Article VI;
4. is continuously rated as to investment quality by at least one nationally recognized investment rating firm with a rating of not less than AAA or its equivalent; and
5. conforms to the requirements set forth in Section 2256.016(b) and (c) of the Public Funds Investment Act relating to the eligibility of investment pools to receive and invest funds of investing securities.

C. The Authority is not authorized by this Section 5.06 to:

1. invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Section 5.06(B) hereof;
2. invest any portion of bond proceeds, reserves, and funds held for debt service, in mutual funds described in Section 5.06(B) hereof; or
3. invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service in any one mutual fund described in Section 5.06(A) or (B) hereof in an amount that exceeds ten percent (10%) of the total assets of the mutual fund.

Section 5.07 Investment Pools.

A. The Authority may invest its funds and funds under its control through an eligible Investment Pool if the Board of the Authority by separate resolution authorizes investment in the particular pool. An eligible Investment Pool must comply with the requirements established in Section 2256.016 through 2256.019 of the Public Funds Investment Act must invest the funds it receives in authorized investments permitted by the Public Funds Investment Act.

B. The Investment Officer or the Authority's Financial Assistant must obtain from the Investment Pool an offering circular or other similar disclosure statement that contains, at a minimum, the following information:

1. the types of investments in which money is allowed to be invested;
2. the maximum average dollar-weighted maturity allowed, based on the stated maturity date of the pool;
3. the maximum stated maturity date any investment security within the portfolio has;
4. the objectives of the pool;
5. the size of the pool;
6. the names of the members of the advisory board of the pool and the dates their terms expire;
7. the custodian bank that will safekeep the pool's assets;
8. whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
9. whether the only source of payment is the assets of the pool at market value or whether there is any secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
10. the name and address of the independent auditor of the pool;
11. the requirements to be satisfied for the Authority to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required by the Authority to invest funds in and withdraw funds from the pool; and
12. the performance history of the pool, including yield, average dollar-weighted maturities and expense ratios.

C. To maintain eligibility to receive funds from and invest funds on behalf of the Authority, the Investment Pool must furnish to the Investment Officer or the Financial Assistant:

1. investment transaction confirmations;
2. a monthly report that contains, at a minimum, the following information:
 - a) the types and percentage breakdown of securities in which the pool is invested;
 - b) the current average dollar-weighted maturity based on the stated maturity date of the pool;
 - c) the current percentage of the pool's portfolio in investments that have stated maturities of more than one (1) year;
 - d) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
 - e) the size of the pool;
 - f) the number of participants in the pool;
 - g) the custodian bank that is safekeeping the assets of the pool;
 - h) a listing of daily transaction activity of the Authority;
 - i) the yield and expense ratio of the pool;
 - j) the portfolio managers of the pool; and
 - k) any changes or addenda to the offering circular.

D. The Authority by contract may delegate to an Investment Pool the authority to hold legal title as custodian of investments purchased with its funds.

E. Under this Section 5.07, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

F. To be eligible to receive funds from and invest funds on behalf of the Authority, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

G. To be eligible to receive funds from and invest funds on behalf of the Authority, a public funds investment pool must have an advisory board composed:

1. equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or
2. of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

H. To maintain eligibility to receive funds from and invest funds on behalf of the Authority, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one (1) nationally recognized rating service.

Section 5.08 Collateral Held to Secure Deposits of Public Funds. The following are authorized investments for collateral held to secure deposits of Authority funds pursuant to a Depository Pledge Agreement between the Authority and one of its depository banks:

- A. the investments described above in Section 5.01-5.07 of this Investment Policy;
- B. a surety bond;
- C. collateralized mortgage obligations as follows:
 1. fixed-rate collateralized mortgage obligations that have an expected weighted average life of ten (10) years or less and do not constitute a high risk mortgage security as that term is defined by the Texas Public Funds Collateral Act, Chapter 2257, Texas Government Code; or
 2. floating-rate collateralized mortgage obligations that do not constitute a high-risk mortgage security as that term is defined by the Texas Public Funds Collateral Act, Chapter 2257, Texas Government Code; and
- D. a letter of credit issued by the Federal Home Loan Bank; and
- E. such other eligible security as may be authorized from time to time by the Texas Public Funds Investment Act and the Texas Public Funds Collateral Act.

Section 5.09 Investments Requiring Additional Approval. Prior to investing Authority funds in the authorized investments described in Sections 5.01A.1-6 and 5.03 through 5.07, the Investment Officer or the Financial Assistant shall obtain the approval from the Board.

Section 5.10 Investment Management Firms. The Board may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control; provided, that a contract may not be for a term longer than two (2) years, and any renewal or extension thereof must be made by the Board by order or resolution. In the event that the Board contracts with an Investment Management Firm, the selected firm will be responsible for the monitoring and selection of all brokers and counterparties for any funds under their discretion.

Section 5.11 Effect of Loss of Required Rating. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. The Authority shall take all prudent measures that are consistent with this Investment Policy to liquidate an investment that does not have the minimum rating at the earliest appropriate opportunity.

Section 5.12 Settlement of Transactions. Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

ARTICLE VI MISCELLANEOUS

Section 6.01 Written Policy to Be Presented to Investment Company and Financial Assistant.

A. The Financial Assistant shall be presented a copy of this Investment Policy and shall execute a written instrument substantially in the form attached hereto as **Exhibit "B"** to the effect that the Financial Assistant has:

1. received and thoroughly reviewed a copy of this Investment Policy; and
2. implemented procedures and controls to comply with the Investment Policy.

B. A written copy of the Investment Policy shall be presented to any business organization offering to engage in an investment transaction with the Authority. For purposes of this section, "business organization" means an investment pool or investment management firm under contract with the Authority to invest or manage the Authority's investment portfolio that has accepted authority granted by the Authority under the contract to exercise investment discretion in regard to the Authority's funds. The qualified representative of the business organization offering to engage in an investment transaction with the Authority shall execute a written instrument in a form acceptable to the Authority and the business organization attached hereto as **Exhibit "C"** substantially to the effect that the business organization has:

1. received and reviewed the Investment Policy of the Authority; and

2. acknowledged that the business organization has implemented procedures and controls in an effort to preclude investment transactions conducted between the Authority and the organization that are not authorized by the Authority's Investment Policy, except to the extent that this authorization:
 - a) is dependent on an analysis of the makeup of the Authority's entire portfolio;
 - b) requires an interpretation of subjective investment standards; or
 - c) relates to investment transactions of the Authority that are not made through accounts or other contractual arrangements over which the business organization has accepted investment authority.

C. The Financial Assistant may not acquire or otherwise obtain any authorized investment described in the Authority's Investment Policy from a business organization who has not delivered to the Authority the written instrument described in Section 6.01(B) hereof.

D. The Financial Assistant shall maintain a copy of each of the executed written statements described in Sections 6.01(A) and (B) hereof for the auditor.

E. At anytime that the Authority amends this Investment Policy, the Financial Assistant shall present the amended Investment Policy to all business organizations at which funds of the Authority are invested and shall obtain a new written instrument as described in Section 6.01(B) hereof.

Section 6.02 Annual Financial Audit. The Authority, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the Authority's established investment policies.

Section 6.03 Selection of Authorized Brokers. The Authority shall annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Authority.

Section 6.04 Repeal of Prior Orders Relating to Investment of Authority Funds. Any and all prior orders or resolutions relating to the investment of Authority funds are hereby repealed and this Order shall supersede any such prior orders or resolutions as of the effective date hereof.

Section 6.05 Effective Date. This Order shall be effective as of November 6, 2017. The President or Vice President or the Secretary or Assistant Secretary is authorized to do all things necessary and proper to evidence the Board's adoption of this Order and to carry out the intent hereof.

PASSED AND ADOPTED THIS 6th day of November, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors



EXHIBIT "A-1"

**INVESTMENT STRATEGY:
OPERATING FUND**

A. Investment Objective: To purchase investments that will preserve the safety of capital, maximize liquidity, and maximize yield (in that order of priority), taking into account the Authority's monthly operating expenses, the timing of such expenses and the maintenance of any operating reserve that may be designated by the Authority's Board of Directors.

B. Investment Strategy: To invest in any of the authorized investments listed in Article V of the Authority's Investment Policy, provided that:

1. For funds needed for the Authority's monthly operating expenses, the investment will mature no later than the date the funds will be needed to pay such operating expenses.
2. For any designated operating reserve, the investment will mature no later than 180 days after the date of purchase, provided that the Authority's Board of Directors may authorize an investment with a longer maturity.

EXHIBIT "A-2"

**INVESTMENT STRATEGY:
INTEREST AND SINKING FUND (DEBT SERVICE FUND)**

A. Investment Objective: To purchase investments that will preserve the safety of capital, maximize liquidity, and maximize yield (in that order of priority), taking into account the timing of the Authority's debt service payments.

B. Investment Strategy: To invest in any of the authorized investments listed in Article V of the Authority's Investment Policy, provided that:

1. For funds needed for the Authority's next debt service payment, the investment shall mature no later than the date the debt service payment is due.
2. For funds not needed for the Authority's next debt service payment, the maximum stated maturity date of the investment shall be no greater than two (2) years after the date of purchase, provided that the Authority's Board of Directors may authorize an investment with a longer maturity.

EXHIBIT "A-3"

**INVESTMENT STRATEGY:
CONSTRUCTION FUND**

A. Investment Objective: To purchase investments that will preserve the safety of capital, maximize liquidity, and maximize yield (in that order of priority), taking into account the timing of planned or potential capital projects that may require the expenditure of the funds in the account.

B. Investment Strategy: To invest in any of the authorized investments listed in Article V of the Authority's Investment Policy, provided that:

1. For funds needed for specific planned capital projects with a known commencement date, the Financial Assistant, with input from the Authority's Engineers, shall determine the investment period which shall be no later than the date the funds will be needed to fund the pay estimates for the project as they become due.
2. For funds not designated for specific planned capital projects, the investment will mature no later than two (2) years after the date of purchase, provided that the Authority's Board of Directors may authorize an investment with a longer maturity.

EXHIBIT "A-4"

INVESTMENT STRATEGY: COVERAGE FUND

A. Investment Objective: To purchase investments that will preserve the safety of capital, maximize liquidity, and maximize yield (in that order of priority), taking into account the timing of the Authority's debt service payments.

B. Investment Strategy: To invest in any of the authorized investments listed in Article V of the Authority's Investment Policy, provided that:

1. For funds needed for the Authority to satisfy the Rate Covenant and the Additional Bonds Test reflected in the Master Resolution for the Outstanding Senior Lien Obligations, the investment shall mature no later than the date the funds will be needed for any future debt service payment.
2. The maximum stated maturity date of the investment shall be no greater than three (3) years after the date of purchase, provided that the Authority's Board of Directors may authorize an investment with a longer maturity.
3. Coverage Funds will be transferred to the Operating Fund (via book entry) on or about the first business day of January of each year; on or about the first business day of February of each year such amounts will be transferred back to the Coverage Fund. The transfers are made to satisfy Bond Counsel recommendations, so that such amounts in the Coverage Fund will not be subject to arbitrage rebate.

EXHIBIT "A-5"

**INVESTMENT STRATEGY:
DEBT SERVICE RESERVE FUND**

A. Investment Objective: To purchase investments that will preserve the safety of capital, maximize liquidity, and maximize yield (in that order of priority), taking into account the timing of the Authority's Debt Reserve Fund Requirements.

B. Investment Strategy: To invest in any of the authorized investments listed in Article V of the Authority's Investment Policy, provided that:

1. For funds needed for the Authority to satisfy the Reserve Fund Requirements reflected in the Master Resolution for the Outstanding Senior Lien Obligations, the investment will mature no later than the date the funds will be needed for any future debt service payment to the extent that amounts on deposit in the Interest and Sinking Fund and the Coverage Fund are insufficient to provide for any debt service payment.
2. The maximum stated maturity date of the investment shall be no greater than three (3) years after the date of purchase, provided that the Authority's Board of Directors may authorize an investment with a longer maturity.
3. Interest earned on the Debt Service Reserve Fund may be transferred to the Interest and Sinking Fund as needed to pay debt service payments.

EXHIBIT "A-6"

**INVESTMENT STRATEGY:
IMPROVEMENT FUND**

A. Investment Objective: To purchase investments that will preserve the safety of capital, maximize liquidity, and maximize yield (in that order of priority), taking into account the timing of the Authority's debt service payments.

B. Investment Strategy: To invest in any of the authorized investments listed in Article V of the Authority's Investment Policy, provided that:

1. For funds needed for the Authority to satisfy the Rate Covenant and the Additional Bonds Test reflected in the Master Resolution for the Outstanding Senior Lien Obligations, the investment shall mature no later than the date the funds will be needed for any future debt service payment.
2. The maximum stated maturity date of the investment shall be no greater than three (3) years after the date of purchase, provided that the Authority's Board of Directors may authorize an investment with a longer maturity.


**FINANCIAL ASSISTANT'S CERTIFICATION OF RECEIPT
AND REVIEW OF INVESTMENT POLICY**

THE STATE OF TEXAS

COUNTY OF HARRIS

I, Cyndi Plunkett, do hereby certify that I have been presented a copy of the Seventh Amended and Restated Order Designating Investment Officer and Establishing Rules, Policies, and Code of Ethics for the Investment of Authority Funds and Review of Investments (the "Investment Policy") adopted by the North Harris County Regional Water Authority and effective as of November 6, 2017. I have thoroughly reviewed the Investment Policy and acknowledge that the undersigned has implemented procedures and controls to comply with the Investment Policy.

WITNESS MY HAND THIS 5th day of November, 2017.



Cyndi Plunkett
Financial Assistant

EXHIBIT "C"

**BANK OR INVESTMENT ADVISOR CERTIFICATION OF RECEIPT
AND REVIEW OF INVESTMENT POLICY**

THE STATE OF TEXAS

COUNTY OF HARRIS

I, the undersigned, Chris DeBow of Public Trust Advisor, do hereby certify that I have been presented a copy of the Seventh Amended and Restated Order Designating Investment Officer and Establishing Rules, Policies, and Code of Ethics for the Investment of Funds and Review of Investments (the "Investment Policy") adopted by North Harris County Regional Water Authority (the "Authority") and effective on November 6, 2017. I have thoroughly reviewed the Investment Policy and acknowledge that the Authority's Financial Assistant has implemented procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between the Authority and _____.

WITNESS MY HAND THIS 16 day of November, 2017.

By: Chris DeBow
Name: Chris DeBow
Title: Managing Director