

AMENDED ORDER AUTHORIZING AND DIRECTING INVESTMENT AND REINVESTMENT
OF DISTRICT FUNDS AND MAKING PROVISIONS
RELATED THERETO

WHEREAS, there is a continuing need to invest and reinvest the District's funds in order to properly manage the fiscal affairs of the District and to comply with the provisions contained in the Orders authorizing the issuance of bonds; and

WHEREAS, the Public Funds Investment Act as amended (the "Act") and Chapters 49 and 54, Texas Water Code, authorizes the District to invest and reinvest its available funds in authorized investments, and the Act requires the District to adopt a written investment policy regarding the investment of its funds, designating investment officers to carry out said investment policies, and make various provisions related thereto; therefore,

BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE
LAKEWAY MUNICIPAL UTILITY DISTRICT

SECTION 1. The District's investment policy shall require that all available funds in excess of normal cash balances in its bank accounts for the District's General Fund, the Bond Construction Fund(s), and the Debt Service Fund(s), the financial assets, to be continually invested in one or more of the hereinafter authorized investments under terms and conditions, and for maturities, consistent with the District's financial objectives, strategies, and requirements.

SECTION 2. The investment objectives of the District, in order of priority, are (i) safety of principal to preserve capital, (ii) liquidity for timely payment of debts with due regard for unforeseeable circumstances, and (iii) a yield representative of market conditions, consistent with the judgment and care that a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs, not for speculation but for investment.

SECTION 3. Investment of the District's financial assets shall utilize the following investment strategies:

(a) Investments of the General Fund shall be highly liquid securities to assure anticipated cash requirements are met.

(b) Investments for the Bond Construction Fund(s) shall primarily be to assure that anticipated payment dates for contractual obligations are matched with adequate investment liquidity and, to the extent available, a portion of said Fund shall be in liquid securities to meet any unanticipated outlays; and

(c) Investments of the Debt Service Fund(s) shall be made with the primary purpose of acquiring high quality investment(s) which will provide the required funds on bond debt service payment dates, using a laddered structure if securities are purchased, with a secondary objective to retain a portion of said Fund in liquid securities to meet unexpected demands.

SECTION 4. The financial assets of the District may be invested in any of the following securities:

(a) Direct obligations of the United States or its agencies and instrumentalities which have maturities not to exceed one (1) year that are backed by the full faith and credit of the United States Government (Treasury Bills); and

(b) Other obligations, the principal and interest of which, are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies and instrumentalities having maturities not to exceed one (1) year;

(c) Certificates of deposit maturing in one year or less issued by a state or national bank or credit union which is a member of the FDIC or NCUSIF and domiciled in this State, provided that any amount in excess of FDIC/NCUSIF limits shall be secured by a pledge of any investment authorized by the Act having a market value of not less than the principal amount of the certificate;

(d) A no-load money market mutual fund meeting the requirements of Section 2256.014 of the Act but whose investments are restricted to 100% US Treasury Obligations; and

(e) The Texas Treasury Safekeeping Trust Company's public investment pool, which meets the requirements of Sec. 2256.016 through Sec. 2256.018 of the Act with a maximum average dollar-weighted maturity not to exceed 90 days and a rating of no less than AAA or AAAM (TexPool).

SECTION 5. (a) The Treasurer and the Assistant Secretary/Treasurer of the District are designated as the Investment Officers of the District and are responsible for the investment of District funds. The Investment Officers, or the persons employed by the District as General Manager, Finance/Administration Manager or Office Supervisor, are authorized and directed to deposit, transfer, and manage available District funds consistent with the provisions hereof. The authority granted hereby is valid and effective until rescinded by the District in writing.

(b) The Investment Officers shall comply with the training requirements contained in Sec. 49.1571 of the Water Code wherein the investment officer of a district shall:

i. not later than the first anniversary of the date the officer takes office or assumes the officer's duties, attend a training session of at least six hours of instruction relating to investment responsibilities under Chapter 2256, Government Code; and

ii. attend at least four hours of additional investment training within each two-year period after the first year.

Training shall include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with Chapter 2256, Government Code of the Act.

(c) An Investment Report, which is a compilation of all District funds, the "Funds Summary" together with the Texpool Fund details provided by the Texas Treasury Safekeeping Trust Company identifying all investments, their maturity, yield and price and listing all investment transactions shall be prepared monthly and approved by the Investment Officers. As prescribed by Sec 2256.023 of the Act, the Investment Officers shall submit quarterly reports comprised of the prior three-month's Investment Reports to the Board of Directors of the District. The Board of Directors shall review its investment policy and strategies annually, in November, to determine whether any changes are

necessary in policy or strategy. The Board shall adopt a resolution stating that it has reviewed the investment policy and strategies and recording any changes made. In conjunction with the District's annual audit, the auditor shall review the Investment Officer's quarterly reports and the District's compliance with its investment policies.

(d) An Investment Officer (i) who has a personal business interest with an entity seeking to sell an investment to the District or (ii) who is related by blood or marriage within the second degree to a person seeking to sell an investment to the District, shall file a statement disclosing the same as provided in Sec. 2256.005(i) of the Act.

(e) Investment Officers and the General Manager may authorize the purchase or sale of an authorized investment orally, in writing, electronically, or by a combination thereof, and shall obtain a safekeeping receipt of investments and place the same in the District's records. An Investment Officer shall obtain a written list of securities pledged to the District and is authorized to release or permit the substitution thereof.

(f) All investments, which are not TexPool or 100% US Treasury obligations, and all investments with maturities exceeding 180 days shall require the concurrence of two (2) Investment Officers.

(g) Bids may be obtained for any proposed investments in excess of \$100,000 which are not placed in 100% US Treasury Obligations or TexPool or which have maturities exceeding 180 days.

SECTION 6. A written copy of this Order shall be presented to any person seeking to sell an authorized investment to the District, and the registered principal of the entity such person represents shall execute a written instrument complying with the provisions of Sec. 2256.005(k) of the Act. The Investment Officers may not purchase securities from a person or entity that has not delivered said instrument.

SECTION 7. The District shall issue, and update as necessary, an Incumbency Certificate specifying the persons who are its Investment Officers and General Manager. Any entity dealing with the District in its investments may continuously rely on this Order and the persons named in the Incumbency Certificate unless and until they receive written notification of any amendment to this Order or change in the persons authorized to act for the District. No entity shall be liable for any action taken pursuant to the provisions of this Order or the instructions of the persons named in the latest Incumbency Certificate provided by the District until written notification of a change therein is received.

SECTION 8. All deposits and investments of District funds other than direct obligations of the United States or its agencies and instrumentalities, in excess of FDIC or FSLIC insurance, shall be secured by pledged collateral. All depositories will be notified of any single deposit or series of deposits in excess of \$100,000, to ensure that all deposits are fully collateralized at all times. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 100% of cash value over \$100,000 and 102% on TexPool Repurchase Agreements. The Treasurer or a third party financial institution shall maintain evidence of the pledged collateral. Repurchase agreements shall be documented by a specific agreement noting the collateral pledge in each agreement. Collateral shall be reviewed monthly to assure that the market value of the pledged securities is adequate.

Collateral pledged to secure deposits of the District shall be held by a safekeeping institution in accordance with a Safekeeping Agreement which clearly defines the procedural steps for gaining access to the collateral should the District determine that the District's funds are in jeopardy. The safekeeping institution, or Trustee, shall be the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. The safekeeping agreement shall include the signatures of authorized representatives of the District, the firm pledging the collateral, and the Trustee.

The District shall accept only the following securities as collateral:


- (a) FDIC and FSLIC insurance coverage.
- (b) A bond, certificate of indebtedness, or Treasury Note of the US, or other evidence of indebtedness of the US that is guaranteed as to principal and interest by the US.
- (c) Obligations, the principal and interest on which, are unconditionally guaranteed or insured by the State of Texas.
- (d) A bond of the State of Texas or of a county, city or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency with a remaining maturity of ten (10) years or less.

All collateral shall be subject to verification and audit by the Treasurer or the District's independent auditors.

Treasury Bills, Notes, Bonds, Repurchase Agreements and Government Agencies' securities shall be purchased using the delivery vs. payment method. That is, funds shall not be wired or paid until verification has been made that the Trustee received the correct security. The security shall be held in the name of the District or held on behalf of the District. The Trustee's records shall assure the notation of the District's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the District.

PASSED AND APPROVED this the 14th day of December, 2011.


Secretary, Board of Directors


President, Board of Directors

[SEAL]