

RESOLUTION REVIEWING INVESTMENT POLICY
AND MAKING ANY DESIRABLE CHANGES THERETO

WHEREAS, the Board of Directors of HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136 (the "Government Entity") has adopted an investment policy; and

WHEREAS, the Board of Directors (the "Board") now wishes to review the investment policy and make any desirable changes thereto;

NOW, THEREFORE, BE IT RESOLVED by the Board that:

1. The Board has reviewed its investment policy and investment strategies.
2. The Board adopts the following revised investment policy and investment strategies: **None.**
3. The Board has reviewed its methods of purchasing investments and hereby adopts the brokers on the attached list as those brokers that are authorized to engage in investment transactions with the Government Entity.

DATED THIS _____ day of _____, 2020.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT
NO. 136

By: _____
Name: _____
Title: _____

ATTEST:

By: _____
Name: _____
Title: _____

EXHIBIT "A"
LIST OF AUTHORIZED BROKER/DEALERS

Allegiance Bank	JPMorgan Chase Bank N.A./J.P. Morgan Securities/JPMorgan Chase & Co.
Amegy Bank, a division of Zions Bancorporation N.A.	LOGIC (Local Gov't. Investment Cooperative)
BancorpSouth	Lone Star Bank
Bank of America N.A./B of A Securities	Lone Star Investment Pool/First Public LLC
Bank of Texas/a division of BOKF N.A.	Moody National Bank
BBVA USA	Pioneer Bank
BOK Financial Securities, Inc./BOSC, Inc.	Prosperity Bank
Business Bank of Texas N.A.	Raymond James Financial, Inc.
Capital One N.A.	RBC Capital Markets/RBC Investments
Central Bank	Regions Bank
Chasewood Bank	Robert W. Baird & Company, Inc.
Citibank N.A./Citigroup	Spirit of Texas Bank SSB
Comerica Bank	State Street Bank & Trust Co.
Community Bank of Texas, N.A.	Texas Capital Bank N.A.
East West Bank	Texas C.L.A.S.S.
Federated Investors Inc.	Texas First Bank
First National Bank Texas/First Convenience Bank	TexPool/TexPool Prime
First Texas Bank	Tex-STAR Investment Pool
Frontier Bank of Texas	The Bank of New York Mellon Trust Company N.A.
Frost Bank	The Independent Bankers Bank N.A. (TIB)
Guaranty Bank & Trust	Third Coast Bank SSB
Hancock Whitney Bank	Trustmark National Bank
Heritage Bank N.A.	Veritex Community Bank
Hilltop Securities, Inc.	Wallis Bank
Iberia Bank	Wells Fargo Bank N.A.
International Bank of Commerce (IBC Bank)/Commerce Bank	Wells Fargo Securities, LLC
	Woodforest National Bank

ATTACHMENT C

INVESTMENT POLICY

SECTION 1. *Purpose.* The purpose of this Investment Policy is to adopt rules and regulations which clearly set forth the District's investment strategy for each of the accounts under its control, emphasize safety of principal and liquidity, address investment diversification, investment limitations, and the quality and capability of investment management, to specify the scope of authority of those officers or employees of the District designated to invest District Funds (defined herein as those funds in the custody of the District that the District has the legal authority to invest), to designate one or more officers or employees of the District to be responsible for the investment of such District Funds, and to provide for periodic review of the investment of District Funds.

SECTION 2. *Investment Rules.* The Board of Directors of the District adopts the rules attached to this Policy as Exhibits 1 through 6 to govern the investment of District Funds and to specify the scope of authority of those officers and employees of the District designated to invest District Funds, which rules shall supersede any investment rules previously adopted by the District. The Board of Directors directs that its Investment Officer, the Bookkeeper for the District, and the Tax Assessor/Collector for the District maintain all investments of the District in a manner consistent with those rules and regulations, and with the Public Funds Investment Act, Chapter 2256, Government Code.

SECTION 3. *Review of District Investments.* The Bookkeeper for the District will report to the Board of Directors of the District at each of their regular meetings concerning the status of District investments.

SECTION 4. *Review of Policy.* The Board shall review this Investment Policy and its investment strategies at least on an annual basis. In conjunction with its annual financial audit, the Board shall cause to be performed a compliance audit of management controls on investments and adherence to the District's established investment policies.

EXHIBIT 1.

General.

The following rules shall apply to those funds in the custody of the District that the District has the legal authority to invest (“District Funds”).

A. General Principles.

The investment policy of the District is to invest District Funds only in instruments which maintain the principal and liquidity of District Funds, to the extent necessary for District activities. Yield earned on District Funds is a secondary consideration compared to safety of principal and liquidity; however, if safety of principal and liquidity needs are met, the District will invest in instruments which give it the highest yield.

B. Diversification.

The District will continuously attempt to diversify its portfolio to reduce risk. The District recognizes that by investing District Funds in investment pools, it can diversify its portfolio because each participant in the pool has a pro rata share of a number of instruments, such as repurchase agreements with various providers.

C. Maturity.

The District will not invest in an obligation which matures more than two years from the date of purchase.

D. Quality and Capability of Investment Management.

The District will employ a Bookkeeper who is experienced in investing public funds and will consult with the Bookkeeper on investment opportunities. The District will consult with its financial adviser before investing in any investments which are new to it. The Board also recognizes that it may take advantage of professional investment advice by investing in investment pools.

E. Depositories.

All uninvested District Funds shall be deposited in the District’s depository bank or banks unless otherwise required by orders or resolutions authorizing the issuance of the District’s bonds. To the extent such District Funds in the depository bank or banks are not insured by the Federal Deposit Insurance Corporation, they shall be secured in the manner provided by law for the security of District funds and each depository shall report the market value of such collateral on its reports to the District. The District shall enter into a depository pledge agreement meeting the standards of the Financial Institutions Reform and Recovery Act with each of its depositories in which it invests more than the Federal Deposit Insurance Corporation insured amount.

F. Disbursements.

Any transfer of District Funds for the benefit of a third person shall, after approval by the Board, be made by a draft executed by at least three directors or by wire transfer pursuant to the District's Wire Transfer Agreement with its depository bank.

G. Amendment.

In the event State law changes and the District cannot invest in the investments described in this policy, this policy shall automatically be conformed to existing law.

EXHIBIT 2.

Authorized Investments.

District Funds may be invested in any category of investments authorized under the Public Funds Investment Act, which has been approved by the Board. The following categories are approved:

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

2. 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 if the obligation is not:

a. an obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

b. an obligation whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

c. a collateralized mortgage obligation that has a stated final maturity date of greater than 10 years; and

d. a collateralized mortgage obligation the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state 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;

4. Certificates of deposit issued by a depository institution that has its main office or a branch office in this state which are (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or (2) secured by (a) obligations described in subcaption 1, 2, or 3 above, or (b) 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, or (c) secured in accordance with the Public Funds Collateral Act or any other manner and amount provided by law for deposits of the District; provided such obligations are marked to market at least monthly, have a market value at least equal to the deposit and are pledged to the District only and held by a third-party custodian;

5. An investment pool that meets the requirements of the Public Funds Investment Act, including the maintenance of an AAA, AAA-m or an equivalent rating by at least one nationally recognized rating service;

6. Other investments authorized by law and approved by the Board by resolution or minute entry.

7. Interest-bearing banking deposits that are guaranteed or insured by (1) the Federal Deposit Insurance Corporation or its successor; or (2) the National Credit Union Share Insurance Funds or its successors; and

8. Interest-bearing banking deposits other than those described by subcaption 7 above if;

a. the funds invested in the banking deposits are invested through: (a) a broker with a main office or branch office in the state that the Board selects from the list required by the Public Funds Investment Act; or (b) a depository institution with a main office or branch office in this state that the Board selects;

b. the broker or depository institution selected as described above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District'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 Board appoints as the District's custodian of the banking deposits issued for the District's account: (a) the depository institution selected as described in subcaption a above; (b) an entity qualified to serve as a custodian under the Public Funds Collateral Act; or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under SEC Rule 15c3-3 (the Customer Protection Rule).

All transactions, except investments in investment pools and mutual funds (to the extent authorized), shall be settled on a delivery versus payment basis.

EXHIBIT 3.

Investment Strategies.

The District's investment strategy for each of its accounts follows:

1. Operating Account. The Operating Account is used for all operations and maintenance needs of the District. The highest priority for this account is safety of principal and liquidity; when these objectives are met, yield is considered. An amount equal to two months of normal operational costs must be kept extremely liquid for normal uses (available for use within 30 days); the amount in excess of two months of normal operational costs should be kept in investments that may be liquidated easily if the need arises. The District's general guidelines for diversification and maturity apply to this account.

2. Debt Service Account. The Debt Service Account is used to pay the District's debt service. The highest priority for this account is safety of principal. Since the District knows the amount of its debt service and when it becomes due, investments for this account should be structured so that they match debt service needs. When safety of principal and liquidity to match debt service are assured, yield is considered. Since District Funds in this account may not be needed for a year or more, longer term instruments should be considered, within the general guideline for maturity set forth in this investment policy, to increase yield. Since the amount of District Funds in this account will probably be quite large, diversification of investments may be necessary and the District's general policy on diversification should be used.

3. Capital Projects Account. The Capital Projects Account is used to pay for capital projects of the District. The highest priority for this account is safety of principal. The District believes that it will know ahead of time when disbursements need to be made from this account. Therefore, investments in this account should be structured so they mature or can be liquidated on the dates disbursements must be made. When safety of principal and liquidity to match disbursement dates are assured, yield is considered. Since District Funds in this account may not be needed for a year or more, longer term instruments should be considered, within the general guideline for maturity set forth in the investment policy, to increase yield. Alternatively, bond proceeds which will reimburse the developer may only be in the account for a day or two; in this case, an investment pool should be utilized. Investment diversification for the large amount of District Funds that may be deposited to this account for a day or two can be achieved through use of an investment pool. In cases where the District has a large amount of District Funds in this account for longer periods, the District's general policy on diversification should be used.

EXHIBIT 4.

Authority and Duties of Persons Investing District Funds.

The following rules shall apply to those persons designated by the District to invest District Funds.

1. No person may deposit, withdraw, invest, transfer, or otherwise manage District Funds without express written authority of the Board of Directors of the District (the “*Board*”).

2. The bookkeeper for the District, under the supervision of the Board, shall invest and reinvest District Funds only in those investments authorized under this investment policy or by the Board.

3. The bookkeeper for the District, under the supervision of the Board, shall prepare a written report concerning the District’s investment transactions for each quarter which describes in detail the investment position of the District as of the date of the report. The report shall contain a summary statement, of each fund that states the beginning market value for the reporting period, ending market value for the period, and fully accrued interest for the reporting period. The report shall also state (a) the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested, (b) the maturity date of each separately invested asset that has a maturity date, (c) the account for which each individual investment was acquired, and (d) whether the investment portfolio complies with the investment strategy expressed in these investment policies and the Public Funds Investment Act. The report shall be presented to the Board at least quarterly within a reasonable time after the end of the period.

4. In the event District Funds are invested in certificates of deposit, the bookkeeper shall solicit bids from at least two bidders. Bids may be obtained orally, in writing, electronically, or in any combination of those methods.

5. The bookkeeper for the District shall secure an executed copy of the form attached as Exhibit 5 from any person selling an authorized investment to the District before the District purchases such authorized investment. For purposes of this paragraph, a business organization is defined as an investment pool or investment management firm under contract with the District to invest or manage the District’s investment portfolio that has accepted authority granted by the Board under the contract to exercise investment discretion in regard to the District’s funds.

EXHIBIT 5.

Acknowledgement of Receipt of Investment Policy

(Effective as of September 14, 2017)

1. I am a qualified representative of _____
(the "Pool").
2. I am a qualified representative of _____ (the "Advisor") and
perform investment services for the District.
3. I acknowledge that the Pool/Advisor has received and reviewed the Government's
investment policy.
4. I acknowledge that the Pool/Advisor has implemented reasonable procedures and
controls in an effort to preclude investment transactions conducted between the
Government and the Pool/Advisor that are not authorized by the Government's
investment policy, except to the extent that this authorization is dependent on an analysis
of the makeup of the Government's entire portfolio or requires an interpretation of
subjective investment standards, or relates to investment transactions of the Government
that are not made through accounts or other contractual arrangements over which the
business organization has accepted discretionary investment authority.

Dated this _____ day of _____, _____.

Title: _____

Business: _____

EXHIBIT 6.

Monitoring Market Price and Ratings of Investments

The bookkeeper will monitor the market price of the District's investments at least quarterly and such information shall be included on each investment report. The following methods of monitoring investments shall be utilized:

1. Certificates of deposit may be valued at their face value plus any accrued but unpaid interest.
2. Shares in money market funds and investment pools may be valued at the current share price.
3. Other investment securities may be valued in any of the following ways, at the discretion of the bookkeeper:
 - a. the lower of two bids for such investment securities from securities dealers;
 - b. the average of the bid and asked prices for such investment securities as published in The Wall Street Journal or The New York Times;
 - c. the bid price published by a nationally recognized pricing service; or
 - d. such other method as may be approved by the Board.

The bookkeeper shall monitor credit ratings of the District's investments and will take all prudent measures consistent with this Investment Policy to liquidate any of the District's investments that fail to meet the minimum required rating for such investment as set forth in the Public Funds Investment Act or Exhibit 2 hereof.