

AMENDED INVESTMENT POLICY

This Amended Investment Policy (the "Policy") is adopted by the Board of Directors of Westwood Shores Municipal Utility District (the "District") pursuant to Chapter 2256 of the Texas Government Code and Chapter 49 of the Texas Water Code, July 8, 2022.

ARTICLE I - PURPOSE

Section 1.01. Purpose.

This Policy with respect to District investments has been adopted to establish the principles and criteria by which the funds of the District should be invested and secured and to comply with various provisions of Texas law relating to the investment and security of funds of municipal utility districts (the "Investment Laws"). As of the date of the adoption of this Policy, the following laws are applicable to the investment of the District's funds: Chapter 49, Texas Water Code; Chapter 2256, Texas Government Code; Chapter 791, Texas Government Code; Chapter 2257, Texas Government Code; and Chapter 404.101 et seq., Texas Government Code. The Investment Laws provide the minimum criteria for the authorized investment and security of the District's funds and require the District to adopt rules to ensure the investment of District funds in accordance with such laws. This Policy will specify the scope of authority of District Officials who are responsible for the investment of District funds.

ARTICLE II - DEFINITIONS

Section 2.01. Definitions.

Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

- A. The term "Authorized Collateral" means any means or method of securing the deposit of District funds authorized by Chapter 2257, Texas Government Code.
- B. The term "Authorized Investment" means any security which the District is authorized to invest under Chapter 2256, Texas Government Code.
- C. The term "Board" means the Board of Directors of the District.
- D. The term "Collateral" means any means or method of securing the deposit of District funds under Article IV hereof.
- E. The term "Collateral Act" means Chapter 2257, Texas Government Code, as amended from time to time.

- F. The term "Director" means a person elected or appointed to serve on the Board of Directors of the District.
- G. The term "District Officials" means the Investment Officer, District Directors, officers, employees, and persons and business entities engaged in handling the investment of District funds.
- H. The term "Employee" means any person employed by the District but does not include independent contractors or professionals hired by the District as outside consultants, such as the District bookkeeper or the District's financial advisor.
- I. The term "Investment Act" means Chapter 2256, Texas Government Code, as amended from time to time.
- J. The term "Investment **Officer**" means the Director(s) or Employee(s) of the District appointed from time to time by the Board or independent contractor(s) or a person with whom the District has contracted to invest and reinvest the funds of the District held in its various accounts.

ARTICLE III INVESTMENT OFFICER

Section 3.01. Investment Officer, Ms. Kandy Pfeffer.

From time to time, the District shall appoint one or more of its Directors or Employees or contract with a person to serve as Investment Officer to handle the investments of District funds.

s. Kandy-Pfeffer, Ellite Bookkeeping, LLC, the Investment Officer, shall be responsible for investing District funds in accordance with this Policy. The Investment Officer shall invest the District's funds, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived, with all investment decisions to be governed by the following objectives in order of priority: (a) preservation and safety of principal; (b) liquidity; and (c) yield.

Section 3.02. Training.

Ms. Pfeffer, Investment Officer and District Bookkeeper, shall attend at least one training session relating to the Investment Officer's responsibilities under the Investment Act within 12 months of taking office or assuming duties as Investment Officer and attend and receive not less than six hours of instruction in the first year of holding the position, and four hours per every two-year period thereafter, relating to investment responsibilities under the Investment Act from an independent source approved by the Board of Directors.

Section 3.03. Reporting by the Investment Officer and District Officials.

Not less than quarterly and within a reasonable time after the end of the period reported,

the Investment Officer and District Officials shall prepare and submit to the Board a written report of the investment transactions for all funds of the District for the preceding reporting period. The report must (1) describe in detail the investment position of the District on the date of the report, (2) be prepared jointly by all the Investment Officers of the District, if the District appoints more than one, (3) be signed by all Investment Officers and District Officials who prepare the report, (4) state the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested, (5) state the maturity date of each separately invested asset that has a maturity date, (6) state the District fund for which each individual investment was acquired, and (7) state the compliance of the investment portfolio as it relates to this Policy and the Investment Act.

Section 3.04. Assistance with Certain Duties of the Investment Officer

Assistance with certain duties include, but are not limited to the following:

- A. Presenting a copy of the Policy to any person or business organization seeking to sell an investment to the District and obtaining the necessary written certification from such seller referred to in this section;
- B. Handling investment transactions;
- C. Preparing and submitting to the Board the written report of all investment transactions for the District as required by this section;
- D. Researching investment options and opportunities;
- E. Obtaining written depository pledge agreements as required herein;
- F. Obtaining safe-keeping receipts from the Texas financial institution which serves as a depository for pledged Collateral; and
- G. Reviewing the market value of the District's investments and of the Collateral pledged to secure the District's funds.

ARTICLE IV
PROCEDURES FOR INVESTMENT OF DISTRICT MONIES

Section 4.01. Qualified Broker/Dealers

A list of the qualified broker/dealers with whom the District may engage in investment transactions is attached hereto as Exhibit "A."

Section 4.02. Disclosures of Relationships with Entities Offering to Enter into Investment Transactions with the District.

The Investment Officer and the District Officials shall disclose in writing (a) any "personal business relationship" with a business organization offering to engage in an investment transaction with the District and (b) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, to any individual seeking to sell an investment to the District, as required by the Investment Act. The existence of a "personal business relationship" shall be determined in accordance with the Investment Act. Such disclosure statement shall be filed with the Board and the Texas Ethics Commission.

Section 4.03. Certifications from Sellers of Investments.

The Investment Officer of the District Officials shall present this Policy to any person or business organization offering to engage in an investment transaction with the District and obtain the certificate that such potential seller has reviewed the Policy as provided in the Investment Act. This certificate shall be in a form acceptable to the District and shall state that the potential seller has received and reviewed the Policy and has acknowledged that the potential seller has implemented reasonable procedures and controls in an effort to preclude investment transactions with the District that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards. Neither the Investment Officer nor the District Officials shall purchase or make any investment from a potential seller that has not delivered to the District this required certification. A form of certificate acceptable to the District is attached hereto as Exhibit "B."

Section 4.04. Solicitation of Bids for Certificates of Deposit.

Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.

Section 4.05. Settlement Basis.

All purchases of investments, except investment in investment pools or in no-load mutual funds and utility mutual funds, shall be made on a delivery versus payment basis. The safekeeping entity for all District investments and for all Collateral pledged to secure District funds shall be one approved by Ms. Kandy Pfeffer, the Investment Officer.

Section 4.06. Monitoring of the Market Value of Investments and Collateral.

The Investment Office with the help of such District Officials as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of District funds at least quarterly and at a time as close as practicable to the closing of the reporting period for investments. Such values shall be included on the investment report. The following methods shall be used:

- A. Certificates of deposit shall be valued at their face value plus any accrued but unpaid interest.
- B. Shares in money market mutual funds and investment pools shall be valued at par plus any accrued but unpaid interest.
- C. Other investment securities with a remaining maturity of one year or less may be valued in any of the following ways:
 - (1) the lower of two bids obtained from securities broker/dealers for such security;
 - (2) the average of the bid and asked prices for such investment security as published in The Wall Street Journal or The New York Times;
 - (3) the bid price published by any nationally recognized security pricing service; or
 - (4) the market value quoted by the seller of the security or the owner of such Collateral.
- D. Other investment securities with a remaining maturity greater than one year shall be valued at the lower of two bids obtained from securities broker/dealers for such security, unless two bids are not available, in which case the securities may be valued in any manner provided in 4.06(c) hereof.

ARTICLE V
PROVISIONS APPLICABLE TO ALL FUNDS

Section 5.01. Provisions Applicable to All Fund Groups.

- A. All funds of the District shall be invested only in accordance with this Policy and shall comply with any additional requirements imposed by Bond Resolutions of the District and applicable state law or federal tax law, including the Investment Laws.
- B. The Board, by separate resolution, may provide that the District's bookkeeper may withdraw or transfer funds from and to accounts of the District only in compliance with this Policy.
- C. No fund groups shall be pooled for the purposes of investment, e.g., the funds in the Operating Account and in the Capital Projects (Construction) Account shall not be commingled or pooled for purposes of investment.

Section 5.02. Policy of Securing Deposits of District Funds -- Applicable to All Deposited District Funds.

A. The District recognizes that FDIC (or its successor) insurance is available for District funds deposited at any one Texas Financial Institution (including branch banks) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law to pay bondholders or noteholders. It is the policy of the District that all deposited funds in each of the District's accounts shall be insured by the FDIC, or its successor, and to the extent not insured, shall be secured by Collateral pledged to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act.

B. If it is necessary for the District's depositories to pledge Collateral to secure the District's deposits, (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide to the Investment Officer or District Officials with written proof of the depository's approval of the pledge agreement as required herein in a form acceptable to the District. A signed or certified copy of the minutes of the meeting of the depository's board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the Investment Officer will be accepted. It is the preference of the Board that all requirements of this section be met prior to the deposit of any District funds in such financial institution when a pledge of Collateral is required; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the Investment Officer and District Officials to proceed diligently to have such agreement approved and documented to assure protection of the District's funds. If the decision is made to forego the protection of a Collateral pledge agreement with any depository, the District bookkeeper shall be responsible for maintaining the balance of deposit(s) in such depository plus any accrued but unpaid interest at or below FDIC insurance levels.

C. Collateral pledged by a depository shall be held in safekeeping at an independent third-party institution, and the District bookkeeper shall obtain safe-keeping receipts from the Texas financial institution or the safekeeping institution that reflect that Collateral as allowed by this Investment Policy and in the amount required was pledged to the District. Principal and accrued interest on deposits in a financial institution shall not exceed the FDIC's, or its successor's, insurance limits or the market value of the Collateral pledged as security for the District's deposits. It shall be acceptable for Andy Pfeffer, District Bookkeeper to periodically receive interest on deposits to be deposited to the credit of the District if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of this Board that there be no sharing, splitting or contingency of Collateral with other secured parties or entities; however, if a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the Investment Officer and District Officials to obtain

appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated, and the funds distributed appropriately to all parties with a security interest in such Collateral. The District Bookkeeper shall monitor the pledged Collateral to assure that it is pledged only to the District, review the fair market value of the Collateral to ensure that the District's funds are fully secured, and report periodically to the Investment Officer and the Board regarding the Collateral.

D. The District's funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured in any manner authorized by law for the District as such law is currently written or as amended in the future. As of the date of this Agreement, the following securities are authorized to serve as Collateral under the Collateral Act:

- (1) An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
- (2) A general or special obligation that is (a) payable from taxes, revenues, or a combination of taxes and revenues and (b) issued by a state or political or governmental entity, agency, instrumentality or subdivision of the state, including a municipality, an institution of higher education as defined by Section 61.003, Education Code, a junior college, a district created under Article XVI, Section 59, of the Texas Constitution, and a public hospital;
- (3) A security in which a public entity may invest under the Investment Act. As of the date of this Agreement, the following are the securities in which a public entity may invest under the Investment Act and, therefore, may be used as Collateral:
 - (a) Obligations of the United States, including letters of credit, of the United States or its agencies and instrumentalities;
 - (b) Direct obligations of the State of Texas or its agencies and instrumentalities;
 - (c) 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 the State of Texas or their respective agencies and instrumentalities;
 - (d) 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;
 - (e) Certificates of deposit issued by a depository institution that has its main or a branch office in the State and that are guaranteed by the Federal Deposit Insurance Corporation or the National Credit Union Share

Insurance Fund or its successor that are secured by the obligations in which the Association may invest under the Investment;

- (f) No-load money market mutual funds that comply with the Investment Act; and
- (g) No-load mutual funds that comply with the Investment Act.

Notwithstanding anything to the contrary provided above, the following may not be used as Collateral and are not authorized as investments for the District under the Investment Act:

- (a) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- (b) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- (c) Collateralized mortgage obligations that have a final stated maturity date of greater than 10 years other than those listed in Section 5.02.D.4 and 5.02.D.5 above; or
- (d) Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Section 5.03 Diversification.

The Investment Officer may invest up to 100% of the funds of the District in any investment instrument authorized in this Policy.

**ARTICLE VI
AUTHORIZED INVESTMENTS**

Section 6.01. Authorized Investments.

Unless specifically prohibited by law or elsewhere by this Policy, District monies in any of its fund groups may be invested and reinvested only in the following types of investments:

- A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- B. Certificates of deposit issued by a depository institution that has its main or a branch office in the State and that are guaranteed by the Federal Deposit

Insurance Corporation or the National Credit Union Share Insurance Fund or its successor that are secured by the obligations in which the Association may invest under the Investment;

- C. TexPool, an investment pool, if it complies with the Investment Act.
- D. TexStar, an investment pool, if it complies with the Investment Act.

Section 6.02. Prohibited Investments.

Notwithstanding anything to the contrary stated herein, no funds of the District may be invested in the following or in any other type of investment prohibited by the Investment Act or other applicable law:

- A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO's);
- B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO's);
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- D. Collateralized mortgage obligations the interest rate of which are determined by an index that adjusts opposite to the changes in the market index (inverse floaters).

ARTICLE VII INVESTMENT STRATEGIES

Section 7.01. Strategy Applicable to All Funds.

The District's general investment strategy for all fund groups shall be to invest such monies from such fund groups to accomplish the following objectives, which are listed in the order of importance:

- A. Understanding of the suitability of the investment to the financial requirements of the District;
- B. Preservation and safety of principal;
- 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 7.02. Investment Strategy for the Operating Fund.

Funds in the Operating or General Fund shall be invested to meet the operating and cash flow requirements of the District as determined by the annual operating budget adopted by the Board. Operating Funds shall not be invested for longer than three (3) months.

Section 7.03. Investment Strategy for the Construction or Capital Projects Fund.

Funds in this account shall 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 with the aid of the District Engineer, Mr. Ricardo Rodriguez, EE, Civil Grade Engineers and the District Bookkeeper and Investment Officer, Ms. Kandy Pfeffer, Ellite Bookkeeping, LLC). Construction Funds shall not be invested for longer than three (3) months.

Section 7.04. Investment Strategy for the Debt Service Funds.

Debt Service Funds shall be invested to mature to meet required semi-annual debt service payment dates for each issue of bonds and in compliance with any requirements under applicable bond resolutions. It shall be the policy of the District that Debt Service Funds shall not be invested for longer than six (6) months.

Section 7.05. Investment Strategy for the Tax Fund.

The nature of the Tax Fund is an interim account for the clearance of checks received in payment of taxes with a reserve sufficient to cover amounts which may be subject to refund for tax payments made under protest and to pay the expenses of assessment and collection of taxes (the "Reserve"). The District's tax assessor/collector is, therefore, directed to transfer, as soon as practicable, all funds received into the Tax Fund to the District's Debt Service Account(s) for investment in accordance with this Policy and to retain in the Tax Fund only the Reserve. The Reserve retained in the Tax Fund may be invested only in the following:

- A. Certificates of deposit that comply with the Investment Act; or
- B. TexPool, an investment pool, provided that such investment pool complies with the Investment Act; or
- C. TexStar, an investment pool, provided that such investment pool complies with the Investment Act.

Tax Funds in the Reserve shall not be invested longer than three (3) months.

ARTICLE VIII MISCELLANEOUS

Section 8.01. Annual Review.

The District shall review this Investment Policy at least annually and adopt a resolution confirming the continuance of the Investment Policy without amendment or adopt an Amended Investment Policy.

Section 8.02. Superseding Clause.


This Policy supersedes any prior policies adopted by the Board of Directors regarding investment or securitization of District Funds.

Section 8.03. Open Meeting.

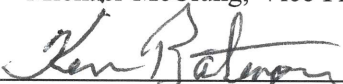
The Board officially finds, determines and declares that this Investment Policy was reviewed, carefully considered, and adopted at a regular meeting of the Board, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at a place readily accessible and convenient to the public within the District and on a bulletin board located at a place convenient to the public in Trinity County for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon. The Board further ratifies, approves, and confirms such written notice and the contents and posting thereof.

Adopted on the 18th day of July 2022.


James Atkinson, President


Michael McClung, Vice President


Robert Bluis, Secretary


Kenneth Bateman, Director


John Wolf, Director

EXHIBIT A

LIST OF AUTHORIZED BROKERS

Revised 7/14/22

AMEGYBANK	LONE STAR INVESTMENT POOL
ALLEGIANCE BANK	MAIN STREET BANK
ALLIED HOUSTON BANK	MBIA TEXAS CLASS
BANK OF AMERICA	MERCHANTS BANK
BANK OF HOUSTON	MERRILL LYNCH, INC.
BANK OF TEXAS	METRO BANK
CAPITAL BANK CAPITAL	MIDSOUTH BANK NA
ONE	MEMORIAL CITY BANK
COMMUNITY STATE BANK AUSTIN	MORGAN KEEGAN, INC.
CENTRAL BANK	NEW FIRST NATIONAL BANK OF ROSENBERG
CHASEWOOD BANK	NORTH HOUSTON BANK
COMMERCIAL STATE BANK	OASIS BANK
COASTAL SECURITIES	OMNI BANC
COMERICA BANK	PATRIOT BANK
COUNTRYWIDE BANK	PROSPERITY BANK
COMPASS BANK	RBC DAIN RAUSCHER INC
CROSBY STATE BANK	REGIONS BANK SECURITY
DEAN WITTER, INC.	STATE BANK
EDWARD JONES	SOUTHWEST BANK OF TEXAS
ENCORE BANK	SUNFLOWER. BANK OF TRINITY
ENTERPRISE BANK	SOUTHWEST SECURITIES
FIRST BANK OF MISSOURI CITY	STATE BANK OF TEXAS
FIRST BANK OF TEXAS	STERLING BANK
FIRST CHOICE BANK	TEXAS CAPITAL BANK TEXAS
FIRST NATIONAL BANK BASTROP	CITIZENS BANK TEXAS
FIRST NATIONAL BANK HUNTSVILLE	COMMUNITY BANK TEXAS
FIRST NATIONAL BANK OF TRINITY	INDEPENDENT BANK TEXAS
FIRST STATE BANK OF ONALASKA	SAVINGS BANK TEXAS STATE
FIRST SERV INVESTOR SERVICES	BANK TEXPOOL
FOUNDERSBANK	TEXSTAR INVESTMENT POOL
FROST BANK	TRADITION BANK
GREEN BANK	TRI STAR FINANCIAL TRUSTMARK
GUARANTY FEDERAL BANK	NATIONAL BANK WACHOVIA
HERRING NATIONAL BANK	BANK
HOUSTON COMMUNITY BANK	WALLIS STATE BANK
HOUSTON SAVINGS	WASHINGTON MUTUAL
INDEPENDENCE BANK	WELLS FARGO
INTERNATIONAL BANK OF COMMERCE	WESTBOUND BANK
LIBERTAD BANK	WHITNEY BANK
JP MORGAN CHASE	WOODFOREST NATIONAL BANK VISTA
LEGG MASON WOOD WALKER, INC.	BANK TEXAS
LOGIC INVESTMENT	

Exhibit "B"

CERTIFICATE OF COMPLIANCE FROM SELLERS OF INVESTMENTS AS REQUIRED
BY THE PUBLIC FUNDS INVESTMENT ACT

To: Westwood Shores Municipal Utility District (the "District")

From: _____

[Name of the person offering or the "qualified representative of the business organization" offering to engage in an investment transaction with the District] [Office such person holds]

of _____ (the "Business Organization")
[Name of financial institution, business organization or investment pool]

Date: _____, 2022

In accordance with the provisions of Chapter 2256 of the Texas Government Code, I hereby certify that:

1. I am an individual offering to enter into an investment transaction with the District or a "qualified representative" of the Business Organization offering to enter an investment transaction with the District, as applicable, as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code, and that I meet all requirements under such act to sign this Certificate.
2. I or the Business Organization, as applicable, anticipate selling to the District investments that comply with the District's Amended Investment Policy and the Investment Act (collectively referred to herein as the "Investments") dated **July 18, 2022**, (the "Investment Policy").
3. I or a registered investment professional that services the District's account, as applicable, have received and reviewed the Investment Policy, which the District has represented is the complete Investment Policy of the District now in full force and effect. The District has further acknowledged that I or the Business Organization, as applicable, may rely upon the Investment Policy until the District provides me or the Business Organization, as applicable, with any amendments to or any newly adopted form of the Investment Policy.
4. I or the Business Organization, as applicable, have/has implemented reasonable procedures and controls in an effort to preclude investment transactions between the District and me

or the Business Organization, as applicable, that are not authorized by the Investment Policy, except to the extent that this authorization is dependent upon an analysis of the District's entire portfolio or requires an interpretation of subjective investment standards.

5. I or the Business Organization, as applicable, have/has reviewed or will review prior to sale, the terms, conditions, and characteristics of the investments to be sold to the District and determined (i) that each of the Investments is an authorized investment for local governments under the Investment Act and (ii) each of the Investments is an authorized investment under the Amended Investment Policy. The Business Organization makes no representation as to whether any limits on the amount of District monies to be invested in the Investments exceeds or in any way violates the Amended Investment Policy.
6. The Business Organization makes no representations or guarantees regarding the prudence, reasonableness, or adequacy of the Amended Investment Policy.
7. The Business Organization has attached hereto, for return to the District, or will provide a prospectus or disclosure document for each of the Investments other than certificates of deposit and direct obligations of the United States.

James Atkinson, President
Westwood Shores MUD

Investments other than certificates of deposit are not FDIC insured, are not deposits or other obligations of me, the Business Organization or any of its affiliates, and are subject to investment risks, including loss of the principal amount invested.