

MINUTES OF MEETING  
OF THE  
BOARD OF DIRECTORS

THE STATE OF TEXAS §  
COUNTY OF ROCKWALL §  
ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7 §

The Board of Directors (the "Board") of Rockwall County Municipal Utility District No. 7 (the "District") met in regular session by audio conference, open to the public, on Tuesday, November 17, 2020, at 5:30 pm.

Mr. Ross Martin, General and Bond Counsel for the District, announced that the Meeting would be conducted by audio conference to mitigate the spread of COVID-19. Mr. Martin confirmed that Meeting participants will observe guidance provided by the Texas Attorney General's office to suspend certain requirements of the Texas Open Meetings Act. Mr. Martin next stated that (i) Notice of the Meeting was given in accordance with Chapter 551, Government Code, and Chapter 49, Texas Water Code, as amended by the Governor's order and Attorney General's guidance; (ii) the Meeting was being conducted in a transparent and accessible manner; (iii) Meeting packets were distributed to all participants, and made available to the public; and (iv) the Meeting would be recorded, and available for electronic distribution upon request.

The roll was called of the members of the Board to-wit:

Larry Christensen	President
Sandy Sinks	Vice President
Michael W. Skinner	Secretary
Terry Jones	Treasurer/Assistant Secretary
Martha Ann Cook	Assistant Secretary

All Directors were present at the commencement of the meeting with the exception of Director Sinks. Also participating were: Mr. Ryan Nesmith of Robert W. Baird & Co.; Mr. Daniel Rawls, P.E. of LJA Engineering, Inc. ("LJA"); Ms. Brandi Galindo of Dye & Toverly, LLC ("D&T"); and Mr. Ross Martin, attorney, and Ms. Genny Lutzel, paralegal, each of Winstead PC.

The meeting was called to order at 5:32 p.m.

1. Public Communications and Comments. Mr. Martin opened the meeting for public communication and comment. After noting that there were no members of the public present, Director Cook moved that the Board close the public communication and comment session of the meeting. Director Christensen seconded said motion, which carried unanimously.

2. Minutes of August 25, 2020 Board of Directors Meeting. Following a discussion, Director Cook moved that the Board approve the Minutes of the November 17, 2020 meeting, as presented. Director Skinner seconded said motion, which carried unanimously.

3. Audit for Fiscal Year Ended August 31, 2020. The Board recognized Mr. Rambo, who presented to and reviewed with the Board copies of a draft Annual Financial Report. Following a discussion, Director Cook moved that the Board (i) approve the draft audit report for fiscal year ended August 31, 2020, subject to final review by District Counsel; and (ii) authorize filing of same with the Texas Commission on Environmental Quality. Director Skinner seconded said motion, which carried unanimously.

4. Engineer's Report. Mr. Rawls stated that Phase III is complete, and Phase IV is currently under design. No formal action was taken by the Board.

5. Developer's Report. No formal report was heard.

6. Bookkeeping Report. Ms. Galindo reviewed with the Board copies of a Bookkeeper's Report dated November 17, 2020, a copy of which is attached hereto as Exhibit "A". Following a discussion, Director Cook moved that the Board (i) approve the bookkeeping report, (ii) authorize payment of bills presented by checks drawn on the District's accounts as listed thereon; and (iii) authorize the bookkeeper to sign disbursements on behalf of the Board of Directors of the District pursuant to Section 49.151(a), Texas Water Code, noting that said authorization would terminate upon motion of the Board when the declared State of Disaster ceases. Director Skinner seconded said motion, which carried unanimously.

7. Annual Review of District's Investment Policy. Mr. Martin discussed with the Board a Resolution Regarding Review of Investment Policy, a copy of which is attached hereto as Exhibit "B". Mr. Martin discussed the requirement for an annual review of the District's Investment Policy, noting that no changes were being recommended at this time. Following discussion, Director Jones moved that the board adopt the Resolution Regarding Review of Investment Policy, as presented. Director Skinner seconded said motion, which carried unanimously.

8. Annual Renewal of Insurance and Bonds. Mr. Martin presented to and reviewed with the Board copies of a premium summary for the District's insurance renewal, a copy of which is attached hereto as Exhibit "C". Following a discussion, Director Cook moved that the Board approve the renewal of the District's insurance policy, as presented. Director Skinner seconded said motion, which carried unanimously.

9. Adjourn. There being no further business to conduct, Director Cook moved that the meeting be adjourned at 5:51 p.m., and until further call. Director Skinner seconded said motion, which carried unanimously.

APPROVED AND ADOPTED this 19<sup>th</sup> day of January, 2021.



A handwritten signature in blue ink, appearing to read "Terry Jones", is written over a horizontal line.

Terry Jones, Assistant Secretary  
Rockwall County Municipal Utility District No. 7

# WOODCREEK

F A T E · T E X A S

*Rockwall County Municipal Utility District No. 7*  
November 17, 2020

## Summary - All Funds

<b>General Fund:</b>	<b>Balance</b>
General Operating Fund - Plains Capital Bank #9275	\$ (16,968.60)
Logic Investment Fund - .1890%	<u>74,081.79</u>
<b>Total General Operating Funds</b>	<b><u>\$ 57,113.19</u></b>
<b>Capital Projects Fund:</b>	
Capital Projects Fund - Series 2019 Road - PCB #0802	\$ 233,734.25
<b>Total Capital Projects Funds</b>	<b><u>\$ 233,734.25</u></b>
<b>Debt Service Fund:</b>	
Debt Service Fund - Series 2019 Road - PCB #9403	\$ 51,252.61
<b>Total Debt Service Funds</b>	<b><u>\$ 51,252.61</u></b>

Prepared by:

*D&T*

*Dye & Toverly, LLC*

2321 Coit Road, Suite B, Plano, TX 75075

ph (972) 612-0088 fax (972) 612-0098

Kathi@DyeToveryCPA.com

Kerry@DyeToveryCPA.com



**Rockwall County Municipal Utility District No. 7**

**Bookkeeper's Report for Meeting of:**

*November 17, 2020*

**\$ (6,182.43) Beginning Balance**  
 138.53 Void *ch#3559* - Martha A Cook 8.25.20 mtg  
 138.52 Void *ch#3561* - Sandy L Sinks 8.25.20 mtg  
 2.50 Property Taxes - September  
 10,000.00 Transfer to/from Logic Investment Fund  
 0.55 Interest Income

**\$ 4,097.67 Adjusted cash balance**

(21,066.27) Total of all bills

**\$ (16,968.60) Ending Balance - Plains Capital**

*Recommend transferring \$20,000 from Logic*

**\$ 74,081.79 Logic Investment Fund - .1890%**

Late Bills Paid:

138.53 3571 Director - Martha Cook *re-issue per diem mtg 8.25.20*

Bills To Be Paid:

	<i>Check #</i>		
138.53	3572	Director - Larry Christensen	<i>current meeting</i>
138.52	3573	Director - Martha Cook	<i>current meeting</i>
138.52	3574	Director - Michael Skinner	<i>current meeting</i>
138.52	3575	Director - Sandy Sinks	<i>current meeting</i>
138.53	3576	Director - Terry Jones	<i>current meeting</i>
275.38		U.S. Treasury	<i>3rd Qtr Payroll Liabilities</i>
3,562.80	3577	Winstead	<i>Inv #2914203 - legal thru 7/31/20</i>
3,077.60	3577	Winstead	<i>Inv # 2921085 - legal thru 8/31/20</i>
523.10	3577	Winstead	<i>Inv # 2929408 - legal thru 09/30/20</i>
917.50	3578	Dye & Toverly, LLC	<i>Inv #4493 - bookkeeper thru 8/31/20</i>
433.66	3578	Dye & Toverly, LLC	<i>Inv #4541 - bookkeeper thru 9/30/20</i>
1,037.50	3578	Dye & Toverly, LLC	<i>Inv #4588 - bookkeeper thru 10/31/20</i>
33.14	3578	Dye & Toverly, LLC	<i>Inv #5507,5590,5656, 5676 - Delivery/Courier, Veribanc Rpt</i>
970.15	3579	LJA Engineering	<i>Inv #202012742 - engineering thru 06/26/20</i>
304.29	3579	LJA Engineering	<i>Inv #202017096 - engineering thru 8/28/20</i>
100.00	3580	JD Parker	<i>Posting Agenda - current mtg</i>
9,000.00	3581	McCall Gibson Swedlund Barfoot	<i>Audit - FYE 08.31.20</i>

**\$ 21,066.27 Total Bills**

***Rockwall County Municipal Utility District No. 7***  
**Analysis of Rockwall County Property Tax Levied vs. Collected**  
**Tax Year 2020 (10/01/20-9/30/21)**

Amount Levied on 10/01/20		\$ 212,128.97	
<i>Adjustments &amp; supplements</i>			
Adjusted levy		<u>212,128.97</u>	
Amount Collected as of	10/31/2020	\$ 6,025.56	2.84%
Amount Uncollected as of	10/31/2020	<u>206,103.41</u>	
 <b>Tax Year 2020 (10/01/20-9/30/21)</b>			
Taxable Value of District Property		\$ 28,283,831	
Tax to be levied per \$100 of value	\$ 0.75000	\$ 212,128.73	
M & O - available for operating costs	\$ 0.26000	\$ 73,537.96	
I & S - transferred to debt Service accounts	\$ 0.49000	\$ 138,590.77	
		<u>\$ 212,128.73</u>	

*Rockwall County Municipal Utility District No. 7*  
**Capital Projects Fund**  
**November 17, 2020**

**Capital Projects Fund - Series 2019 Road - PCB #0802**

<b>Beginning balance</b>	<b>\$ 524.19</b>
Transfer to Logic Fund	
Interest Income	0.07
<b>Ending balance</b>	<b><u>\$ 524.26</u></b>
 <b>Logic Investment Fund - .1890%</b>	 <b><u>\$ 233,209.99</u></b>

*Rockwall County Municipal Utility District No. 7*  
**Debt Service Fund**  
**November 17, 2020**

**Debt Service Fund - Series 2019 Road - PCB #9403**

<b>Beginning balance</b>	<b>\$ (36,042.57)</b>
Transfer to/from Logic Fund	36,651.25
Interest Income	0.48
<b>Ending balance</b>	<b><u><u>\$ 609.16</u></u></b>

**Logic Investment Fund - .1890%** **\$ 50,643.45**



*Rockwall County Municipal Utility District No. 7*  
**Debt Service Fund**  
**November 17, 2020**

*Unlimited Tax Bonds*

**Series 2019 Rd**  
**\$2,575,000**

	<i>Principal Payment</i>	<i>Interest Payment</i>	<i>Annual Debt Service</i>
4/1/2021		36,651.25	
10/1/2021	70,000.00	36,651.25	143,302.50
4/1/2022		36,038.75	
10/1/2022	75,000.00	36,038.75	147,077.50
4/1/2023		35,326.25	
10/1/2023	75,000.00	35,326.25	145,652.50
	<u>\$ 220,000.00</u>	<u>\$ 216,032.50</u>	<u>\$ 436,032.50</u>

**Rockwall County Municipal Utility District No. 7**  
**Budget to Actual Analysis**  
**September 2020 through October 2020, 2 months**

	Sept - Oct 20	YTD Budget	\$ Over Budget	% of Budget	Annual Budget
<b>Revenue</b>					
4000 · Property Tax Revenue	\$ 3	0	3	100%	72,527
5391 · Interest Revenue	28	90	(62)	31%	1,207
<b>Total Revenue</b>	<b>\$ 31</b>	<b>90</b>	<b>(59)</b>	<b>34%</b>	<b>73,734</b>

<b>Administrative Expenses</b>					
6071 · Appraisal Budget	0	0	0	0%	500
7001 · Accounting	1,471	1,750	(279)	84%	14,350
7070 · Auditing	9,000	7,000	2,000	129%	10,250
7190 · Delivery/Courier Services	17	15	2	113%	60
7200 · Director's Fees	807	807	0	100%	8,437
7300 · Engineering	0	2,000	(2,000)	0%	12,000
7460 · Insurance	4,192	4,250	(58)	99%	4,250
7500 · Legal	523	7,500	(6,977)	7%	46,500
7520 · Mtg exp-posting	100	100	0	100%	900
7521 · Mtg. Exp-conf. room	0	50	(50)	0%	450
7600 · Office Supplies	0	0	0	0%	105
<b>Total Administrative Expenses</b>	<b>\$ 16,110</b>	<b>23,472</b>	<b>(7,362)</b>	<b>69%</b>	<b>97,802</b>

1. Have not received legal invoice for October yet

**Investment Report**

For Quarter Ended September 30, 2020

**Certificates of Deposit**

Fund	Bank	Acct #	Rate	Beginning Value for Qtr	Purchases this Qtr	Interest Accrued in Qtr	Adds. or (W/d's)	Ending Value for Period	Original Value	Term (Days)	Date of Purchase	Date of Maturity
GF	Logic	10001	var	91,999.45	-	70.46	(18,000.00)	74,069.91	50,000.00	N/A	4/1/2019	N/A
CPF	Logic	10002	var	232,977.80	-	194.76		233,172.56	225,000.00	N/A	3/19/2020	N/A
DSF	Logic	10003	var	87,217.30	-	69.28	(36,651.25)	50,635.33	85,000.00	N/A	3/19/2020	N/A
<i>total:</i>				412,194.55	-	334.50	(54,651.25)	357,877.80				

Compliance Statement:

The investments reported on above for the Period of this report are in compliance with the investment strategy expressed in the District's Investment Policy and the Public Funds Investment Act.

Review:

This report and the District's Investment Policy are submitted to the Board for its review and to make any changes thereto as determined by the board to be necessary and prudent for the management of District funds.

Signatures:

*Kathi Dye*

Investment Officer

*Nancy Tovery, LLC*

Bookkeeper

**RESOLUTION ACKNOWLEDGING ANNUAL REVIEW OF INVESTMENT POLICY  
AND INVESTMENT STRATEGIES**

THE STATE OF TEXAS           §  
  §  
COUNTY OF ROCKWALL       §

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7 THAT:

WHEREAS, the Board of Directors of Rockwall County Municipal Utility District No. 7 (the "District") has reviewed its existing November 19, 2019 Amended Order Adopting an Investment Policy and Appointing an Investment Officer and desires to confirm such review;

NOW THEREFORE KNOW ALL MEN BY THESE PRESENTS;

Section 1. That the November 19, 2019 Amended Order Adopting an Investment Policy and Appointing an Investment Officer ("Order") has been reviewed by the Board;

Section 2. That, following such review, the Board noted that there are no changes to be made to said Order or the investment strategies set out therein; and

Section 3. That the Secretary of the Board of Directors is hereby directed to file a copy of this Resolution in the official records of the District.

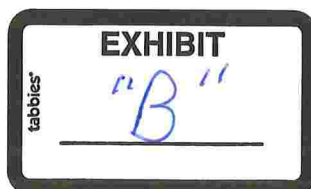
ADOPTED this 17<sup>th</sup> day of November, 2020.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

[DISTRICT SEAL]



**AMENDED ORDER ADOPTING AN INVESTMENT POLICY AND  
APPOINTING AN INVESTMENT OFFICER  
November 19, 2019**

THE STATE OF TEXAS

COUNTY OF ROCKWALL

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7

The Board of Directors of Rockwall County Municipal Utility District No. 7 met in regular session, open to the public, after due notice, at its meeting place outside the District, on the date hereinafter set out; whereupon the roll was called of the members of the Board of Directors, to-wit:

Larry Christensen	President
Sandy Sinks	Vice President
Michael W. Skinner	Secretary
Terry Jones	Treasurer/Assistant Secretary
Martha Ann Cook	Assistant Secretary

All directors were present.

WHEREUPON, among other business conducted by the Board, Director Christensen introduced the Order set out below and moved its adoption, which motion was seconded by Director Cook and, after full discussion and the question being put to the Board of Directors, said motion was carried by the following vote:

"Aye" 5 ;

"No" 0 .

The Order thus adopted is as follows:

WHEREAS, Rockwall County Municipal Utility District No. 7 (the "District") is a body politic and corporate and a governmental agency of the State of Texas, operating under and governed by the provisions of Chapters 49 and 53 of the Texas Water Code, as amended, and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Chapter 2256, Texas Government Code, as amended (sometimes referred to herein as the "Public Funds Investment Act"), and Section 49.199, Texas Water Code, require that the Board of Directors of the District adopt certain rules, regulations and policies governing the investment of District funds and designate one or more of its officers or employees to be responsible for the investment of such funds;

NOW, THEREFORE, IT IS ORDERED BY THE BOARD OF DIRECTORS OF Rockwall County Municipal Utility District No. 7, THAT the policies, procedures and provisions

by the Board of Directors establishing policies for the investment of District funds and appointing an investment officer which shall be effective on November 19, 2019, the date of this Order.

Section 1. Purpose. The purpose of this Order Establishing Policy for Investment of District Funds and Appointing an Investment Officer (the "Investment Policy") is to adopt rules and regulations which set forth the District's policies with regard to the investment and security of District funds or funds under the District's control. It is further the purpose of this Investment Policy to ensure that purchases and sales of District investments are initiated by authorized individuals, conform to investment objectives and regulations, and are properly documented and approved, and to provide for the periodic review of District investments to evaluate investment performance and security, all as required by applicable law.

Section 2. Appointment of Investment Officer; Standard of Care. Ms. Kathi Dye or Ms. Kerry Tovery of Dye & Tovery, LLC, the District's Bookkeeper, shall be and is hereby designated the Investment Officer (the "Investment Officer") of the District, responsible for the supervision of investment of District funds pursuant to this Investment Policy. In the administration of her duties hereunder, the District's Investment Officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of his or her own affairs. The District's Board of Directors, Financial Advisor, as same may be designated from time to time, and other consultants shall be authorized to assist the Investment Officer in the carrying out of the duties of Investment Officer.

Section 3. Appointment of Investment Officer for Investment of District Funds. Pursuant to Section 49.157(b), Texas Water Code, the Board of Directors hereby designates the District's Investment Officer as the authorized representative of the District to (a) invest and reinvest the funds of the District; (b) withdraw District funds from appropriate accounts of the District for the investment of same in accordance with the terms of this Investment Policy; and (c) arrange for adequate security for uninsured deposits or funds of the District pursuant to and in compliance with a Public Funds Depositor Collateral Security Agreement which shall be substantially in the form attached hereto as Exhibit "B," and to execute said Agreement(s) and any documentation required in connection therewith on behalf of the District.

Section 4. Authority and Duties of Investment Officer. The following rules shall apply to the District's Investment Officer:

A. The Board of Directors hereby instructs the Investment Officer for the District to maintain the investments of the District in a manner consistent with the rules and regulations set forth in this Investment Policy and the Public Funds Investment Act, as amended.

B. No persons, other than those designated in Section 3 above, may deposit, invest, transfer, withdraw or otherwise manage District funds without express written authority of the District's Board of Directors.

C. The Investment Officer for the District shall invest and reinvest District funds only in those investments authorized under this Investment Policy or by the Board,

and only in the name of and solely for the account of the District. Ms. Kathi Dye, or Ms. Kerry Tovery of Dye & Tovery, LLC, shall be authorized to wire transfer funds of the District only (1) for the purchase of investments solely in the name of the District, (2) for the transfer of all or any portion of the principal of or interest earnings or profits or gains on any investment of the District to one or more previously authorized and established accounts of the District, (3) for the transfer of District funds to any paying agent of the District for the payment of principal and semiannual interest payments on any outstanding bonds of the District and for the payment of paying agent fees relative to same, or (4) pursuant to the express written instructions of the District's Board of Directors.

D. The Investment Officer for the District shall attend at least one (1) training session relating to the Investment Officer's responsibilities under the Public Funds Investment Act, as amended, from an independent source approved by the Board of Directors of the District or the Board's Investment Committee and containing at least ten (10) hours of instruction within twelve (12) months of assuming the duties of Investment Officer, and thereafter shall attend an investment training session not less than once in a two-year period that begins on the first day of the District's fiscal year end and consists of the two (2) consecutive years after that date and receive not less than ten (10) hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by the District's Board of Directors or the Board's Investment Committee. Such investment training must include education in investment controls, security risks, diversification of investment portfolio, strategy risks, market risks, and compliance with the provisions of the Public Funds Investment Act, as amended.

E. Not less frequently than each fiscal quarter, the District's Investment Officer shall prepare and submit to the Board of Directors of the District a written report of investment transactions for all invested funds of the District for the preceding reporting period. Such report must (1) describe in detail the investment position of the District on the date of the report; (2) be prepared by the Investment Officer for the District; (3) be signed by the Investment Officer of the District; (4) contain a summary statement of each pooled fund group, if any has been created by the District, that states the: (a) beginning market value for the reporting period, (b) ending market value for the period, and (c) fully accrued interest for the reporting period; (5) state the book value and market value of each separately invested asset of the District at the beginning and at the end of the reporting period by the type of asset and fund type invested; (6) state the maturity date of each separately invested asset that has a maturity date; (7) state the account or fund or pooled group fund, if the District has any, for which each individual investment was acquired; and (8) state the compliance of the District's investment portfolio as it relates to the investment strategy for each account of the District as set forth in this Investment Policy and relevant provisions of the Public Funds Investment Act, as amended. Such report must be presented to the Board of Directors of the District within a reasonable period of time after the end of each fiscal quarter. If the District invests in other than (i) money market mutual funds, (ii) investment pools or (iii) accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, all of the type authorized under Section 6 of

this Investment Policy, the reports prepared under this Section 4.E. shall be formally reviewed at least annually by an independent auditor, and the result of such review shall be reported to the District's Board of Directors by that auditor.

F. In the event District funds are invested or reinvested in Certificates of Deposit, the Investment Officer shall solicit bids from at least two (2) bidders, either orally, in writing, electronically or in any combination of those methods, for each such investment.

G. All purchases of investments, except investments in investment pools or in mutual funds, shall be made on a delivery versus payment basis.

H. Not less frequently than each fiscal quarter, and as close as practicable to the end of such reporting period, the District's Investment Officer shall determine the market value of each District investment. Such market values shall be included in the written reports submitted to the District's Board of Directors pursuant to Section 4.E hereinabove. The following methods shall be used:

- (1) Certificates of deposit shall be valued at their face value plus any accrued but unpaid interest.
- (2) Shares in money market mutual funds and investment pools, if any, shall be valued at par plus any accrued but unpaid interest.
- (3) Other investment securities may be valued in any of the following ways:
  - (a) the lower of two bids for such security obtained from qualified securities brokers/dealers with whom the District may engage in investment transactions;
  - (b) the average of the bid and asked prices for such security as published in The Wall Street Journal or The New York Times;
  - (c) the bid price for such security published by any nationally recognized security pricing service; or
  - (d) the market value quoted by the seller of the security.

I. A written copy of the District's Investment Policy must be presented to any business organization offering to engage in an investment transaction with the District. "Business organization" means 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 entity under the contract to exercise investment discretion in regard to the District's funds. The qualified representative of the business organization offering to engage in an investment transaction with the District or an investment management firm shall execute a written instrument in a form acceptable



to the District substantially to the effect that the business organization or firm has (1) received and reviewed the Investment Policy of the District; and (2) acknowledges that such business organization or firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the District and such organization or firm that are not authorized by the District's Investment Policy, except to the extent that such authorization (a) is dependent on an analysis of the makeup of the District's entire investment portfolio; (b) requires an interpretation of subjective investment standards, or (c) relates to investment transactions of the District that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority. The District's Investment Officer may not acquire or otherwise obtain any authorized investment described in Section 6 hereof from a person who has not delivered to the District the written statement acknowledging receipt of this Investment Policy in a form substantially similar to that attached hereto as Exhibit "A" (the "Certificate of Compliance"). For purposes of this Section 4.I., the "qualified representative" of a business organization offering to engage in an investment transaction with the District 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:

- (1) 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;
- (2) 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;
- (3) for an investment pool, the person authorized to sign the written instrument on behalf of the investment pool by the elected official or board with authority to administer the activities of the investment pool; or
- (4) 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 that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

J. The Investment Officer for the District shall disclose in writing to the Board of Directors any "personal business relationship" that they may have with a business organization offering to engage in an investment transaction with the District, or (ii) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, as amended, to any individual seeking to sell an investment to the District. Any written disclosure statement filed with the Board of Directors by the Investment Officer pursuant to this section must also be filed with the

Texas Ethics Commission. For purposes of this Section 4.J., the Investment Officer has a "personal business relationship" with a business organization if:

- (1) the Investment Officer 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;
- (2) funds received by the Investment Officer from the business organization exceed 10 percent of the Investment Officer's gross income for the previous year; or
- (3) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for their personal account.

K. In conjunction with the District's annual financial audit, a compliance audit of management controls on investments and adherence to this Investment Policy must be performed. In connection with said compliance audit, the Board of Directors shall review on an annual basis this Investment Policy and its investment strategies. In connection with said annual review, the District's Board of Directors shall adopt a written resolution stating that it has reviewed this Investment Policy and the investment strategies set forth herein, and shall indicate in said resolution either the continuance of this Investment Policy without amendment or the changes made to the Investment Policy and/or the investment strategies herein.

Section 5. General Investment Principles and Objectives. All investments of District funds or funds under the District's control shall be made in accordance with the following general rules, regulations and policies:

A. Any moneys in any fund of the District or in any fund established by the Board of Directors in connection with the authorization of the District's bonds, including, but not limited to, proceeds from the sale of such bonds, which funds are not required for the payment of obligations due or to become due immediately, shall be invested and reinvested, from time to time, only in the authorized investments specified in Section 6 hereunder; provided, however, that all such investments shall be secured in the manner provided for the security of the funds of utility districts of the State of Texas (The Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended) or in such other manner as may be authorized by law from time to time and otherwise suitable for the District's needs.

B. The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District will continuously attempt to diversify its portfolio to reduce risks. The type, conditions and maturity date of District investments shall be consistent with the cash flow needs and operating requirements of the District, as determined from time to time by the

Board of Directors, and consistent with the investment strategy for each District account as set forth in Section 7 hereunder.

C. If invested in certificates of deposits, the District's funds shall be secured, to the extent that such funds are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, by the pledge to the District of certain types of securities, as determined in the sole discretion of the District, which under the laws of the State of Texas may be used to secure the deposits of utility districts, pursuant to and in compliance with a Public Funds Depositor Collateral Security Agreement which shall be substantially in the form attached hereto as Exhibit "B", the terms and conditions of which are incorporated herein by reference (the "Public Funds Depositor Collateral Security Agreement").

D. Securities pledged to the District shall be pledged pursuant to and in compliance with a Public Funds Depositor Collateral Security Agreement to be entered into by and between the District and the institution(s) pledging such securities. Securities pledged to the District shall either be deposited and held in safekeeping at the trust or safekeeping department of a commercial banking institution located in the State of Texas not affiliated with the pledging institution(s) or a federal home loan bank, or shall be held in a restricted securities account, joint safekeeping account or other similar account in a branch of the Federal Reserve Bank pursuant to any and all applicable regulations, operating circulars, bulletins and policies of the Federal Reserve Bank, including the terms and conditions of any applicable forms or agreements, as may exist now or hereafter be enacted, promulgated or issued by the Federal Reserve Bank. The District's Investment Officer shall, within the limits of business practicality and consistent with the Federal Deposit Insurance Corporation Statement of Policy dated March 23, 1993, (or any subsequent applicable Statement of Policy issued by the FDIC) relative to the securing of public funds, ensure that the District's uninsured funds are at all times secured as required by the Public Funds Collateral Act (Chapter 2257, Texas Government Code, as amended) and in the manner set forth in the Public Funds Depositor Collateral Security Agreement. The District's Investment Officer is hereby authorized to execute Public Funds Depositor Collateral Security Agreements and any agreements, documents or forms required by the Federal Reserve Bank on behalf of the District, as and when required, and to approve the substitution of securities pledged to the District as collateral pursuant to and in the manner set forth in any Public Funds Depositor Collateral Security Agreement entered into by the District.

E. The Board of Directors recognizes that, within the framework of the above rules, decisions must be made concerning the type and duration of each investment transaction and that such decisions are best made by the person responsible for implementing the transaction, based upon the facts and circumstances prevailing at the time. As a guide to making such decisions, it is hereby declared the policy of the Board of Directors that priority should be given to proper security of the District's funds over maximizing the yield on investments. Furthermore, in cases where the rate of return on an investment security offered by competing banking institutions are substantially equivalent, the District's Investment Officer shall give preference to those investments and investment institutions offering the greatest degree of administrative convenience and proximity,

flexibility of investment arrangements and/or similar intangible benefits and community goodwill.

F. Except as herein provided, nothing herein shall be deemed or construed to authorize the withdrawal, expenditure or appropriation of funds of the District except by check or draft signed by three (3) members of the Board of Directors, or as otherwise provided by applicable statutes or the resolutions, rules, regulations, policies, orders or proceedings of the Board of Directors. Furthermore, the Board of Directors shall retain sole responsibility for establishing and implementing, from time to time, this Investment Policy, and all investment transactions to be undertaken by the District's Investment Officer pursuant to the Investment Policy shall be subject to the further or more specific directions, instructions, orders, resolutions or actions of the Board of Directors.

Section 6. Authorized Investments. The following categories of investment are authorized for investment of District funds:

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

B. Direct obligations of the State of Texas or its agencies and instrumentalities;

C. 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;

D. 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 any of 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;

E. 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;

F. Bonds issued, assumed, or guaranteed by the State of Israel;

G. 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 Fund or its successor;

H. Interest-bearing banking deposits other than those described by Section 6(G) if:

(1) The funds invested in the banking deposits are invested through:

- (a) A broker with a main office or branch office in the State of Texas that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Texas Government Code Section 2256.025; or
  - (b) A depository institution with a main office or branch office in the State of Texas that the investing entity selects;
- (2) The broker or depository institution selected as described by Paragraph (1) 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 investing entity's account;
  - (3) 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
  - (4) The investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:
    - (a) The depository institution selected as described by Paragraph (1);
    - (b) An entity described by Section Texas Government Code Section 2257.041(d); or
    - (c) 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).

I. Certificates of deposit or share deposit issued by a depository institution that has its main office or a branch office in the State of Texas that 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;
- (2) secured by obligations of the type described in Section 2256.010(2), Texas Government Code, as amended,
- (3) secured in accordance with Chapter 2257, Texas Government Code, as amended, or in any other manner and amount provided by law for deposits of the District pursuant to a Public Funds Depositor Collateral Security Agreement approved and executed by the District; or

- (4) in addition to the authority to invest funds in certificates of deposit under Section 2256.010(a), an investment in certificates of deposit must be made in accordance with conditions set out under Section 2256.010(b), Texas Government Code, as amended;

J. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance which meets the requirements set forth in Section 2256.013, Texas Government Code, as amended;

K. No-load money market mutual funds that:

- (1) are registered with and regulated by the Securities and Exchange Commission;
- (2) provide the District 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) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and
- (4) meet all other requirements set forth in Section 2256.014, Texas Government Code, as amended;

L. Investment pools which meet the requirements set forth in Section 2256.016 and Section 2256.019, Texas Government Code, as amended;

M. No-load mutual funds that:

- (1) are registered with the Securities and Exchange Commission;
- (2) have an average weighted maturity of less than two (2) years; and
- (3) either:
  - (a) has a duration of one year or more and are invested exclusively in obligations approved by Subchapter A. of the Public Funds Investment Act; or
  - (b) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

N. Banker's acceptances with a stated maturity of 270 days or fewer from the date of issuance which meet the requirements set forth in Section 2256.012, Texas Government Code, as amended;

O. Fully collateralized repurchase agreements meeting the requirements set forth in Section 2256.011, Texas Government Code, as amended, provided that the maximum maturity of same shall have a defined termination date; and

Section 7. Investment Strategies. District investments shall be made upon the evaluation of the specific investment objectives and strategies of each account of the District, with the primary objective for the selection of any District investment being the understanding of the suitability of such investment to the financial requirements of the District. The District's investment strategy for each of its accounts is as follows:

A. Operating/General Account: The operating/general account is used for all operations and maintenance needs of the District and funds therein shall be invested to meet the operating and cash flow requirements of the District as determined by the District's Board of Directors. The highest priorities for this account are the liquidity and marketability of an investment if the need arises to liquidate the investment before its maturity. Of equal importance is the preservation and safety of the principal of investments in the operating account. When these priorities are met, the yield on investments held in the operating/general account will next be considered.

B. Debt Service/Bond Fund Account: The District's debt service/bond fund account will be used to pay the District's debt service on its outstanding bonds. The highest priority for this account is the preservation and safety of principal. Since the District will know the amount of its debt service requirements and when it becomes due, investments for the debt service/bond fund account should be structured to coincide with the amount and timing of the debt service requirements. When the preservation and safety of principal and liquidity considerations for debt service purposes are assured, including the marketability of debt service/bond fund account investments in the event the need arises to liquidate an investment before its maturity, the yield on debt service/bond fund account investments should be considered. Since the amount of District funds in the debt service/bond fund account can be significant, diversification of the debt service/bond fund account investment portfolio may be necessary. The District may easily liquidate investments in an investment pool and therefore such investments may be appropriate in combination with longer term investments in the debt service/bond fund account.

C. Capital Projects/Construction Fund Account: The capital projects/construction fund account will be used to pay for capital improvements of the District. The highest priority for this account will be the preservation and safety of principal. In the event that funds held in the capital projects/construction fund account are for particular improvement projects that have been previously identified by the District's Board of Directors, the Board will have an idea of the approximate time when disbursements will be required to be made from this account. In this situation, investments in the capital projects/construction fund account should be structured so that

they mature or can be liquidated on or about the dates that disbursements are expected to be made. Once the safety of principal and liquidity and marketability of capital projects/construction fund account investments which are to match certain disbursement dates are assured, the yield on such investments may be considered. Since District funds in the capital projects/construction fund account may not be needed for a year or more, longer term instruments should be considered to increase yield. However, if funds available in the District's capital projects/construction fund account are surplus construction funds from prior bond issues or interest earnings on such funds and are not earmarked for specific improvement projects, but rather viewed by the District's Board of Directors as an emergency reserve fund for major repairs or rehabilitation projects, investments in the capital projects/construction fund account, at least to the extent that they are for emergency reserve purposes, should be kept in relatively short term investments that can be easily marketed and liquidated if necessary, such as investment pools. Alternatively, bond proceeds that may be deposited in the District's capital projects/construction fund account for reimbursement to a developer and which may be in the capital projects/construction fund account for only one or two days, should be kept in the most liquid investment available. Investment diversification for large amounts of District funds that may be deposited into the capital projects/construction fund account for only one or two days may be achieved through the use of an investment pool. Since investment pools are short term in nature, they would normally be used for District funds in this account only if the District knows that it will be dispersing funds in a relative short period of time. However, on some occasions the yield on investment pools is higher than on longer term investments, so their use may be optimal for funds in the capital projects/construction fund account.

Section 8. Miscellaneous.

A. In the event of any conflict or inconsistency between the terms of this Investment Policy and applicable requirements of law, such conflict or inconsistency will be resolved in favor of the more restrictive of this Investment Policy or the applicable requirements of law. In the event of any ambiguity or uncertainty as to the intent and application of any part, section, paragraph or provision hereof, a written request for clarification or approval of a proposed action describing such circumstances shall be submitted to the Board of Directors for a decision as to a proper course of action.

B. The rules, regulations and policies set forth herein shall be and remain in full force and effect unless and until amended, revised, rescinded or repealed by action of the Board of Directors. The District's Board of Directors specifically reserves the right to change, alter or amend any provision of this Investment Policy at any time.

C. The provisions of this Investment Policy are severable, and if any provision or part of this Investment Policy or the application thereof to any person or circumstances shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Investment Policy and the application of such provision or part of this Investment Policy shall not be affected thereby.



The President or Vice-President is authorized to execute and the Secretary or Assistant Secretary to attest this Investment Policy on behalf of the Board and the District.

PASSED AND ADOPTED this the 19th day of November, 2019.

ROCKWALL COUNTY MUNICIPAL UTILITY  
DISTRICT NO. 7

By:   
Larry Christensen, President  
Board of Directors

ATTEST;


By:   
Michael W. Skinner, Secretary



EXHIBIT "A"

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

To: Rockwall County Municipal Utility District No. 7 (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] [Title of such person]

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

Date: \_\_\_\_\_, 20\_\_\_\_

In accordance with the provisions of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, 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 into an investment transaction with the District, as applicable, as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Seller"), and that Seller meets all requirements under such Act to execute this Certificate.

2. Seller anticipates selling to the District investments that are authorized by the District's Order Adopting an Investment Policy and Appointment of Investment Officer, dated November 19, 2019 (the "Investment Policy") and the Public Funds Investment Act (collectively referred to herein as the "Investments").

3. I or a registered investment professional that services the District's account, as applicable, have received and reviewed the District's Investment Policy now in full force and effect. The District has further acknowledged that Seller may rely upon the Investment Policy until the District provides Seller with any amendments to or any newly adopted form of the Investment Policy.

4. Seller has implemented reasonable procedures and controls in an effort to preclude investment transactions between the District and Seller 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. Seller has reviewed or will review prior to sale, the terms, conditions and characteristics of the investments to be sold to the District and has determined or will determine,

prior to sale, that (i) each of the Investments is an authorized investment for local governments under the Public Funds Investment Act and (ii) each of the Investments is an authorized investment under the District's Investment Policy.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT "B"

PUBLIC FUNDS DEPOSITOR  
COLLATERAL SECURITY AGREEMENT

This Public Funds Depositor Collateral Security Agreement (the "Agreement") is made and entered into as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ by and between ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7 (the "Depositor") and \_\_\_\_\_ ("Bank"), and any prior Agreement between Depositor and Bank relative to the subject matter hereof is hereby terminated as of the date first written above.

RECITALS

Depositor, through action of its Board of Directors, has designated Bank as a depository for Depositor's funds. Funds on deposit with Bank to the credit of Depositor in excess of federal deposit insurance are required to be secured by eligible security as provided for by the Public Funds Collateral Act, V.T.C.A. Government Code Section 2257.001 et seq. (the "Public Funds Law"). Depositor and Bank understand and acknowledge that the amount of Depositor's uninsured deposits in Bank may vary substantially from time to time; that under the circumstances permitted herein, the Bank may release, add to or substitute for the securities pledged by Bank from time to time to secure such uninsured deposits of Depositor; and that it is the intent of the parties that this Agreement be renewed and extended upon and at the time of each permitted release, addition or substitution of collateral securities and thereafter remain in force and effect for the full term thereof until terminated in the manner set forth herein. In order to perfect Depositor's security interest in eligible securities pledged by Bank from time to time to secure such uninsured deposits, the Board of Directors of the Bank (the "Bank Board") has authorized the undersigned Bank officer to enter into this Agreement on behalf of Bank under the terms of which Bank will either (i) cause \_\_\_\_\_, a \_\_\_\_\_, domiciled in Texas which has been designated by the Texas State Depository Board as a Texas State Depository to hold the collateral assets in a custody account as bailee for the benefit of Depositor, or (ii) cause the Federal Reserve Bank to hold the collateral assets in a restricted securities account, joint safekeeping account or other similar account as custodian/bailee for the benefit of Depositor (such \_\_\_\_\_ or the Federal Reserve Bank, as the case may be, hereinafter called the "Custodian").

AGREEMENT

Now, Therefore, in consideration of the mutual covenants in this Agreement, the parties agree as follows:

1. Grant of Security Interest. To secure the uninsured deposits maintained by Depositor with Bank from time to time, Bank hereby pledges and grants to Depositor a security interest in its Eligible Securities (as defined in the Public Funds Law) which are held, now or hereafter, by Custodian for the benefit of Depositor in accordance with the terms of this Agreement (the "Collateral"). At all times during the term of this Agreement, the Collateral shall consist solely of the following:

general obligations of the United States of America or its agencies or instrumentalities backed by its full faith and credit;

direct obligations of the State of Texas or Texas State agencies and instrumentalities;

collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States of America, the underlying security for which is guaranteed by an agency or instrumentality of the United States of America;

other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States of America or their respective agencies and instrumentalities;

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;

fixed-rate collateralized mortgage obligations that have an expected weighted average life of 10 years or less and which do not constitute a high-risk mortgage security as defined in the Public Funds Law;

floating-rate collateralized mortgage obligations that do not constitute a high-risk mortgage security as defined in the Public Funds Law; and

such other investments as are authorized by resolution of the Board of Directors of the Depositor and the Public Funds Investment Act, as amended.

Bank shall cause Custodian to accept and hold the Collateral as bailee and/or custodian for Depositor to secure Bank's obligation to repay the deposits.

2. Receipts. The Collateral held by Custodian for the benefit of Depositor, as of the effective date of this Agreement, has been described on Trust Receipts (as defined in the Public Funds Law) issued by Custodian, copies of which Custodian has forwarded to Depositor, and such current Collateral is described on Exhibit "A" attached hereto and made a part hereof for all purposes. With respect to additional or substitute Collateral hereafter delivered by Bank to Custodian to hold for the benefit of Depositor, or any releases of securities previously held as Collateral ("Releases"), as contemplated by this Agreement, Bank shall cause Custodian to issue Trust Receipts or Releases describing such additional or substitute Collateral or released securities and promptly forward copies of same to Depositor. Such Trust Receipts and Releases which are furnished to Depositor by Custodian from time to time shall be deemed a part of this Agreement without further action on the part of any party hereto, and this Agreement shall apply to such released, additional or substitute Collateral to the same extent as if it were described on Exhibit "A" attached hereto. If the Custodian is the Federal Reserve Bank, such Trust Receipts or Releases will consist of a written confirmation (the "Advice"). Such Advice shall be subject to the terms and conditions of all applicable regulations, operating circulars, bulletins and policies of the Federal Reserve Bank, including the terms and conditions of any applicable forms or agreements, as may now exist or hereafter be enacted, promulgated or issued by the Federal Reserve Bank (collectively "Applicable Regulations"). Upon request of Depositor, Bank agrees

to provide or cause Custodian to provide a then-current list of all Collateral pledged by Bank to secure Depositor's funds to update Exhibit "A" to this Agreement.

3. Required Collateral Value. Bank agrees with Depositor that the total market value of the Collateral securing uninsured deposits maintained by Depositor with Bank will at all times during the term of the Agreement be not less than one hundred ten percent (110%) of the amount of such uninsured deposits (the "Required Collateral Value"). To insure that the Required Collateral Value is maintained, Bank will redetermine, on a daily basis, the amount of Depositor's uninsured deposits (taking into account that day's deposits, accrued interest, disbursements and withdrawals) held by Bank and (using the most recently determined market value of the Collateral) promptly add any additional Collateral which may be necessary to maintain the Required Collateral Value by either (i) depositing with Custodian for the purposes of this Agreement any additional Collateral or (ii) if the Custodian is the Federal Reserve Bank, transferring additional Collateral to a restricted securities account, joint safekeeping account or other similar account maintained by the Federal Reserve Bank. Determination of the market value of Collateral will be calculated monthly or more frequently on Depositor's request; provided, however, the foregoing shall not relieve Bank of its obligation to fully collateralize at all times the Depositor's uninsured deposits with Bank. If upon such monthly determination of the Collateral's market value, the Required Collateral Value is not then maintained, Bank will promptly deposit with Custodian for the purposes of this Agreement additional Collateral necessary to maintain the Required Collateral Value.

4. Release of Collateral. Custodian shall not release any part of the Collateral without Depositor's written authorization. Depositor agrees to furnish such authorization promptly upon Bank's request under the circumstances described in Sections 5, 6, or 13 of this Agreement. Depositor's authorization to Custodian to release from the Collateral only designated Eligible Securities shall terminate the security interest granted by Bank in this Agreement only with respect to such designated Eligible Securities. If the Custodian is the Federal Reserve Bank, this section shall apply except to the extent it is in conflict with the provisions of the Applicable Regulations, in which event the provisions of the Applicable Regulations shall govern the release of Collateral.

5. Substitution of Collateral. It is hereby agreed that upon obtaining the prior written consent of the Depositor, which consent shall not be unreasonably withheld, substitutions of the Collateral held hereunder may be made at any time so long as the fair market value of the Eligible Securities being substituted is at least equal to the fair market value of the Eligible Securities being removed. If the Custodian is the Federal Reserve Bank, this section shall apply except to the extent it is in conflict with the provisions of the Applicable Regulations, in which event the provisions of the Applicable Regulations shall govern the substitution of Collateral.

6. Excess Collateral. At such times as the aggregate market value of the Collateral held by Custodian exceeds the Required Collateral Value, Depositor, upon request by Bank, shall authorize Custodian to permit Bank to release the excess portion of the Collateral. Custodian shall have no further liability to Depositor with respect to those Eligible Securities released upon Depositor's authorization.

7. Additional Collateral. If at any time the aggregate market value of Collateral held by Custodian is less than the Required Collateral Value, Bank shall immediately upon learning of such circumstance, and without further action by Depositor, promptly either (i) deposit with Custodian sufficient additional Eligible Securities of the type specified in Section 1 as may be necessary to cause the aggregate market value of the Collateral to equal the Required Collateral Value, or (ii) transfer additional Eligible Securities of the type specified in Section 1 to the restricted securities account, joint safekeeping account or other similar account maintained by the Federal Reserve Bank as may be necessary to cause the aggregate market value of the Collateral to equal the Required Collateral Value and cause the Federal Reserve Bank to issue a corresponding Advice (and Bank will deposit with the Federal Reserve Bank additional Eligible Securities if and to the extent necessary to fulfill its obligations under this Agreement).

8. Earnings and Payments on Collateral. Bank shall be entitled to the interest income and earnings paid on the Collateral and Custodian may dispose of such interest income and earnings as directed by Bank without approval of Depositor, so long as Depositor has not notified Custodian of Bank's default under this Agreement. Bank shall be entitled to any principal payment or prepayment of the Collateral and Custodian may dispose of such principal payment or prepayment as directed by Bank without approval of Depositor, so long as (i) the Custodian has received a written accounting from the Bank indicating that the Required Collateral Value will be maintained after deducting from the market value of the Collateral (determined no more than four (4) days prior to such payment date) the amount of such principal payment or prepayment and (ii) Depositor has not notified Custodian of Bank's default under this Agreement. If the Custodian is the Federal Reserve Bank, this section shall apply except to the extent it is in conflict with the provisions of the Applicable Regulations, in which event the provisions of the Applicable Regulations shall govern the disposition of interest earnings and principal payments on the Collateral.

9. Default and Remedies. If Bank fails at any time to pay and satisfy, when due, any check, draft, or voucher lawfully drawn against any deposit or becomes insolvent or materially breaches its contract with Depositor, a default shall exist under this Agreement and Depositor shall give written notice of such default to Bank, and Bank shall have ten (10) days to cure same. In the event Bank fails to do so, it shall be the duty of Custodian, upon written demand of Depositor, to surrender or transfer the Collateral to Depositor or Depositor's nominee and Bank hereby irrevocably authorizes Custodian to surrender or transfer the Collateral upon the conditions herein specified. Depositor may sell all or any part of such Collateral in a commercially reasonable manner and out of the proceeds of the Collateral may pay Depositor all damages and losses sustained by it, together with all expenses of any and every kind incurred by it on account of such failure or insolvency sale. Depositor shall account to Bank for the remainder, if any, of said proceeds or Collateral remaining unsold. Such sale may be either at public or private sale; provided, however, Depositor shall give Bank ten (10) days' written notice of the time and place where such sale shall take place, and such sale shall be to the highest bidder for cash. Depositor and Bank shall have the right to bid at such sale. If the Custodian is the Federal Reserve Bank, this section shall apply except to the extent it is in conflict with the provisions of the Applicable Regulations, in which event the provisions of the Applicable Regulations shall govern the Depositor's exercise of remedies against the Collateral.

10. Authorization and Records. The Bank Board has authorized the pledge of Bank assets to collateralize uninsured deposits maintained by Depositor pursuant to resolutions substantially in the form of Annex I attached to the form of Resolution Certificate and Certificate of Incumbency attached hereto as Exhibit "B" (the "Resolution Certificate"), and has authorized the undersigned Bank officer to enter into, execute and deliver to Depositor this Agreement on behalf of Bank and to take all action which may be necessary or appropriate to create and perfect the security interest in the Collateral contemplated hereunder. Bank shall deliver to Depositor a fully executed Resolution Certificate as a condition precedent to the effectiveness of this Agreement and shall advise Depositor immediately of any revocation, amendment or modification thereof. Bank shall maintain this Agreement, its copies of all Trust Receipts, Releases and Advices, and the Resolution Certificate among its official records continuously until such time as this Agreement is terminated and all uninsured deposits of Depositor have been properly and fully paid out. This Agreement may be executed in one or more counterparts, each of which shall be an original.

11. Authorized Representative; Depositor Agreements. The Depositor hereby confirms that it has previously authorized its Investment Officer or employee of the General Manager, supervised by the Investment Officer, to execute this Agreement and any documentation required in connection therewith, including specifically pursuant to the Applicable Regulations and documentation related thereto, and to represent it and act on its behalf in any and all matters of every kind arising under this Agreement. During the term of this Agreement, the Depositor may further designate an additional officer or officers to singly or jointly represent and act on behalf of Depositor in any and all matters of every kind arising under this Agreement and, in such event, shall provide written notice thereof to Bank. In the event of any conflict between the provisions of this Agreement and any other agreement between the Depositor and the Bank relating to the deposits, this Agreement will control, unless the conflict is with the Applicable Regulations, in which event the Applicable Regulations will control. Bank and Depositor specifically agree that Depositor's prior approval is required for any par-for-par Collateral substitutions.

12. Custodian as Bailee. Custodian will promptly identify the pledge by Bank to Depositor of the Collateral on the Custodian's books and records and any additional or substitute Collateral and issue to Bank and Depositor Trust Receipts covering the Collateral. Similarly, Custodian will promptly remove from its books and records any securities released from the pledge by Bank in compliance with the terms of this Agreement and issue to Bank and Depositor appropriate Releases identifying the released securities. Custodian acknowledges that it is the bailee of Depositor for purposes of Section 2257.044 of the Public Funds Law, and its custodial capacity is deemed to be set forth on any Trust Receipt delivered to Bank and Depositor, whether such capacity is expressly so noted or not. If the Custodian is the Federal Reserve Bank, this section shall not apply, but Bank acknowledges the provisions of the Applicable Regulations which provide that the Federal Reserve Bank is acting as custodian/bailee; that the Collateral identified on the Advice is subject to the custodial provisions of the Applicable Regulations; and that the disposition thereof is subject to Depositor's approval.

13. Financial Condition. Bank will provide a statement of its financial position to the Depositor on at least a quarterly basis. Bank will provide to the Depositor an annual statement



audited by its outside auditors including a statement by its outside auditors as to its "fair presentation."

14. Amendment, Modification, Renewal. Each permitted release of previously pledged Collateral and each addition to or permitted substitution for Collateral shall be deemed and considered, without further action by Bank or Depositor, as an amendment to Exhibit "A" attached hereto and a contemporaneous renewal and extension of this Agreement for the term hereinafter stated upon the same terms and containing the same provisions as set forth herein, except as the Collateral subject to this Agreement may be modified or amended thereby; provided, however, that any such renewal and extension shall not affect any transaction entered into prior to such renewal and extension until Bank shall have properly and fully paid out all uninsured deposits (including any uninsured time deposits) and Depositor shall have authorized Custodian to redeliver to Bank's sole control all Collateral then in Custodian's possession. Otherwise, this Agreement may not be amended or modified except by mutual written agreement of the parties hereto.

15. Term. Unless sooner terminated as hereinafter provided, the term of this Agreement, and any renewal or extension hereof resulting from any release, addition to or substitution of securities pledged as Collateral hereunder, shall commence on the date of this Agreement, or the date of such release, addition or substitution, and continue for a term of ten (10) years.

16. Termination. Either Depositor or Bank may terminate this Agreement prior to the expiration of the term hereof upon thirty (30) days' advance written notice to the other or by entering into a new Public Funds Depositor Collateral Security Agreement which is intended to supercede and replace this Agreement; provided, however, that the terms of this Agreement shall continue to apply to all transactions entered into prior to such termination and until Bank shall have properly and fully paid out all uninsured deposits (including any uninsured time deposits) and Depositor shall have authorized Custodian to redeliver to Bank's sole control all Collateral then in Custodian's possession.

17. Custodian Fees. Any and all fees associated with the Custodian's holding of Collateral for the benefit of the Depositor will be paid by Bank and the Depositor will have no liability therefor.

In witness whereof, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day first above written.

DEPOSITOR:

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

BANK:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

The Custodian, if other than the Federal Reserve Bank, joins in the execution of this Agreement for purposes of Sections 8, 9 and 12, and if the Custodian is the Federal Reserve Bank, such joinder is to be evidenced as set forth in the Applicable Regulations, the Advice and any documentation related thereto.

CUSTODIAN:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT "A"  
to  
EXHIBIT "B"

[Description of Eligible Securities Pledged]

EXHIBIT "B"  
to  
EXHIBIT "B"

RESOLUTION CERTIFICATE  
AND CERTIFICATE OF INCUMBENCY  
OF \_\_\_\_\_ BANK

The undersigned hereby certifies as follows:

1. I am the officer of the Bank holding the title designated on the signature line of this Certificate.

2. Attached hereto as Annex I is a full, true and correct copy of resolutions (the "Resolutions") duly adopted by the [Board of Directors] [Loan Committee] of the Bank in conformity with the Articles of Association and By-laws of the Bank and in accordance with the laws of the State of Texas.

3. The Resolutions have not been amended, modified or rescinded, and are in full force and effect on the date hereof.

4. The Bank is duly organized and existing under the laws of \_\_\_\_\_.

5. All franchise and other taxes required to maintain the Bank's existence have been paid and none of such taxes are delinquent.

6. No proceedings are pending for the forfeiture of the Bank's authority to do business or for its dissolution, voluntarily or involuntarily.

7. The Bank is qualified to do business in each state where the nature of its business requires such qualification.

8. There is no provision in the Articles of Association, By-laws or any other agreement, indenture or contract to which the Bank or its property is subject which limits the Resolutions, and the Resolutions are in conformity with the provision of the Bank's Articles of Association and By-laws and with proceedings of the Board of Directors.

9. This resolution is made in order to comply with requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended, and 12 U.S.C. 1823(e), and shall constitute a business record of the Bank and shall be continuously maintained in the official business records of Bank.

10. The undersigned officers have been duly elected to the positions set opposite their respective names below and are qualified to act in the present capacities in which they sign for the Bank.

11. The signatures appearing opposite each of the undersigned officers is his or her authentic signature and each of the undersigned holds the office designated for the same.

<u>Name</u>	<u>Office</u>	<u>Signature</u>
_____	_____	_____
_____	_____	_____

EXECUTED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: [Secretary] [Recording Officer]

ANNEX I  
TO EXHIBIT "B" OF EXHIBIT "B"  
RESOLUTIONS

RESOLVED, that this Bank shall secure all deposits of Rockwall County Municipal Utility District No. 7 (the "District") in excess of amounts insured by the Federal Deposit Insurance Corporation ("Excess Funds") on deposit with the Bank at any time in whatever amount; and further

RESOLVED, in regard to the above referenced deposits, that the Chairman of the Board of Directors, President, any Executive Vice President, any Vice President, any Assistant Vice President, or any other officer of the Bank is hereby authorized and directed to execute for and on behalf of the Bank the following documents, it being further agreed that the execution of any of the same prior to the adoption of these resolutions is hereby ratified, confirmed and adopted:

1. A Public Funds Depositor Collateral Security Agreement (the "Collateral Security Agreement") in favor of the District, covering the Collateral described therein;

2. Such other and further documents as may be deemed necessary or desirable by such officer or as required by the District in regard to the securing of the Excess Funds; and further

RESOLVED, that the officers executing any of the above described documents are hereby authorized and empowered to do and perform any and all actions required by the terms and provisions of same to execute the same in the name and on behalf of the Bank, in such number of counterparts as the officer or officers executing the same shall deem necessary or desirable, with such terms, conditions, modifications, changes and provisions as the officer or officers executing the same may approve, the execution of such documents to evidence approval of the terms thereof conclusively; and further

RESOLVED, that any and all instruments executed and delivered on behalf of the Bank in connection with these resolutions by any person purporting to be an officer of the Bank shall be deemed to be the act of the Bank and shall be in all respects binding against the Bank; and further

RESOLVED, that all actions of all officers, agents or other representatives of the Bank taken or performed up to the date hereof in respect to the preparation, execution and delivery of the documents, certificates or other instruments contemplated hereby, and the taking prior to the date hereof of any and all actions otherwise required by the terms and provisions of the above referenced documents, be, and they hereby are, in all respects approved, ratified and confirmed; and further

RESOLVED, that this approval is intended to comply in all respects with the requirements of applicable statutory law relating to insurance of accounts including specifically, but without limitation, the requirements of 12 U.S.C.A. 1821(d)(9)(A) and 1823(e); and further

RESOLVED, that any deposit agreements between Bank and District and/or the Collateral Security Agreement are all intended to be, and shall be deemed to be, official records of the Bank; and further

RESOLVED, that any deposit agreements between Bank and District, the Collateral Security Agreement and these Resolutions shall be continuously maintained in the business records of the Bank.

THE STATE OF TEXAS §  
COUNTY OF ROCKWALL §  
ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7 §

I, the undersigned Secretary of the Board of Directors of Rockwall County Municipal Utility District No. 7 certify that the attached and foregoing is a true and correct copy of the Order Adopting an Investment Policy and Appointing an Investment Officer dated November 19, 2019 and an excerpt of the Minutes of the meeting of the Board of Directors showing adoption and passage thereof; and the original of said order and minute entry is on file in the District's Office.

WITNESS MY HAND AND OFFICIAL SEAL OF THE DISTRICT on November 19, 2019.

  
Michael W. Skinner, Secretary

[DISTRICT SEAL]



**AMENDED ORDER ADOPTING AN INVESTMENT POLICY AND  
APPOINTING AN INVESTMENT OFFICER  
November 19, 2019**

THE STATE OF TEXAS

COUNTY OF ROCKWALL

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7

The Board of Directors of Rockwall County Municipal Utility District No. 7 met in regular session, open to the public, after due notice, at its meeting place outside the District, on the date hereinafter set out; whereupon the roll was called of the members of the Board of Directors, to-wit:

Larry Christensen	President
Sandy Sinks	Vice President
Michael W. Skinner	Secretary
Terry Jones	Treasurer/Assistant Secretary
Martha Ann Cook	Assistant Secretary

All directors were present.

WHEREUPON, among other business conducted by the Board, Director Christensen introduced the Order set out below and moved its adoption, which motion was seconded by Director Cook and, after full discussion and the question being put to the Board of Directors, said motion was carried by the following vote:

"Aye" 5 ;

"No" 0 .

The Order thus adopted is as follows:

WHEREAS, Rockwall County Municipal Utility District No. 7 (the "District") is a body politic and corporate and a governmental agency of the State of Texas, operating under and governed by the provisions of Chapters 49 and 53 of the Texas Water Code, as amended, and Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, Chapter 2256, Texas Government Code, as amended (sometimes referred to herein as the "Public Funds Investment Act"), and Section 49.199, Texas Water Code, require that the Board of Directors of the District adopt certain rules, regulations and policies governing the investment of District funds and designate one or more of its officers or employees to be responsible for the investment of such funds;

NOW, THEREFORE, IT IS ORDERED BY THE BOARD OF DIRECTORS OF Rockwall County Municipal Utility District No. 7, THAT the policies, procedures and provisions

by the Board of Directors establishing policies for the investment of District funds and appointing an investment officer which shall be effective on November 19, 2019, the date of this Order.

Section 1. Purpose. The purpose of this Order Establishing Policy for Investment of District Funds and Appointing an Investment Officer (the "Investment Policy") is to adopt rules and regulations which set forth the District's policies with regard to the investment and security of District funds or funds under the District's control. It is further the purpose of this Investment Policy to ensure that purchases and sales of District investments are initiated by authorized individuals, conform to investment objectives and regulations, and are properly documented and approved, and to provide for the periodic review of District investments to evaluate investment performance and security, all as required by applicable law.

Section 2. Appointment of Investment Officer; Standard of Care. Ms. Kathi Dye or Ms. Kerry Tovery of Dye & Tovery, LLC, the District's Bookkeeper, shall be and is hereby designated the Investment Officer (the "Investment Officer") of the District, responsible for the supervision of investment of District funds pursuant to this Investment Policy. In the administration of her duties hereunder, the District's Investment Officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of his or her own affairs. The District's Board of Directors, Financial Advisor, as same may be designated from time to time, and other consultants shall be authorized to assist the Investment Officer in the carrying out of the duties of Investment Officer.

Section 3. Appointment of Investment Officer for Investment of District Funds. Pursuant to Section 49.157(b), Texas Water Code, the Board of Directors hereby designates the District's Investment Officer as the authorized representative of the District to (a) invest and reinvest the funds of the District; (b) withdraw District funds from appropriate accounts of the District for the investment of same in accordance with the terms of this Investment Policy; and (c) arrange for adequate security for uninsured deposits or funds of the District pursuant to and in compliance with a Public Funds Depositor Collateral Security Agreement which shall be substantially in the form attached hereto as Exhibit "B," and to execute said Agreement(s) and any documentation required in connection therewith on behalf of the District.

Section 4. Authority and Duties of Investment Officer. The following rules shall apply to the District's Investment Officer:

A. The Board of Directors hereby instructs the Investment Officer for the District to maintain the investments of the District in a manner consistent with the rules and regulations set forth in this Investment Policy and the Public Funds Investment Act, as amended.

B. No persons, other than those designated in Section 3 above, may deposit, invest, transfer, withdraw or otherwise manage District funds without express written authority of the District's Board of Directors.

C. The Investment Officer for the District shall invest and reinvest District funds only in those investments authorized under this Investment Policy or by the Board,

and only in the name of and solely for the account of the District. Ms. Kathi Dye, or Ms. Kerry Tovery of Dye & Tovery, LLC, shall be authorized to wire transfer funds of the District only (1) for the purchase of investments solely in the name of the District, (2) for the transfer of all or any portion of the principal of or interest earnings or profits or gains on any investment of the District to one or more previously authorized and established accounts of the District, (3) for the transfer of District funds to any paying agent of the District for the payment of principal and semiannual interest payments on any outstanding bonds of the District and for the payment of paying agent fees relative to same, or (4) pursuant to the express written instructions of the District's Board of Directors.

D. The Investment Officer for the District shall attend at least one (1) training session relating to the Investment Officer's responsibilities under the Public Funds Investment Act, as amended, from an independent source approved by the Board of Directors of the District or the Board's Investment Committee and containing at least ten (10) hours of instruction within twelve (12) months of assuming the duties of Investment Officer, and thereafter shall attend an investment training session not less than once in a two-year period that begins on the first day of the District's fiscal year end and consists of the two (2) consecutive years after that date and receive not less than ten (10) hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by the District's Board of Directors or the Board's Investment Committee. Such investment training must include education in investment controls, security risks, diversification of investment portfolio, strategy risks, market risks, and compliance with the provisions of the Public Funds Investment Act, as amended.

E. Not less frequently than each fiscal quarter, the District's Investment Officer shall prepare and submit to the Board of Directors of the District a written report of investment transactions for all invested funds of the District for the preceding reporting period. Such report must (1) describe in detail the investment position of the District on the date of the report; (2) be prepared by the Investment Officer for the District; (3) be signed by the Investment Officer of the District; (4) contain a summary statement of each pooled fund group, if any has been created by the District, that states the: (a) beginning market value for the reporting period, (b) ending market value for the period, and (c) fully accrued interest for the reporting period; (5) state the book value and market value of each separately invested asset of the District at the beginning and at the end of the reporting period by the type of asset and fund type invested; (6) state the maturity date of each separately invested asset that has a maturity date; (7) state the account or fund or pooled group fund, if the District has any, for which each individual investment was acquired; and (8) state the compliance of the District's investment portfolio as it relates to the investment strategy for each account of the District as set forth in this Investment Policy and relevant provisions of the Public Funds Investment Act, as amended. Such report must be presented to the Board of Directors of the District within a reasonable period of time after the end of each fiscal quarter. If the District invests in other than (i) money market mutual funds, (ii) investment pools or (iii) accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, all of the type authorized under Section 6 of

this Investment Policy, the reports prepared under this Section 4.E. shall be formally reviewed at least annually by an independent auditor, and the result of such review shall be reported to the District's Board of Directors by that auditor.

F. In the event District funds are invested or reinvested in Certificates of Deposit, the Investment Officer shall solicit bids from at least two (2) bidders, either orally, in writing, electronically or in any combination of those methods, for each such investment.

G. All purchases of investments, except investments in investment pools or in mutual funds, shall be made on a delivery versus payment basis.

H. Not less frequently than each fiscal quarter, and as close as practicable to the end of such reporting period, the District's Investment Officer shall determine the market value of each District investment. Such market values shall be included in the written reports submitted to the District's Board of Directors pursuant to Section 4.E hereinabove. The following methods shall be used:

- (1) Certificates of deposit shall be valued at their face value plus any accrued but unpaid interest.
- (2) Shares in money market mutual funds and investment pools, if any, shall be valued at par plus any accrued but unpaid interest.
- (3) Other investment securities may be valued in any of the following ways:
  - (a) the lower of two bids for such security obtained from qualified securities brokers/dealers with whom the District may engage in investment transactions;
  - (b) the average of the bid and asked prices for such security as published in The Wall Street Journal or The New York Times;
  - (c) the bid price for such security published by any nationally recognized security pricing service; or
  - (d) the market value quoted by the seller of the security.

I. A written copy of the District's Investment Policy must be presented to any business organization offering to engage in an investment transaction with the District. "Business organization" means 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 entity under the contract to exercise investment discretion in regard to the District's funds. The qualified representative of the business organization offering to engage in an investment transaction with the District or an investment management firm shall execute a written instrument in a form acceptable

to the District substantially to the effect that the business organization or firm has (1) received and reviewed the Investment Policy of the District; and (2) acknowledges that such business organization or firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the District and such organization or firm that are not authorized by the District's Investment Policy, except to the extent that such authorization (a) is dependent on an analysis of the makeup of the District's entire investment portfolio; (b) requires an interpretation of subjective investment standards, or (c) relates to investment transactions of the District that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority. The District's Investment Officer may not acquire or otherwise obtain any authorized investment described in Section 6 hereof from a person who has not delivered to the District the written statement acknowledging receipt of this Investment Policy in a form substantially similar to that attached hereto as Exhibit "A" (the "Certificate of Compliance"). For purposes of this Section 4.I., the "qualified representative" of a business organization offering to engage in an investment transaction with the District 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:

- (1) 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;
- (2) 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;
- (3) for an investment pool, the person authorized to sign the written instrument on behalf of the investment pool by the elected official or board with authority to administer the activities of the investment pool; or
- (4) 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 that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

J. The Investment Officer for the District shall disclose in writing to the Board of Directors any "personal business relationship" that they may have with a business organization offering to engage in an investment transaction with the District, or (ii) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, as amended, to any individual seeking to sell an investment to the District. Any written disclosure statement filed with the Board of Directors by the Investment Officer pursuant to this section must also be filed with the

Texas Ethics Commission. For purposes of this Section 4.J., the Investment Officer has a "personal business relationship" with a business organization if:

- (1) the Investment Officer 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;
- (2) funds received by the Investment Officer from the business organization exceed 10 percent of the Investment Officer's gross income for the previous year; or
- (3) the Investment Officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for their personal account.

K. In conjunction with the District's annual financial audit, a compliance audit of management controls on investments and adherence to this Investment Policy must be performed. In connection with said compliance audit, the Board of Directors shall review on an annual basis this Investment Policy and its investment strategies. In connection with said annual review, the District's Board of Directors shall adopt a written resolution stating that it has reviewed this Investment Policy and the investment strategies set forth herein, and shall indicate in said resolution either the continuance of this Investment Policy without amendment or the changes made to the Investment Policy and/or the investment strategies herein.

Section 5. General Investment Principles and Objectives. All investments of District funds or funds under the District's control shall be made in accordance with the following general rules, regulations and policies:

A. Any moneys in any fund of the District or in any fund established by the Board of Directors in connection with the authorization of the District's bonds, including, but not limited to, proceeds from the sale of such bonds, which funds are not required for the payment of obligations due or to become due immediately, shall be invested and reinvested, from time to time, only in the authorized investments specified in Section 6 hereunder; provided, however, that all such investments shall be secured in the manner provided for the security of the funds of utility districts of the State of Texas (The Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended) or in such other manner as may be authorized by law from time to time and otherwise suitable for the District's needs.

B. The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District will continuously attempt to diversify its portfolio to reduce risks. The type, conditions and maturity date of District investments shall be consistent with the cash flow needs and operating requirements of the District, as determined from time to time by the

Board of Directors, and consistent with the investment strategy for each District account as set forth in Section 7 hereunder.

C. If invested in certificates of deposits, the District's funds shall be secured, to the extent that such funds are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, by the pledge to the District of certain types of securities, as determined in the sole discretion of the District, which under the laws of the State of Texas may be used to secure the deposits of utility districts, pursuant to and in compliance with a Public Funds Depositor Collateral Security Agreement which shall be substantially in the form attached hereto as Exhibit "B", the terms and conditions of which are incorporated herein by reference (the "Public Funds Depositor Collateral Security Agreement").

D. Securities pledged to the District shall be pledged pursuant to and in compliance with a Public Funds Depositor Collateral Security Agreement to be entered into by and between the District and the institution(s) pledging such securities. Securities pledged to the District shall either be deposited and held in safekeeping at the trust or safekeeping department of a commercial banking institution located in the State of Texas not affiliated with the pledging institution(s) or a federal home loan bank, or shall be held in a restricted securities account, joint safekeeping account or other similar account in a branch of the Federal Reserve Bank pursuant to any and all applicable regulations, operating circulars, bulletins and policies of the Federal Reserve Bank, including the terms and conditions of any applicable forms or agreements, as may exist now or hereafter be enacted, promulgated or issued by the Federal Reserve Bank. The District's Investment Officer shall, within the limits of business practicality and consistent with the Federal Deposit Insurance Corporation Statement of Policy dated March 23, 1993, (or any subsequent applicable Statement of Policy issued by the FDIC) relative to the securing of public funds, ensure that the District's uninsured funds are at all times secured as required by the Public Funds Collateral Act (Chapter 2257, Texas Government Code, as amended) and in the manner set forth in the Public Funds Depositor Collateral Security Agreement. The District's Investment Officer is hereby authorized to execute Public Funds Depositor Collateral Security Agreements and any agreements, documents or forms required by the Federal Reserve Bank on behalf of the District, as and when required, and to approve the substitution of securities pledged to the District as collateral pursuant to and in the manner set forth in any Public Funds Depositor Collateral Security Agreement entered into by the District.

E. The Board of Directors recognizes that, within the framework of the above rules, decisions must be made concerning the type and duration of each investment transaction and that such decisions are best made by the person responsible for implementing the transaction, based upon the facts and circumstances prevailing at the time. As a guide to making such decisions, it is hereby declared the policy of the Board of Directors that priority should be given to proper security of the District's funds over maximizing the yield on investments. Furthermore, in cases where the rate of return on an investment security offered by competing banking institutions are substantially equivalent, the District's Investment Officer shall give preference to those investments and investment institutions offering the greatest degree of administrative convenience and proximity,

flexibility of investment arrangements and/or similar intangible benefits and community goodwill.

F. Except as herein provided, nothing herein shall be deemed or construed to authorize the withdrawal, expenditure or appropriation of funds of the District except by check or draft signed by three (3) members of the Board of Directors, or as otherwise provided by applicable statutes or the resolutions, rules, regulations, policies, orders or proceedings of the Board of Directors. Furthermore, the Board of Directors shall retain sole responsibility for establishing and implementing, from time to time, this Investment Policy, and all investment transactions to be undertaken by the District's Investment Officer pursuant to the Investment Policy shall be subject to the further or more specific directions, instructions, orders, resolutions or actions of the Board of Directors.

Section 6. Authorized Investments. The following categories of investment are authorized for investment of District funds:

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

B. Direct obligations of the State of Texas or its agencies and instrumentalities;

C. 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;

D. 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 any of 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;

E. 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;

F. Bonds issued, assumed, or guaranteed by the State of Israel;

G. 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 Fund or its successor;

H. Interest-bearing banking deposits other than those described by Section 6(G) if:

(1) The funds invested in the banking deposits are invested through:



- (a) A broker with a main office or branch office in the State of Texas that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Texas Government Code Section 2256.025; or
  - (b) A depository institution with a main office or branch office in the State of Texas that the investing entity selects;
- (2) The broker or depository institution selected as described by Paragraph (1) 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 investing entity's account;
  - (3) 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
  - (4) The investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:
    - (a) The depository institution selected as described by Paragraph (1);
    - (b) An entity described by Section Texas Government Code Section 2257.041(d); or
    - (c) 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).

I. Certificates of deposit or share deposit issued by a depository institution that has its main office or a branch office in the State of Texas that 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;
- (2) secured by obligations of the type described in Section 2256.010(2), Texas Government Code, as amended,
- (3) secured in accordance with Chapter 2257, Texas Government Code, as amended, or in any other manner and amount provided by law for deposits of the District pursuant to a Public Funds Depositor Collateral Security Agreement approved and executed by the District; or

- (4) in addition to the authority to invest funds in certificates of deposit under Section 2256.010(a), an investment in certificates of deposit must be made in accordance with conditions set out under Section 2256.010(b), Texas Government Code, as amended;

J. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance which meets the requirements set forth in Section 2256.013, Texas Government Code, as amended;

K. No-load money market mutual funds that:

- (1) are registered with and regulated by the Securities and Exchange Commission;
- (2) provide the District 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) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and
- (4) meet all other requirements set forth in Section 2256.014, Texas Government Code, as amended;

L. Investment pools which meet the requirements set forth in Section 2256.016 and Section 2256.019, Texas Government Code, as amended;

M. No-load mutual funds that:

- (1) are registered with the Securities and Exchange Commission;
- (2) have an average weighted maturity of less than two (2) years; and
- (3) either:
  - (a) has a duration of one year or more and are invested exclusively in obligations approved by Subchapter A. of the Public Funds Investment Act; or
  - (b) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

N. Banker's acceptances with a stated maturity of 270 days or fewer from the date of issuance which meet the requirements set forth in Section 2256.012, Texas Government Code, as amended;

O. Fully collateralized repurchase agreements meeting the requirements set forth in Section 2256.011, Texas Government Code, as amended, provided that the maximum maturity of same shall have a defined termination date; and

Section 7. Investment Strategies. District investments shall be made upon the evaluation of the specific investment objectives and strategies of each account of the District, with the primary objective for the selection of any District investment being the understanding of the suitability of such investment to the financial requirements of the District. The District's investment strategy for each of its accounts is as follows:

A. Operating/General Account: The operating/general account is used for all operations and maintenance needs of the District and funds therein shall be invested to meet the operating and cash flow requirements of the District as determined by the District's Board of Directors. The highest priorities for this account are the liquidity and marketability of an investment if the need arises to liquidate the investment before its maturity. Of equal importance is the preservation and safety of the principal of investments in the operating account. When these priorities are met, the yield on investments held in the operating/general account will next be considered.

B. Debt Service/Bond Fund Account: The District's debt service/bond fund account will be used to pay the District's debt service on its outstanding bonds. The highest priority for this account is the preservation and safety of principal. Since the District will know the amount of its debt service requirements and when it becomes due, investments for the debt service/bond fund account should be structured to coincide with the amount and timing of the debt service requirements. When the preservation and safety of principal and liquidity considerations for debt service purposes are assured, including the marketability of debt service/bond fund account investments in the event the need arises to liquidate an investment before its maturity, the yield on debt service/bond fund account investments should be considered. Since the amount of District funds in the debt service/bond fund account can be significant, diversification of the debt service/bond fund account investment portfolio may be necessary. The District may easily liquidate investments in an investment pool and therefore such investments may be appropriate in combination with longer term investments in the debt service/bond fund account.

C. Capital Projects/Construction Fund Account: The capital projects/construction fund account will be used to pay for capital improvements of the District. The highest priority for this account will be the preservation and safety of principal. In the event that funds held in the capital projects/construction fund account are for particular improvement projects that have been previously identified by the District's Board of Directors, the Board will have an idea of the approximate time when disbursements will be required to be made from this account. In this situation, investments in the capital projects/construction fund account should be structured so that

they mature or can be liquidated on or about the dates that disbursements are expected to be made. Once the safety of principal and liquidity and marketability of capital projects/construction fund account investments which are to match certain disbursement dates are assured, the yield on such investments may be considered. Since District funds in the capital projects/construction fund account may not be needed for a year or more, longer term instruments should be considered to increase yield. However, if funds available in the District's capital projects/construction fund account are surplus construction funds from prior bond issues or interest earnings on such funds and are not earmarked for specific improvement projects, but rather viewed by the District's Board of Directors as an emergency reserve fund for major repairs or rehabilitation projects, investments in the capital projects/construction fund account, at least to the extent that they are for emergency reserve purposes, should be kept in relatively short term investments that can be easily marketed and liquidated if necessary, such as investment pools. Alternatively, bond proceeds that may be deposited in the District's capital projects/construction fund account for reimbursement to a developer and which may be in the capital projects/construction fund account for only one or two days, should be kept in the most liquid investment available. Investment diversification for large amounts of District funds that may be deposited into the capital projects/construction fund account for only one or two days may be achieved through the use of an investment pool. Since investment pools are short term in nature, they would normally be used for District funds in this account only if the District knows that it will be dispersing funds in a relative short period of time. However, on some occasions the yield on investment pools is higher than on longer term investments, so their use may be optimal for funds in the capital projects/construction fund account.

Section 8. Miscellaneous.

A. In the event of any conflict or inconsistency between the terms of this Investment Policy and applicable requirements of law, such conflict or inconsistency will be resolved in favor of the more restrictive of this Investment Policy or the applicable requirements of law. In the event of any ambiguity or uncertainty as to the intent and application of any part, section, paragraph or provision hereof, a written request for clarification or approval of a proposed action describing such circumstances shall be submitted to the Board of Directors for a decision as to a proper course of action.

B. The rules, regulations and policies set forth herein shall be and remain in full force and effect unless and until amended, revised, rescinded or repealed by action of the Board of Directors. The District's Board of Directors specifically reserves the right to change, alter or amend any provision of this Investment Policy at any time.

C. The provisions of this Investment Policy are severable, and if any provision or part of this Investment Policy or the application thereof to any person or circumstances shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Investment Policy and the application of such provision or part of this Investment Policy shall not be affected thereby.

The President or Vice-President is authorized to execute and the Secretary or Assistant Secretary to attest this Investment Policy on behalf of the Board and the District.

PASSED AND ADOPTED this the 19th day of November, 2019.

ROCKWALL COUNTY MUNICIPAL UTILITY  
DISTRICT NO. 7

By:   
Larry Christensen, President  
Board of Directors

ATTEST;

By:   
Michael W. Skinner, Secretary



EXHIBIT "A"

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

To: Rockwall County Municipal Utility District No. 7 (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] [Title of such person]

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

Date: \_\_\_\_\_, 20\_\_

In accordance with the provisions of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, 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 into an investment transaction with the District, as applicable, as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Seller"), and that Seller meets all requirements under such Act to execute this Certificate.

2. Seller anticipates selling to the District investments that are authorized by the District's Order Adopting an Investment Policy and Appointment of Investment Officer, dated November 19, 2019 (the "Investment Policy") and the Public Funds Investment Act (collectively referred to herein as the "Investments").

3. I or a registered investment professional that services the District's account, as applicable, have received and reviewed the District's Investment Policy now in full force and effect. The District has further acknowledged that Seller may rely upon the Investment Policy until the District provides Seller with any amendments to or any newly adopted form of the Investment Policy.

4. Seller has implemented reasonable procedures and controls in an effort to preclude investment transactions between the District and Seller 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. Seller has reviewed or will review prior to sale, the terms, conditions and characteristics of the investments to be sold to the District and has determined or will determine,

prior to sale, that (i) each of the Investments is an authorized investment for local governments under the Public Funds Investment Act and (ii) each of the Investments is an authorized investment under the District's Investment Policy.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT "B"

PUBLIC FUNDS DEPOSITOR  
COLLATERAL SECURITY AGREEMENT

This Public Funds Depositor Collateral Security Agreement (the "Agreement") is made and entered into as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ by and between ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7 (the "Depositor") and \_\_\_\_\_ ("Bank"), and any prior Agreement between Depositor and Bank relative to the subject matter hereof is hereby terminated as of the date first written above.

RECITALS

Depositor, through action of its Board of Directors, has designated Bank as a depository for Depositor's funds. Funds on deposit with Bank to the credit of Depositor in excess of federal deposit insurance are required to be secured by eligible security as provided for by the Public Funds Collateral Act, V.T.C.A. Government Code Section 2257.001 et seq. (the "Public Funds Law"). Depositor and Bank understand and acknowledge that the amount of Depositor's uninsured deposits in Bank may vary substantially from time to time; that under the circumstances permitted herein, the Bank may release, add to or substitute for the securities pledged by Bank from time to time to secure such uninsured deposits of Depositor; and that it is the intent of the parties that this Agreement be renewed and extended upon and at the time of each permitted release, addition or substitution of collateral securities and thereafter remain in force and effect for the full term thereof until terminated in the manner set forth herein. In order to perfect Depositor's security interest in eligible securities pledged by Bank from time to time to secure such uninsured deposits, the Board of Directors of the Bank (the "Bank Board") has authorized the undersigned Bank officer to enter into this Agreement on behalf of Bank under the terms of which Bank will either (i) cause \_\_\_\_\_, a \_\_\_\_\_, domiciled in Texas which has been designated by the Texas State Depository Board as a Texas State Depository to hold the collateral assets in a custody account as bailee for the benefit of Depositor, or (ii) cause the Federal Reserve Bank to hold the collateral assets in a restricted securities account, joint safekeeping account or other similar account as custodian/bailee for the benefit of Depositor (such \_\_\_\_\_ or the Federal Reserve Bank, as the case may be, hereinafter called the "Custodian").

AGREEMENT

Now, Therefore, in consideration of the mutual covenants in this Agreement, the parties agree as follows:

1. Grant of Security Interest. To secure the uninsured deposits maintained by Depositor with Bank from time to time, Bank hereby pledges and grants to Depositor a security interest in its Eligible Securities (as defined in the Public Funds Law) which are held, now or hereafter, by Custodian for the benefit of Depositor in accordance with the terms of this Agreement (the "Collateral"). At all times during the term of this Agreement, the Collateral shall consist solely of the following:



general obligations of the United States of America or its agencies or instrumentalities backed by its full faith and credit;

direct obligations of the State of Texas or Texas State agencies and instrumentalities;

collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States of America, the underlying security for which is guaranteed by an agency or instrumentality of the United States of America;

other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States of America or their respective agencies and instrumentalities;

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;

fixed-rate collateralized mortgage obligations that have an expected weighted average life of 10 years or less and which do not constitute a high-risk mortgage security as defined in the Public Funds Law;

floating-rate collateralized mortgage obligations that do not constitute a high-risk mortgage security as defined in the Public Funds Law; and

such other investments as are authorized by resolution of the Board of Directors of the Depositor and the Public Funds Investment Act, as amended.

Bank shall cause Custodian to accept and hold the Collateral as bailee and/or custodian for Depositor to secure Bank's obligation to repay the deposits.

2. Receipts. The Collateral held by Custodian for the benefit of Depositor, as of the effective date of this Agreement, has been described on Trust Receipts (as defined in the Public Funds Law) issued by Custodian, copies of which Custodian has forwarded to Depositor, and such current Collateral is described on Exhibit "A" attached hereto and made a part hereof for all purposes. With respect to additional or substitute Collateral hereafter delivered by Bank to Custodian to hold for the benefit of Depositor, or any releases of securities previously held as Collateral ("Releases"), as contemplated by this Agreement, Bank shall cause Custodian to issue Trust Receipts or Releases describing such additional or substitute Collateral or released securities and promptly forward copies of same to Depositor. Such Trust Receipts and Releases which are furnished to Depositor by Custodian from time to time shall be deemed a part of this Agreement without further action on the part of any party hereto, and this Agreement shall apply to such released, additional or substitute Collateral to the same extent as if it were described on Exhibit "A" attached hereto. If the Custodian is the Federal Reserve Bank, such Trust Receipts or Releases will consist of a written confirmation (the "Advice"). Such Advice shall be subject to the terms and conditions of all applicable regulations, operating circulars, bulletins and policies of the Federal Reserve Bank, including the terms and conditions of any applicable forms or agreements, as may now exist or hereafter be enacted, promulgated or issued by the Federal Reserve Bank (collectively "Applicable Regulations"). Upon request of Depositor, Bank agrees

to provide or cause Custodian to provide a then-current list of all Collateral pledged by Bank to secure Depositor's funds to update Exhibit "A" to this Agreement.

3. Required Collateral Value. Bank agrees with Depositor that the total market value of the Collateral securing uninsured deposits maintained by Depositor with Bank will at all times during the term of the Agreement be not less than one hundred ten percent (110%) of the amount of such uninsured deposits (the "Required Collateral Value"). To insure that the Required Collateral Value is maintained, Bank will redetermine, on a daily basis, the amount of Depositor's uninsured deposits (taking into account that day's deposits, accrued interest, disbursements and withdrawals) held by Bank and (using the most recently determined market value of the Collateral) promptly add any additional Collateral which may be necessary to maintain the Required Collateral Value by either (i) depositing with Custodian for the purposes of this Agreement any additional Collateral or (ii) if the Custodian is the Federal Reserve Bank, transferring additional Collateral to a restricted securities account, joint safekeeping account or other similar account maintained by the Federal Reserve Bank. Determination of the market value of Collateral will be calculated monthly or more frequently on Depositor's request; provided, however, the foregoing shall not relieve Bank of its obligation to fully collateralize at all times the Depositor's uninsured deposits with Bank. If upon such monthly determination of the Collateral's market value, the Required Collateral Value is not then maintained, Bank will promptly deposit with Custodian for the purposes of this Agreement additional Collateral necessary to maintain the Required Collateral Value.

4. Release of Collateral. Custodian shall not release any part of the Collateral without Depositor's written authorization. Depositor agrees to furnish such authorization promptly upon Bank's request under the circumstances described in Sections 5, 6, or 13 of this Agreement. Depositor's authorization to Custodian to release from the Collateral only designated Eligible Securities shall terminate the security interest granted by Bank in this Agreement only with respect to such designated Eligible Securities. If the Custodian is the Federal Reserve Bank, this section shall apply except to the extent it is in conflict with the provisions of the Applicable Regulations, in which event the provisions of the Applicable Regulations shall govern the release of Collateral.

5. Substitution of Collateral. It is hereby agreed that upon obtaining the prior written consent of the Depositor, which consent shall not be unreasonably withheld, substitutions of the Collateral held hereunder may be made at any time so long as the fair market value of the Eligible Securities being substituted is at least equal to the fair market value of the Eligible Securities being removed. If the Custodian is the Federal Reserve Bank, this section shall apply except to the extent it is in conflict with the provisions of the Applicable Regulations, in which event the provisions of the Applicable Regulations shall govern the substitution of Collateral.

6. Excess Collateral. At such times as the aggregate market value of the Collateral held by Custodian exceeds the Required Collateral Value, Depositor, upon request by Bank, shall authorize Custodian to permit Bank to release the excess portion of the Collateral. Custodian shall have no further liability to Depositor with respect to those Eligible Securities released upon Depositor's authorization.

7. Additional Collateral. If at any time the aggregate market value of Collateral held by Custodian is less than the Required Collateral Value, Bank shall immediately upon learning of such circumstance, and without further action by Depositor, promptly either (i) deposit with Custodian sufficient additional Eligible Securities of the type specified in Section 1 as may be necessary to cause the aggregate market value of the Collateral to equal the Required Collateral Value, or (ii) transfer additional Eligible Securities of the type specified in Section 1 to the restricted securities account, joint safekeeping account or other similar account maintained by the Federal Reserve Bank as may be necessary to cause the aggregate market value of the Collateral to equal the Required Collateral Value and cause the Federal Reserve Bank to issue a corresponding Advice (and Bank will deposit with the Federal Reserve Bank additional Eligible Securities if and to the extent necessary to fulfill its obligations under this Agreement).

8. Earnings and Payments on Collateral. Bank shall be entitled to the interest income and earnings paid on the Collateral and Custodian may dispose of such interest income and earnings as directed by Bank without approval of Depositor, so long as Depositor has not notified Custodian of Bank's default under this Agreement. Bank shall be entitled to any principal payment or prepayment of the Collateral and Custodian may dispose of such principal payment or prepayment as directed by Bank without approval of Depositor, so long as (i) the Custodian has received a written accounting from the Bank indicating that the Required Collateral Value will be maintained after deducting from the market value of the Collateral (determined no more than four (4) days prior to such payment date) the amount of such principal payment or prepayment and (ii) Depositor has not notified Custodian of Bank's default under this Agreement. If the Custodian is the Federal Reserve Bank, this section shall apply except to the extent it is in conflict with the provisions of the Applicable Regulations, in which event the provisions of the Applicable Regulations shall govern the disposition of interest earnings and principal payments on the Collateral.

9. Default and Remedies. If Bank fails at any time to pay and satisfy, when due, any check, draft, or voucher lawfully drawn against any deposit or becomes insolvent or materially breaches its contract with Depositor, a default shall exist under this Agreement and Depositor shall give written notice of such default to Bank, and Bank shall have ten (10) days to cure same. In the event Bank fails to do so, it shall be the duty of Custodian, upon written demand of Depositor, to surrender or transfer the Collateral to Depositor or Depositor's nominee and Bank hereby irrevocably authorizes Custodian to surrender or transfer the Collateral upon the conditions herein specified. Depositor may sell all or any part of such Collateral in a commercially reasonable manner and out of the proceeds of the Collateral may pay Depositor all damages and losses sustained by it, together with all expenses of any and every kind incurred by it on account of such failure or insolvency sale. Depositor shall account to Bank for the remainder, if any, of said proceeds or Collateral remaining unsold. Such sale may be either at public or private sale; provided, however, Depositor shall give Bank ten (10) days' written notice of the time and place where such sale shall take place, and such sale shall be to the highest bidder for cash. Depositor and Bank shall have the right to bid at such sale. If the Custodian is the Federal Reserve Bank, this section shall apply except to the extent it is in conflict with the provisions of the Applicable Regulations, in which event the provisions of the Applicable Regulations shall govern the Depositor's exercise of remedies against the Collateral.

10. Authorization and Records. The Bank Board has authorized the pledge of Bank assets to collateralize uninsured deposits maintained by Depositor pursuant to resolutions substantially in the form of Annex I attached to the form of Resolution Certificate and Certificate of Incumbency attached hereto as Exhibit "B" (the "Resolution Certificate"), and has authorized the undersigned Bank officer to enter into, execute and deliver to Depositor this Agreement on behalf of Bank and to take all action which may be necessary or appropriate to create and perfect the security interest in the Collateral contemplated hereunder. Bank shall deliver to Depositor a fully executed Resolution Certificate as a condition precedent to the effectiveness of this Agreement and shall advise Depositor immediately of any revocation, amendment or modification thereof. Bank shall maintain this Agreement, its copies of all Trust Receipts, Releases and Advices, and the Resolution Certificate among its official records continuously until such time as this Agreement is terminated and all uninsured deposits of Depositor have been properly and fully paid out. This Agreement may be executed in one or more counterparts, each of which shall be an original.

11. Authorized Representative; Depositor Agreements. The Depositor hereby confirms that it has previously authorized its Investment Officer or employee of the General Manager, supervised by the Investment Officer, to execute this Agreement and any documentation required in connection therewith, including specifically pursuant to the Applicable Regulations and documentation related thereto, and to represent it and act on its behalf in any and all matters of every kind arising under this Agreement. During the term of this Agreement, the Depositor may further designate an additional officer or officers to singly or jointly represent and act on behalf of Depositor in any and all matters of every kind arising under this Agreement and, in such event, shall provide written notice thereof to Bank. In the event of any conflict between the provisions of this Agreement and any other agreement between the Depositor and the Bank relating to the deposits, this Agreement will control, unless the conflict is with the Applicable Regulations, in which event the Applicable Regulations will control. Bank and Depositor specifically agree that Depositor's prior approval is required for any par-for-par Collateral substitutions.

12. Custodian as Bailee. Custodian will promptly identify the pledge by Bank to Depositor of the Collateral on the Custodian's books and records and any additional or substitute Collateral and issue to Bank and Depositor Trust Receipts covering the Collateral. Similarly, Custodian will promptly remove from its books and records any securities released from the pledge by Bank in compliance with the terms of this Agreement and issue to Bank and Depositor appropriate Releases identifying the released securities. Custodian acknowledges that it is the bailee of Depositor for purposes of Section 2257.044 of the Public Funds Law, and its custodial capacity is deemed to be set forth on any Trust Receipt delivered to Bank and Depositor, whether such capacity is expressly so noted or not. If the Custodian is the Federal Reserve Bank, this section shall not apply, but Bank acknowledges the provisions of the Applicable Regulations which provide that the Federal Reserve Bank is acting as custodian/bailee; that the Collateral identified on the Advice is subject to the custodial provisions of the Applicable Regulations; and that the disposition thereof is subject to Depositor's approval.

13. Financial Condition. Bank will provide a statement of its financial position to the Depositor on at least a quarterly basis. Bank will provide to the Depositor an annual statement

audited by its outside auditors including a statement by its outside auditors as to its "fair presentation."

14. Amendment, Modification, Renewal. Each permitted release of previously pledged Collateral and each addition to or permitted substitution for Collateral shall be deemed and considered, without further action by Bank or Depositor, as an amendment to Exhibit "A" attached hereto and a contemporaneous renewal and extension of this Agreement for the term hereinafter stated upon the same terms and containing the same provisions as set forth herein, except as the Collateral subject to this Agreement may be modified or amended thereby; provided, however, that any such renewal and extension shall not affect any transaction entered into prior to such renewal and extension until Bank shall have properly and fully paid out all uninsured deposits (including any uninsured time deposits) and Depositor shall have authorized Custodian to redeliver to Bank's sole control all Collateral then in Custodian's possession. Otherwise, this Agreement may not be amended or modified except by mutual written agreement of the parties hereto.

15. Term. Unless sooner terminated as hereinafter provided, the term of this Agreement, and any renewal or extension hereof resulting from any release, addition to or substitution of securities pledged as Collateral hereunder, shall commence on the date of this Agreement, or the date of such release, addition or substitution, and continue for a term of ten (10) years.

16. Termination. Either Depositor or Bank may terminate this Agreement prior to the expiration of the term hereof upon thirty (30) days' advance written notice to the other or by entering into a new Public Funds Depositor Collateral Security Agreement which is intended to supercede and replace this Agreement; provided, however, that the terms of this Agreement shall continue to apply to all transactions entered into prior to such termination and until Bank shall have properly and fully paid out all uninsured deposits (including any uninsured time deposits) and Depositor shall have authorized Custodian to redeliver to Bank's sole control all Collateral then in Custodian's possession.

17. Custodian Fees. Any and all fees associated with the Custodian's holding of Collateral for the benefit of the Depositor will be paid by Bank and the Depositor will have no liability therefor.

In witness whereof, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day first above written.

DEPOSITOR:

ROCKWALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 7

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

BANK:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

The Custodian, if other than the Federal Reserve Bank, joins in the execution of this Agreement for purposes of Sections 8, 9 and 12, and if the Custodian is the Federal Reserve Bank, such joinder is to be evidenced as set forth in the Applicable Regulations, the Advice and any documentation related thereto.

CUSTODIAN:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT "A"  
to  
EXHIBIT "B"

[Description of Eligible Securities Pledged]

EXHIBIT "B"  
to  
EXHIBIT "B"

RESOLUTION CERTIFICATE  
AND CERTIFICATE OF INCUMBENCY  
OF \_\_\_\_\_ BANK

The undersigned hereby certifies as follows:

1. I am the officer of the Bank holding the title designated on the signature line of this Certificate.

2. Attached hereto as Annex I is a full, true and correct copy of resolutions (the "Resolutions") duly adopted by the [Board of Directors] [Loan Committee] of the Bank in conformity with the Articles of Association and By-laws of the Bank and in accordance with the laws of the State of Texas.

3. The Resolutions have not been amended, modified or rescinded, and are in full force and effect on the date hereof.

4. The Bank is duly organized and existing under the laws of \_\_\_\_\_.

5. All franchise and other taxes required to maintain the Bank's existence have been paid and none of such taxes are delinquent.

6. No proceedings are pending for the forfeiture of the Bank's authority to do business or for its dissolution, voluntarily or involuntarily.

7. The Bank is qualified to do business in each state where the nature of its business requires such qualification.

8. There is no provision in the Articles of Association, By-laws or any other agreement, indenture or contract to which the Bank or its property is subject which limits the Resolutions, and the Resolutions are in conformity with the provision of the Bank's Articles of Association and By-laws and with proceedings of the Board of Directors.

9. This resolution is made in order to comply with requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended, and 12 U.S.C. 1823(e), and shall constitute a business record of the Bank and shall be continuously maintained in the official business records of Bank.

10. The undersigned officers have been duly elected to the positions set opposite their respective names below and are qualified to act in the present capacities in which they sign for the Bank.



11. The signatures appearing opposite each of the undersigned officers is his or her authentic signature and each of the undersigned holds the office designated for the same.

<u>Name</u>	<u>Office</u>	<u>Signature</u>
_____	_____	_____
_____	_____	_____

EXECUTED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: [Secretary] [Recording Officer]

ANNEX I  
TO EXHIBIT "B" OF EXHIBIT "B"  
RESOLUTIONS

RESOLVED, that this Bank shall secure all deposits of Rockwall County Municipal Utility District No. 7 (the "District") in excess of amounts insured by the Federal Deposit Insurance Corporation ("Excess Funds") on deposit with the Bank at any time in whatever amount; and further

RESOLVED, in regard to the above referenced deposits, that the Chairman of the Board of Directors, President, any Executive Vice President, any Vice President, any Assistant Vice President, or any other officer of the Bank is hereby authorized and directed to execute for and on behalf of the Bank the following documents, it being further agreed that the execution of any of the same prior to the adoption of these resolutions is hereby ratified, confirmed and adopted:

1. A Public Funds Depositor Collateral Security Agreement (the "Collateral Security Agreement") in favor of the District, covering the Collateral described therein;

2. Such other and further documents as may be deemed necessary or desirable by such officer or as required by the District in regard to the securing of the Excess Funds; and further

RESOLVED, that the officers executing any of the above described documents are hereby authorized and empowered to do and perform any and all actions required by the terms and provisions of same to execute the same in the name and on behalf of the Bank, in such number of counterparts as the officer or officers executing the same shall deem necessary or desirable, with such terms, conditions, modifications, changes and provisions as the officer or officers executing the same may approve, the execution of such documents to evidence approval of the terms thereof conclusively; and further

RESOLVED, that any and all instruments executed and delivered on behalf of the Bank in connection with these resolutions by any person purporting to be an officer of the Bank shall be deemed to be the act of the Bank and shall be in all respects binding against the Bank; and further

RESOLVED, that all actions of all officers, agents or other representatives of the Bank taken or performed up to the date hereof in respect to the preparation, execution and delivery of the documents, certificates or other instruments contemplated hereby, and the taking prior to the date hereof of any and all actions otherwise required by the terms and provisions of the above referenced documents, be, and they hereby are, in all respects approved, ratified and confirmed; and further

RESOLVED, that this approval is intended to comply in all respects with the requirements of applicable statutory law relating to insurance of accounts including specifically, but without limitation, the requirements of 12 U.S.C.A. 1821(d)(9)(A) and 1823(e); and further

RESOLVED, that any deposit agreements between Bank and District and/or the Collateral Security Agreement are all intended to be, and shall be deemed to be, official records of the Bank; and further

RESOLVED, that any deposit agreements between Bank and District, the Collateral Security Agreement and these Resolutions shall be continuously maintained in the business records of the Bank.

**Rockwall Co. MUD No. 7**

**PROPOSED EFFECTIVE DATE: 10/18/20**

**PREMIUM SUMMARY**

COVERAGE	RENEWAL PREMIUM	LAST YEAR'S PREMIUM
GENERAL LIABILITY/HIRED & NON-OWNED AUTO	1,197.00	1,197.00
DIRECTORS AND OFFICERS	1,500.00	1,500.00
UMBRELLA LIABILITY	900.00	900.00
PUBLIC EMPLOYEE BLANKET CRIME	120.00	120.00
DIRECTOR'S BOND	175.00	175.00
BUSINESS TRAVEL ACCIDENT	300.00	300.00
<b>TOTAL PREMIUM</b>	<b>\$4,192.00</b>	<b>\$4,192.00</b>

*McDonald & Wessendorff thanks you for your business.*

\*\* Please note this proposal does not include any property or boiler & machinery coverage. If the district purchases any facilities, or adds any parks, ponds, lakes, etc., please contact our office to issue a property/boiler policy and/or endorse the general liability policy.

**\*\*\* OPTIONAL NEW COVERAGE(S) \*\*\***

OPTIONAL NEW COVERAGE	PREMIUM	ACCEPTED YES/NO
POLLUTION LIABILITY Please add \$525 to Umbrella if adding Pollution	750.00 (+\$525 to umbrella)	
WORKERS COMPENSATION & EMPLOYERS LIABILITY	221.00	
LAW ENFORCEMENT LIABILITY - \$1,000,000 LIMIT	1,000.00	
PEACE OFFICERS BOND # OF PEACE OFFICERS	50.00 Each	
CYBER LIABILITY	Quotable	
<b>TOTAL PREMIUM FOR ACCEPTED OPTIONAL COVERAGE</b>		

**PLEASE REPORT ALL NEW FACILITIES OR PROPERTIES IMMEDIATELY TO MCDONALD & WESSENDORFF**

**PAYMENT IS DUE WITHIN 30 DAYS OF THE EFFECTIVE DATE TO AVOID CANCELLATION.**

ACCEPTED BY: \_\_\_\_\_

PRINTED NAME & TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

FEDERAL TAX ID #: \_\_\_\_\_

WEB ADDRESS IF ANY: \_\_\_\_\_

**Premiums quoted are valid for 30 days from proposed effective date.**

*All descriptions of proposed coverage's provided herein are intended as an outline of coverage and are necessarily brief. For specific wording concerning insuring agreements, definitions, conditions, terms and exclusions not listed, please read each policy carefully. Please contact our office if there are any questions.*

McDonald & Wessendorff Insurance • 611 Morton • Richmond, Texas 77469  
PH (281) 342-6837 (MUDS) • Fax: (281) 341-6837 (MUDS)

