

Maxwell Water Supply Corporation

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1.0 Purpose

The purpose of this policy is to provide guidelines for the investment of Corporation funds in a manner which conforms to all State statutes, (Texas Government Code Chapter 2256, Subchapter A, Section 2256, as amended September 1997; Texas Water Code Chapter 54).

2.0 Policy

It is the Policy of the Corporation to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the water supply. The primary emphasis shall be on safety of the principal and the liquidity of the funds.

2.1 Scope

This policy applies to all operating, capital recovery, and restricted funds as classified in the Annual Audit. Specifically excluded are the financial transactions of the MWSC Employee Pension Plan. (Texas Public Funds Investment Act, Section 2256.004 (4).)

2.2 Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2.21 Standard of Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard. This standard shall be applied in the context of managing the overall portfolio rather than a consideration as to the prudence of a single investment. Investment officers acting in accordance with written procedures and the Investment Policy and exercising due diligence will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

2.22 Strategy and Objectives

MWSC's primary investment objectives, in order of priority, are to select securities which (1) preserve and protect the principal, (2) provide adequate liquidity, and (3) earn a

acceptable but financial risk is unacceptable. Sufficient non-volatile, liquid investments shall be maintained to pay all construction costs and debt service as needed. The restricted funds portfolio, excluding construction funds, should consist of no more than 75% government securities, or 50% bank certificates of deposit, or 33% of other types of eligible securities. However, during construction projects, MWSC may invest up to 100% of the construction budget in government securities. The maximum final maturity of any restricted bond fund investment shall be five (5) years. The maximum final maturity of any restricted construction fund investment shall be the number of months within an original construction draw schedule plus six months for retainage purposes. The yearly average rate of return for restricted funds should equal or exceed the average six month U.S. Treasury rate during any fiscal year.

2.27 Authorized Investments

In accordance with the Texas Public Funds Investment Act, Section 2256.009-2256.016, funds in excess of current requirements may be invested to the extent, and only if permitted by the law of the State of Texas and any applicable bond indentures, in the following obligations or securities:

A. Obligations of the United States of America or its agencies and instrumentalities having a stated final maturity of five (5) years or less.

B. Direct obligations of the State of Texas or its agencies and instrumentalities having a stated final maturity of five (5) years or less.

C. Other obligations, the principal of 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 having a stated final maturity of five (5) years or less.

D. Fully insured or collateralized certificates of deposit from a bank or credit union domiciled in the State of Texas, under the terms of a written depository agreement and having a stated final maturity of two (2) years or less.

E. Fully collateralized repurchase agreements having a defined termination date, secured by obligations described in (A) above, and pledged to MWSC, delivered to the paying agent, registrar or the depository approved by MWSC and placed through a primary government securities dealer or a financial institution doing business in this state.

F. Prime commercial paper with a stated maturity of 270 days or less, which are rated not less than A-1 or P-1 or its equivalent by at least two nationally recognized rating agencies.

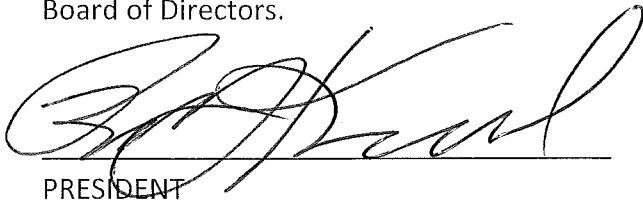
2.30 Documentation

The documentation, or trade ticket, of each competitive investment selection shall be retained for two (2) years. The documentation should detail the financial institutions bidding, the maturities quoted, the yields offered and a brief narrative supporting the final selection.

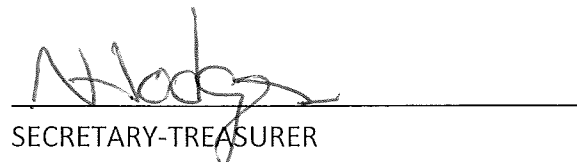
2.31 Diversification

MWSC's investments should be diversified to reduce overall portfolio risks including: risk of default.

Adopted this 27 day of July, 2017 by a majority vote of a quorum of the Board of Directors.



PRESIDENT



SECRETARY-TREASURER

(seal)