

**BOARD OF DIRECTORS
SAN JACINTO RIVER AUTHORITY
MINUTES OF REGULAR MEETING
JUNE 25, 2015**

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., June 25, 2015, at the San Jacinto River Authority General and Administration Building, a notice of said meeting had been posted as required by law. President Lloyd Tisdale, Vice President Fredrick Koetting, Secretary Mary Rummell, Board Member John Eckstrum, and Board Member Mike Bleier were present. Board Member Jim Alexander and Treasurer Joseph Stunja were absent. General Manager Jace Houston, Deputy General Manager Ron Kelling, Director of Financial and Administrative Services Tom Michel, Director of Raw Water David Parkhill, Administrative Services Manager Cynthia Bowman, Public Relations Manager Ronda Trow, Woodlands Division Manager SuEllen Staggs, GRP Division Manager Mark Smith, General Counsel Mitchell Page, and Financial Advisor Jan Bartholomew were in attendance.

1. CALL TO ORDER

The meeting was called to order at 8:06 a.m.

2. PLEDGE OF ALLEGIANCE

Mr. Eckstrum led the pledges.

3. PUBLIC COMMENTS

There were no public comments.

4. DIVISION UPDATES

a. G & A:

Mr. Houston discussed several legislative matters stating that he would present a legislative summary at the next Board meeting. He commented on a visit from Board Member Kathleen Jackson of the Texas Water Development Board and mentioned that Carlos Rubenstein will retire from the Texas Water Development Board this summer and Bech Bruun will be his successor.

b. G & A:

Ms. Trow discussed media outreach efforts related to Lake Conroe Reservoir during heavy rainfall events; attendance at Montgomery Chamber of Commerce event; GRP call-taker training related to water quality; and the upcoming Conroe Chamber of Commerce Annual Fireworks Over Lake Conroe event.

c. G & A:

Mr. Michel discussed the recent significant rainfall's impact on revenue. He stated that the Finance Committee met this month to review the draft Fiscal Year 2016 budget, further stating that the draft will be presented to the Board in July.

d. Woodlands:

Ms. Staggs commented on the item on the Consent agenda, stating that the Change Order resulted in a credit of \$190,681 for that project.

e. GRP:

Mark Smith reported that the GRP Review Committee met on June 22, 2015, and recommended approval of all items on the agenda related to GRP. He reported on training and staffing at the Surface Water Facility and briefly discussed the GRP Consent agenda items. He went on to report that Exhibit 2, "GRP Program Estimate-At-Completion as of May 31, 2015," reflects an overall decrease in cost for the program from what was originally anticipated.

f. Technical Services:

Mr. Phil Smith and Mr. Shane Porter gave an update on the GRP Surface Water Facility and the Surface Water Transmission Line System, respectively, for the month of May. Mr. Kelling stated that they are working on logistics with the City of Conroe regarding the flushing of lines to accommodate delivery of water to their system. Appreciation and thanks were expressed to the Technical Services, GRP, and SCADA teams for their efforts in the start-up process.

g. Raw Water:

Mr. Parkhill briefly overviewed the Consent agenda items related to Raw Water Enterprise. He then gave an update on the meetings held with property owners and contractors regarding the Lake Conroe Rules and Regulations, stating that all documents will be uploaded to the website in the coming days. Mr. Parkhill then gave a brief update on construction projects related to the Highlands.

5. CONSENT AGENDA

Mr. Houston provided a brief overview of the items on the consent agenda and offered to answer any questions from board members. There were no questions or discussion. Mr. Eckstrum moved to approve all items on the consent agenda (listed below). The motion was seconded by Ms. Rummell and carried with all present voting aye.

a. Approval of Minutes - Regular Meeting of May 28, 2015.

b. Unaudited Financials for the Month of May

Review and act upon unaudited financials for the month of May, 2015.

c. Quarterly Investment Report for the Quarter Ended May 31, 2015

Review and act upon approval of Quarterly Investment Report for the Quarter Ended May 31, 2015.

d. Woodlands - Change Order for Demolition and Replacement of Ground Storage Tank No. 1

Consider authorizing General Manager to execute Change Order No. 1 for Demolition and Replacement of Ground Storage Tank No. 1 at Water Plant No. 1 in The Woodlands.

e. GRP - Change Order to Construction Contract for Fiber Optic Network Communication System

Consider authorizing General Manager to execute Change Order No. 1 to Construction Contract for Fiber Optic Network Communication System for the GRP Program.

f. GRP - Amendment to Work Order for Final Transient Analysis

Consider authorizing General Manager to execute Amendment No. 1 to Work Order No. 16 for Final Transient Analysis for the GRP Program.

g. Raw Water Enterprise - Amendment to Work Order for Professional Engineering Construction Phase Services During Construction of East Canal Transfer Pump Station

Consider authorizing General Manager to execute Amendment No. 1 to Work Order No. 12 for Professional Engineering Construction Phase Services During Construction of East Canal Transfer Pump Station for the Highlands Division.

h. Raw Water Enterprise - Amendment to Work Order for General Engineering Services Related to Dam Safety for the Lake Conroe Dam

Consider authorizing General Manager to execute Amendment No. 1 to Work Order No. 8 for General Engineering Services Related to Dam Safety for the Lake Conroe Dam.

6. REGULAR AGENDA

a. G&A

1. Presentation - General & Administrative Capital Improvement Program

Mr. Houston presented information regarding the General and Administrative Fiscal Year 2016 – Fiscal Year 2020 Capital Improvement Program (CIP). He explained that the CIP includes projects related to the campus such as security on site, access to the site, and public safety. Mr. Houston went through each of the projects detailing the funding source and the fiscal year in which the project would be funded.

b. WOODLANDS

Ms. Staggs presented each of the items on the agenda related to the Woodlands Division.

1. Construction Contract for Rehabilitation of Lift Station No. 7

Ms. Rummell made a motion to authorize the General Manager to execute a construction contract in the amount of \$216,405 with contract modifications up to \$25,000, with R+B Group, Inc., for rehabilitation of Lift Station No. 7 in The Woodlands. The motion was seconded by Mr. Koetting and carried unanimously.

2. Construction Contract for the Gosling Road Waterline Replacement Project

Mr. Eckstrum made a motion to authorize the General Manager to execute a construction contract in the amount of \$281,350, with contract modifications up to \$30,000, with PM

Construction & Rehab, LLC, for the Gosling Road Waterline Replacement Project in The Woodlands. Ms. Rummell seconded the motion and carried unanimously.

3. Professional Services Agreement and Work Order for Preliminary and Final Design and Procurement for Wastewater Treatment Plant No. 2 Filter Rehabilitation

Mr. Koetting moved to authorize the General Manager to execute a Professional Services Agreement and Work Order No. 1 in an amount not to exceed \$172,901.10 with Carollo Engineers, Inc., for preliminary and final design and procurement for Wastewater Treatment Plant No. 2 filter rehabilitation in The Woodlands. Ms. Staggs explained that the contract includes a full hydraulic study of the plant. Ms. Rummell seconded the motion and carried unanimously.

4. Agreement Regarding Partial Relocation of Water Line Easement

Mr. Page explained that The Woodlands Mall is requesting to relocate a SJRA water line to accommodate new development, stating that the mall owners are responsible for the engineering and relocation while the Woodlands Division will oversee the relocation. He went on to say that the water line easement needs to reflect the relocation, which necessitated the agreement. Accordingly, Mr. Eckstrum moved to authorize the General Manager to execute an Agreement Regarding Partial Relocation of Water Line Easement (The Woodlands Mall). The motion was seconded by Ms. Rummell and carried unanimously.

5. Presentation - Woodlands Capital Improvement Program

Ms. Staggs presented information regarding the Woodlands Division Capital Improvement Program (CIP) for Fiscal Years 2016 through 2020, focusing on project related to managing aging infrastructure and ensuring capacity availability within the water and wastewater systems.

c. GRP

Mr. Smith presented each of the items on the agenda related to the GRP Division.

1. Amendment to Work Order for Construction Management and Inspection Services for the Surface Water Transmission System

Mr. Koetting made a motion to authorize the General Manager to execute Amendment No. 2 to Work Order No. 2 in an amount not to exceed \$150,000 with Kellogg Brown & Root, Inc., for construction management and inspection services for the Surface Water Transmission System for the GRP Program. Ms. Rummell seconded the motion and carried unanimously.

2. Change Order to Close Out Construction Contract for Surface Water Transmission Line Segment W2B

Ms. Rummell made a motion to authorize the General Manager to execute Change Order No. 2 with Texas Sterling Construction Co., for a credit of \$1,111,679.51, to close out construction contract for Surface Water Transmission Line Segment W2B for the GRP Program. The motion was seconded by Mr. Koetting with all present voting aye.

3. Change Order to Close Out Construction Contract for Surface Water Transmission Line Segment W3A

Ms. Rummell made a motion to authorize the General Manager to execute Change Order No. 1 with Huff & Mitchell, Inc., for a credit of \$195,170.00, to close out construction contract for Surface Water Transmission Line Segment W3A for the GRP Program. Mr. Koetting seconded the motion and carried unanimously.

4. New GRP Participants

Because there were no new participants, this item was not considered.

5. Amended Rate Order for GRP Participants

Mr. Smith explained that this amended rate order will adjust the pumpage and import fees from \$2.25 per 1,000 gallons to \$2.32 per 1,000 gallons, and increases the Surface Water fee from \$2.44 per 1,000 gallons to \$2.51 per 1,000 gallons which will go into effect on September 1, 2015. He stated that currently, Article VI of the rate order is marked as a place holder for a future amendment to address the Lone Star Groundwater Conservation District permitting requirements (rules) related to well permit fees. Mr. Smith went on to state that the required notices have been sent out to the GRP participants related to this amendment as well as the anticipated amendment related to Article VI, if resolved in the near future. Mr. Kelling briefly discussed the development of trigger points and actions based on those trigger points as it relates to revenue. After further discussion, Ms. Rummell made a motion to approve the amended rate order for GRP Participants, attached hereto as "Exhibit A". Mr. Koetting seconded the motion and carried unanimously.

d. RAW WATER ENTERPRISE

Mr. Parkhill presented each of the items on the agenda related to Raw Water Enterprise.

1. Work Order for Professional Engineering Environmental Review and Permitting Services for the Lake Houston Pump Station

Mr. Eckstrum made a motion to authorize the General Manager to execute Work Order No. 3 in the amount of \$23,856 with Freese and Nichols, Inc., for professional engineering environmental review and permitting services for the Lake Houston Pump Station for the Highlands Division. Ms. Rummell seconded the motion and carried unanimously.

2. Work Order for Professional Engineering Water Strategy Consulting Services for Raw Water Enterprise

Mr. Eckstrum moved to authorize the General Manager to execute Work Order No. 5 in an amount not to exceed \$52,524, with Freese and Nichol, Inc., for professional engineering water strategy consulting services for Raw Water Enterprise. Mr. Koetting seconded the motion and carried unanimously.

3. Resolution Authorizing the Issuance, Sale and Delivery of Water Revenue Bonds

Mr. Page and Ms. Bartholomew presented information regarding the issuance, sale, and delivery of Water Revenue Bonds. They stated that the Texas Water Development Board approved the Authority's application for financial assistance in the amount of \$29,000,000

for making improvements to the Highlands System at an interest rate of 3.9%. After further discussion, Ms. Rummell made a motion to approve the adoption of a resolution, attached hereto as "Exhibit B", authorizing the issuance, sale, and delivery of \$29,000,000 Water Revenue Bonds, Series 2015, to the Texas Water Development Board. The motion was seconded by Mr. Koetting and carried unanimously.

7. EXECUTIVE SESSION

The meeting was called into executive session at 9:52 a.m., under the provisions of Section 551, Texas Government Code, to discuss one or more of the following topics: under the authority of Section 551.071, consultation with attorney; under the authority of Section 551.072, real property; under the authority of Section 551.073, prospective gift; under the authority of Section 551.074, personnel matters; and under the authority of Section 551.076, security devices.

8. OPEN SESSION FOR ACTION FOLLOWING EXECUTIVE SESSION

The meeting was called into open session at 10:11 a.m. No action was taken regarding the items discussed in executive session.

9. ANNOUNCEMENTS/FUTURE AGENDA

Mr. Tisdale announced that the next SJRA Board meeting will take place on July 23, 2015.

10. ADJOURN

Without objection, the meeting was adjourned at 10:12 a.m.


Mary L. Rummell, Secretary

Exhibit A

SAN JACINTO RIVER AUTHORITY

RATE ORDER

(GRP PARTICIPANTS)

ORDER No.: 2015-0-01

*ADOPTED JUNE 25, 2015
EFFECTIVE JULY 1, 2015*

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SAN JACINTO RIVER AUTHORITY

RATE ORDER

(GRP PARTICIPANTS)

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

RECITALS

WHEREAS, the San Jacinto River Authority (the "Authority"), is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Act"); and

WHEREAS, the Authority is authorized by the Act, and the general laws of the State to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend, inside and outside its boundaries, any and all works, improvements, facilities, plants, equipment and appliances necessary to provide a water supply system for serving its needs and/or the needs of its customers; and

WHEREAS, the Authority has entered into certain contracts (the "Customer Contracts") for the financing, construction and operation of the Woodlands Water Supply System (as defined in the Customer Contracts) to serve the conservation and reclamation district customers of the Woodlands Division of the Authority; and

WHEREAS, each of the Customer Contracts has been amended and supplemented by a written addendum, dated as of November 10, 2009 (the "Addenda"), in order to address compliance with groundwater reduction requirements imposed by the Lone Star Groundwater Conservation District (the "Conservation District") and that are applicable to the Authority and the Woodlands Water Supply System; and

WHEREAS, the Authority has entered into contracts (the "GRP Contracts") with certain Large Volume Groundwater Users (as defined in the District Regulatory Plan of the Conservation District) in order to address compliance with groundwater reduction requirements imposed by the Conservation District that are also applicable to the water supply systems of such Large Volume Groundwater Users; and

WHEREAS, the Addenda and the GRP Contracts provide, in pertinent part, that the Authority will: (a) develop, implement, administer and enforce a groundwater reduction plan ("GRP") for the Woodlands Water Supply System and the water supply systems of such other participating Large Volume Groundwater Users (collectively, and inclusive of the Authority, the

"Participants"); (b) plan, design, permit, construct, operate, maintain and administer a surface water treatment and transmission system, including all related facilities, improvements, appurtenances, property and interests in property and contract rights needed therefor, and administrative facilities needed in connection therewith (the "Project"); (c) furnish and sell treated surface water from the Project to certain of the Participants, as feasible and necessary to implement the GRP; (d) assess fees on the pumpage of groundwater wells operated by the Participants; and (e) utilize revenues derived from such treated surface water sales and pumpage fees to finance the Project and the GRP, including the pledge of such revenues to the payment of, and as security for, the bonds or other obligations of the Authority issued or incurred to finance or refinance the Project and the GRP; and

WHEREAS, the Board of Directors of the Authority deems it necessary and proper at this time to establish certain fees, rates and charges applicable to the Participants, as authorized and required under the Addenda and the GRP Contracts, in order to: (a) achieve and maintain compliance with the rules of the Conservation District and the GRP; (b) develop, implement, administer and enforce the GRP; (c) accomplish the purposes of the Addenda and the GRP Contracts, including making available alternative water supplies; (d) recoup certain losses, damages, costs, interest or expenses; (e) purchase, lease, reserve, option or contract for alternative water supplies, by, through or with third parties or the Authority; (f) meet operation and maintenance expenses related to the Project and the GRP; (g) pay certain capital costs, as well as the principal of and interest on certain notes, bonds and/or other obligations issued or incurred, or to be issued or incurred, in connection with the Project, the GRP or the Authority's obligations under the Addenda or the GRP Contracts; (h) satisfy all rate covenants relating to any of such notes, bonds and/or other obligations of the Authority; and (i) establish, accumulate, maintain or replenish one or more operating, debt service, contingency or emergency reserve funds, as deemed reasonably necessary by the Authority;

NOW THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY THAT:

ARTICLE I

FINDINGS; EFFECTIVE DATE; PRIOR RATE ORDER

Section 1.01: Findings. Each of the recitals stated in this Rate Order are hereby adopted as findings of fact of the Board of Directors. All statutory and contractual requirements and conditions have been met for the establishment of fees, rates, and charges under this Rate Order.

Section 1.02: Effective Date; Prior Rate Order. This Order shall be effective as of July 1, 2015 (the "Effective Date"). That certain prior Rate Order adopted by the Authority on May 22, 2014, shall be repealed and superseded hereby in all respects as of the Effective Date.

ARTICLE II

DEFINITIONS; INTERPRETATIONS; REFERENCES

Section 2.01: Definitions. In addition to terms defined elsewhere in this Rate Order, and unless the context requires otherwise, the following terms used in this Rate Order shall have the following meanings and, to the extent applicable, shall serve to supplement terms defined elsewhere in this Rate Order:

"Act" is defined in the recitals hereto and means and includes any amendments to the Act.

"Addenda" is defined in the recitals hereto and means and includes any amendments or supplements to the Addenda.

"Authority" is defined in the recitals hereto and means and includes the legal successors or assigns of the Authority.

"Authority Meters" has the meaning ascribed to such term in the GRP Contracts.

"AWS Well" means any groundwater well operated by any Participant, whether currently in operation or placed into operation hereafter, that produces water qualifying as an "Alternative Water Source" under the Rules.

"AWS Wells" means each and every AWS Well, collectively, whether one or more.

"Conservation District" is defined in the recitals hereto and means and includes the legal successors or assigns of the Conservation District.

"Contract Quantity" has the meaning ascribed to such term in the GRP Contracts.

"Conversion Date" means the date upon a Converted Participant shall begin making payment for Surface Water.

"Converted Participant" means a Participant receiving Surface Water from the Project.

"Converted Participant's Receiving Facilities" means the water plant or other water system facilities at the Point of Delivery where a Converted Participant receives Surface Water from the Project.

"Customer Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the Customer Contracts.

"Effective Date" is defined in Section 1.02 hereof.

"Fees" means the Pumpage Fee, the Import Fee and the Surface Water Fee, collectively.

"GRP" is defined in the recitals hereto and means and includes any amendments or supplements to the GRP.

"GRP Administrator" has the meaning ascribed to such term in the GRP Contracts.

"GRP Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the GRP Contracts.

"GRP Drought Contingency Plan" means the Drought Contingency Plan for San Jacinto River Authority GRP Division, adopted by the Board of Directors of the Authority on March 27, 2014, and any amendments or supplements thereto.

"GRP Water Conservation Plan" means the Water Conservation Plan for San Jacinto River Authority GRP Division, adopted by the Board of Directors of the Authority on March 27, 2014, and any amendments or supplements thereto.

"Import Fee" means the fee imposed under Section 3.02(a) hereof.

"Initial-Conversion-Obligation-Adjusted Total Qualifying Demand" or "ICO-Adjusted Total Qualifying Demand" has the meaning ascribed to such term under the Plan and generally means (a) for Total Qualifying Demand of 10 million gallons or greater, 70 percent of the Total Qualifying Demand or 10 million gallons, whichever amount is greater, and (b) for Total Qualifying Demand of less than 10 million gallons, the original Total Qualifying Demand.

"ORS" means the online reporting system offered and maintained by or on behalf of the Authority, currently the "Pumpage Reporting Online System" or any successor system.

"Participant" means any of the Participants, without distinction.

"Participant Meters" has the meaning ascribed to such term in the GRP Contracts.

"Participants" is defined in the recitals hereto and means and includes the Authority, and any Large Volume Groundwater User that executes a GRP Contract with the Authority.

"Payment Commencement Date" has the meaning ascribed to such term in a Participant's GRP Contract with respect to such Participant, or August 1, 2010, with respect to the Authority, if applicable.

"Plan" means the District Regulatory Plan adopted by the Conservation District and includes any amendments, revisions or supplements thereto as may be adopted by the Conservation District on or after the Effective Date.

"Point of Delivery" has the meaning ascribed to such term in the GRP Contracts.

"Project" is defined in the recitals hereto and means and includes any and all extensions, modifications, enlargements or improvements to the Project permitted under the Addenda and the GRP Contracts.

"Pumpage Fee" means the fee imposed under Section 3.01(a) hereof

"Surface Water Fee" means the fee imposed under Section 3.03 hereof applicable to Surface Water delivered by and through the Project to a Converted Participant.

"Surface Water" means treated surface water delivered by and through the Project (i.e., "Water" as defined under the GRP Contracts).

"Total Qualifying Demand" has the meaning ascribed to such term under the Plan and generally means the final volume of groundwater that a permit holder is authorized under the terms of a permit issued by the Conservation District to produce from Wells in the Gulf Coast Aquifer (Chico, Evangeline and Jasper Aquifers) in calendar year 2009, as determined by the Conservation District in accordance with the Plan.

"Well" means any groundwater well operated by any Participant, whether currently in operation or placed into operation hereafter, that is subject to the groundwater reduction requirements set forth in the Plan. Accordingly, such term does not include any AWS Well.

"Wells" means each and every Well, collectively, whether one or more.

Section 2.02: Interpretations. The article, section, subsection and paragraph headings of this Rate Order are included herein for convenience of reference purposes only and shall not constitute a part of this Rate Order or affect its interpretation in any respect. Except where the context otherwise requires, words imparting the singular number shall include the plural and vice versa. References to an entity refer to the legal successors of such entity, and to the board of directors, officers, or other officials of such entity where appropriate.

Section 2.03: References. For the avoidance of doubt, any reference in this Rate Order to a document shall mean such document and all exhibits thereto, as amended or supplemented from time to time.

ARTICLE III

FEES AND RATES

Section 3.01: Pumpage Fee.

(a) *General.* Each Participant shall pay a Pumpage Fee of \$2.25 per 1,000 gallons of groundwater pumped from its Wells during each whole or partial calendar month, beginning on the later of the Effective Date or the Payment Commencement Date stated in such Participant's GRP Contract and continuing through August 31, 2015. Thereafter, each Participant shall pay a

Pumpage Fee of \$2.32 per 1,000 gallons of groundwater pumped from its Wells during each whole or partial calendar month, beginning on the later of September 1, 2015 or the Payment Commencement Date stated in such Participant's GRP Contract. Such pumpage of groundwater shall be metered by Participant in accordance with Article VIII hereof and reported to the Authority in accordance with Article IV hereof. Payment of the Pumpage Fee shall be remitted to the Authority in accordance with Article V hereof.

(b) *Exception.* Notwithstanding paragraph (a) above, no Pumpage Fee shall be due with respect to Wells acquired by Participant that is a municipality if such Wells were formerly owned or operated by a conservation and reclamation district or entity that functioned under a groundwater reduction plan separate from the GRP, and such Participant has notified the Authority in writing that the Wells owned or operated by the district or entity will remain part of the groundwater reduction plan that is separate from the GRP. If a Participant is exempt, in whole or in part, from paying a Pumpage Fee pursuant to the above, then Participant shall submit a statement describing with reasonable detail the basis on such exemption in place of, or along with, payment to the Authority under Article V hereof.

Section 3.02: Import Fee.

(a) *General.* Each Participant shall pay an Import Fee of \$2.25 per 1,000 gallons of water imported by Participant from any person or entity, during each whole or partial calendar month, beginning on the later of the Effective Date or the Payment Commencement Date stated in such Participant's GRP Contract and continuing through August 31, 2015. Thereafter, each Participant shall pay an Import Fee of \$2.32 per 1,000 gallons of water imported by Participant from any person or entity, during each whole or partial calendar month, beginning on the later of September 1, 2015 or the Payment Commencement Date stated in such Participant's GRP Contract. Such importation of water shall be metered by Participant as in accordance with Article VIII hereof and reported to the Authority in accordance with Article IV hereof. Payment of the Import Fee shall be remitted to the Authority in accordance with Article V hereof.

(b) *Exceptions.* Notwithstanding paragraph (b) above, no Import Fee shall be due if –

(1) such imported water was supplied to a Participant from another Participant;

(2) such imported water was derived from the re-use of water (from any source) or wastewater effluent;

(3) such imported water was derived from water withdrawn from an AWS Well; or

(4) such importation is necessary due to an emergency impacting the ability of Participant to meet its water demands, the period of importation lasts for less than fifteen (15) consecutive days, and Participant has not imported water during more than thirty (30) days during the current calendar year.

If a Participant is exempt, in whole or in part, from paying an Import Fee pursuant to the above, then Participant shall submit a statement describing with reasonable detail the basis for the exemption along with, or in place of, payment to the Authority under Article V hereof.

Section 3.03: Surface Water Fee. Each Converted Participant shall pay a Surface Water Fee of \$2.44 per 1,000 gallons of Surface Water delivered by and through the Project to the Converted Participant's Receiving Facilities during each whole or partial calendar month, beginning on the Conversion Date and continuing through August 31, 2015. Thereafter, each Converted Participant shall pay a Surface Water Fee of \$2.51 per 1,000 gallons of Surface Water delivered by and through the Project to the Converted Participant's Receiving Facilities during each whole or partial calendar month, beginning on September 1, 2015. Such delivery of Surface Water shall be metered at the Point(s) of Delivery by Authority in accordance with Article VIII hereof and reported to the Converted Participant in accordance with Article IV hereof. Payment of the Surface Water Fee shall be remitted to the Authority in accordance with Article V hereof.

ARTICLE IV

REPORTING

Section 4.01: Self-Reporting.

(a) *Measurement of Groundwater.* Each Participant shall be responsible for measuring the amount of groundwater pumped from each of its Wells and/or AWS Wells by reading the Participant Meters on the Payment Commencement Date and on the first day of every month thereafter.

(b) *Measurement of Imported Water.* Each Participant shall be responsible for measuring the amount of water imported from any non-Participant by reading the Participant Meters on the Payment Commencement Date and on the first day of every month thereafter. A Participant shall not be responsible for measuring the amount of water imported from another Participant.

(c) *Measurement of Surface Water.* The Authority shall be responsible for measuring the amount of Surface Water supplied to each Converted Participant by reading the Authority Meters on the Conversion Date and on the first day of every month thereafter. Such reading shall generally be conducted remotely but from time to time may be conducted by direct reading by the Authority or its agents.

(d) *Other Measurement.* In order to monitor Participant water demands, the GRP Administrator may implement reasonable procedures to directly or indirectly measure (1) water imported from another Participant, and (2) water demands met by a Participant with water derived from the re-use of water (from any source) or wastewater effluent. Such procedures shall not require the installation of meters unless such installation is at the cost and expense of the Authority.

(e) *Reporting.* Water usage measured by the Participant shall be reported to the Authority by submitting readings through ORS on or before the applicable due date under Section 5.03 hereof. Surface Water usage measured by the Authority Meters shall be made available by the Authority to the Converted Participant through ORS. The GRP Administrator may provide a form to be submitted to the Authority in writing to supplement reporting through ORS with respect to any category of water usage that is not then supported through the ORS reporting system. In addition, the GRP Administrator will provide a form that may be submitted to the Authority in writing to report usage as an alternative to reporting same through ORS but only upon request of Participant.

Section 4.02: Failure to Report. In the event a Participant fails or refuses to read its Participant Meters, the Authority shall have the right, but not the obligation, to read the Participant Meters. In the event that a Participant fails or refuses to read its Participant Meters on the Payment Commencement Date, the Authority shall have the right to read the Participant Meters on two or more occasions in order to calculate Participant's average daily usage and, based upon such calculation of average daily usage, to estimate the reading of the Participant Meters as of the Payment Commencement Date. If the Authority is required to read the Participant Meters, such Participant will be charged an inspection fee of \$250, and any Fees due under Article III hereof shall be calculated based upon the Authority's readings or average daily usage, if necessary, regardless of when the Authority reads the Participant Meters.

Section 4.03: Direct Reading. As provided in the GRP Contracts, the Authority may, by amendment, revision or restatement of this Rate Order, modify or repeal self-reporting procedures applicable to the Participant Meters and require readings by the Authority or its agents.

ARTICLE V

PAYMENT OF FEES

Section 5.01: Payment of Fees.

(a) *ORS Reporting.* Once all Participant Meter readings have been entered into ORS pursuant to Section 4.01 hereof, each Participant shall print its statement of Fees from the ORS and deliver the statement to the Authority with full payment, on or before the due date specified in Section 5.03 hereof.

(b) *Form Reporting.* If a Participant does not report through ORS, or must supplement reporting through ORS, then such Participant shall calculate Fees due the Authority for a given calendar month on the form provided by the GRP Administrator and deliver the completed form to the Authority with full payment, on or before the due date specified in Section 5.03 hereof.

Section 5.02: Manner and Method of Payment.

(a) All Fees due the Authority under Sections 5.01 hereof, and any other fees, rates or charges payable to the Authority under this Rate Order, shall be paid in money which is legal tender in the United States of America. Payments will be accepted only by check or money order made payable to the "San Jacinto River Authority", or by wire transfer according to written wiring instructions provided by the Authority. No cash will be accepted. Written wire instructions are available upon request.

(b) For purposes of submitting payments, ORS fee statements, reporting forms, or other documents pursuant to this Rate Order, the address of the Authority shall be as set forth below.

San Jacinto River Authority
Attn: GRP Administrator
GRP Division
P.O. Box 329
Conroe, TX 77305

Section 5.03: Due Date. A ORS fee statement or a completed reporting form, and payment of all Fees due under Article III hereof, must be received by the Authority on or before the 18th day of the second calendar month following the whole or partial calendar month for during which such Fees were incurred (e.g., payment for pumpage during September, 2015, is due by November 18, 2015; payment for pumpage during October, 2015, is due by December 18, 2015; etc.).

Section 5.04: Self-Remission. Each Participant shall be responsible for remitting payment to the Authority for Fees on or before the due date specified under Section 5.03 hereof. The Authority will not and shall not be obligated to send an invoice or bill to a Participant for Fees unless the Authority, except to the extent that the Authority reads the Participant Meters under Sections 4.02 or 4.03 hereof. In such case, the Fees and any related charges owed by a Participant hereunder shall be specified in a written invoice promptly delivered to such Participant by the Authority. Such invoice shall specify thereon a due date for payment, which due date shall not be less than ten (10) days after the date of the invoice.

ARTICLE VI

CONSERVATION DISTRICT PERMITTING; OTHER INFORMATION

- Section 6.01 through Section 6.09 reserved for future use -

Section 6.10: Notice of Permit Filings. A Participant shall provide the GRP Administrator with a copy of any permit application filed with the Conservation District within ten (10) business days after filing, but only if such filing (1) requests a permit for the installation of a new Well or AWS Well, (2) relates to the removal, abandonment or closure of an existing Well or AWS Well, (3) requests an increase or decrease in annual groundwater pumpage, or (4)

relates to the transfer, assignment or termination of a Conservation District permit held by Participant.

Section 6.11. Other Documents or Information. A Participant shall provide the GRP Administrator with copies of documents or other reasonably available or ascertainable information, data or materials that, as determined by GRP Administrator, is necessary in connection with the implementation of the GRP. Unless otherwise extended by the GRP Administrator, such documents, information, data or materials shall be submitted to the GRP Administrator no later than thirty (30) days following receipt of a written request for same.

ARTICLE VII

LATE FEES; INTEREST CHARGES; COLLECTIONS

Section 7.01: Late Fees. Fees due under Article III hereof shall be increased by 5% if not paid on or before the due date specified under Section 5.03 hereof. Amounts due under Article VI hereof shall be increased by 5% if not paid on or before the due date specified on an invoice therefor. Any other amounts due under this Rate Order shall be increased by 5% if not paid on or before the due date specified on an invoice therefor.

Section 7.02: Interest Charges. Overdue amounts (including applicable late fees) shall accrue interest at 12% per annum (i.e., 1% per month) for each whole or partial calendar month such payment is past due.

Section 7.03: Invoice for Late Fees and Interest Charges. The Authority will provide a written invoice to a Participant for any late fees or interest charges due under Section 7.01 and/or 7.02 hereof. Such invoice shall specify thereon a due date for payment, which due date shall not be less than ten (10) days from the date of the invoice.

Section 7.04: Collection Costs. If the Authority is required to incur costs to collect an overdue account, all such costs, including reasonable attorney's fees, court costs and expenses, shall be paid by the delinquent Participant, and the Authority shall be entitled to collect such costs in any suit for collection of a delinquent account.

ARTICLE VIII

METERING AND CALIBRATION

Section 8.01: Maintenance and Testing of Meters. The provisions of Section 5.03 of the GRP Contracts, relative to the maintenance, testing and calibration of Participant Meters and Authority Meters, are incorporated herein for all purposes. The provisions of Section 5.05 of the GRP Contracts, relative to the resolution of disputes concerning tests of Participant Meters and/or Authority Meters, are incorporated herein for all purposes.

In the event that Participant fails or refuses to test and calibrate the Participant Meters in accordance with such provisions of the GRP Contracts, the Authority shall have the right, but not the obligation, to test and calibrate the Participant Meters. If the Authority so tests and calibrates the Participant Meters, such Participant will be charged a fee of \$250 plus the Authority's actual and direct expenses for such testing and calibration. Such fee shall be specified in a written invoice promptly delivered to such Participant by the Authority, and the invoice shall specify thereon a due date for payment, which due date shall be less than then (10) days after the date of the invoice.

Section 8.02: Audits. The Authority shall have the right to audit the readings from Participant Meters by examining the books and records of a Participant, reading such Participant Meters, or by any other means and methods prescribed by the Authority.

Section 8.03: Right to Enter Land. The Authority and its representatives shall have the right to enter upon the land of a Participant, at any reasonable time in order to audit the readings of the Participant Meters, to read Participant Meters in the event a Participant has failed or refused to do so, to directly read any Authority Meters, or to perform testing and calibration of the Participant Meters in the event Participant has failed or refused to do so.

Section 8.04: Adjustments. The provisions of Section 5.04 of the GRP Contract, relative to the adjustment of pumpage measured by inaccurate Participant Meters and/or Authority Meters, are incorporated herein for all purposes.

ARTICLE IX

CONVERSION TO SURFACE WATER

Section 9.01: Terms of Service. Surface Water shall be provided by the Authority and received and used by a Converted Participant in accordance with the terms and conditions set forth in the GRP Contract. Without limiting the foregoing, the Authority specifically incorporates by reference the following provisions of the GRP Contracts: Section 4.09 (Contract Quantity, relating to force majeure, penalties for failure to take the Contract Quantity, and use of groundwater wells and other sources of supply to meet demands); Section 4.10 (Warranties Regarding Water); Section 4.12 (Passing of Title to Water; Re-use); Section 10.02 (Delivery Limitations); and Section 12.03 (Continuation of Service).

Section 9.02: Failure to Take Contract Quantity. If a Participant fails or refuses to timely connect to the Project in accordance with Section 4.07 of the GRP Contracts, or if a Converted Participant has connected to the Project and fails or refuses to at least take the Contract Quantity designated by the GRP Administrator, the GRP Administrator may impose penalties under Section 11.03 hereof.

Section 9.03: Reimbursements.

(a) *Alkalinity Costs.* The Authority shall reimburse a Converted Participant for its actual and reasonable chemical costs incurred to make adjustments to alkalinity in its wastewater treatment processes if, as a result of taking delivery of Surface Water, a Converted Participant must make such adjustments to meet applicable permit and regulatory requirements. Such reimbursement shall be made on a semi-annual basis in accordance with procedures specified by the GRP Administrator.

(b) *Other.* Except as set forth in subsection (a) or as agreed to in writing by a Converted Participant and the Authority, no reimbursement shall be due to a Converted Participant from the Authority for costs that may be incurred to accept delivery of and use Surface Water.

ARTICLE X

DROUGHT CONTINGENCY AND WATER CONSERVATION

Section 10.01: Updating and Submittal of Plans. In accordance with Section 3.05 of the GRP Contracts, all Participants must adopt and enforce a water conservation plan (see 30 T.A.C. §§ 288.1-288.7), as well as a drought contingency plan (see 30 T.A.C. §§ 288.20-288.22), that meets the minimum requirements adopted by the Authority under the GRP Water Conservation Plan and the GRP Drought Contingency Plan. Unless otherwise extended by the GRP Administrator, such plans shall be submitted to the GRP Administrator no later than thirty (30) days following receipt of a written request for same.

Section 10.02: Drought Management Surcharge. The goal of the GRP Drought Contingency Plan is to reduce the total water demand of all Participants by targeted percentages in response to various stages of drought or due to emergency conditions. Accordingly, the GRP Administrator may impose a surcharge on water usage to enforce the GRP Drought Contingency Plan during any whole or partial calendar month in which Stages 2 through 4 of the GRP Drought Contingency Plan has been triggered, or during any Emergency Water Supply Condition under the GRP Drought Contingency Plan. The surcharge on Fees shall only apply to the extent that Participant's actual water usage (as determined by the Authority based upon reporting information submitted pursuant to Article IV hereof) exceeds targeted water usage (as calculated pursuant to Section 3.6 of Drought Contingency Plan and reduced by the applicable percentage). The surcharge on Fees shall be calculated based upon the maximum civil penalty rate that may be imposed by the Conservation District on Large Volume Groundwater Users that are not part of a GRP under the Plan (currently \$4.00 per 1,000, which is subject to increase hereafter) unless a lesser rate is determined to be sufficient to achieve compliance by the GRP Administrator. The surcharge shall be in addition to any other Fees or other amounts due to the Authority.

ARTICLE XI

PENALTIES; RECOVERY; VIOLATION OF RATE ORDER

Section 11.01: Generally Applicable Penalties.

(a) *Reporting.* A Participant shall be subject to penalties for failure or refusal to report water usage to the Authority in accordance with Section 4.01 hereof.

(b) *Calibration.* A Participant shall be subject to penalties for failure or refusal to timely calibrate its Participant Meters in accordance with Section 8.01 hereof and/or the GRP Contracts.

(c) *Access to Meters.* A Participant shall be subject to penalties for failure or refusal to provide timely access to any Participant Meters or Authority Meters in accordance with Section 8.03 hereof and/or the GRP Contracts.

(d) *Documents.* A Participant shall be subject to penalties for failure or refusal to timely provide the GRP Administrator with documents, information, data or materials requested under this Rate Order.

(e) *Water Conservation and Drought Contingency Plans.* A Participant shall be subject to penalties for failure or refusal to –

(1) timely submit the Participant's water conservation plan or drought contingency plan to the Authority in accordance with Section 10.01 hereof and/or the GRP Contracts;

(2) include provisions in the Participant's water conservation plan or drought contingency plan that meet minimum criteria established by the Authority in accordance with the GRP Contract; or

(3) implement or enforce the Participant's water conservation plan or drought contingency plan.

(f) *Bond Sale Documents.* If the Authority provides Participant with a written request that certain documentation be executed and returned to the Authority pursuant to Section 8.02 and/or Section 8.03 of the GRP Contracts, then Participant shall be subject to penalties when –

(1) the written request was delivered to Participant in accordance with the notice provisions of Section 13.03 of the GRP Contracts;

(2) the documentation was provided simultaneously with the written request;
and

(3) the Participant does not execute and return the documentation to the Authority on or before the later of (i) the deadline specified in the written request, or (ii) the 30th day following receipt of the written request by Participant.

Section 11.02: Imposition of Penalty; Penalty Amount. The GRP Administrator shall be authorized to impose a penalty if permitted under Section 11.01 hereof or any other provision of this Rate Order. The penalty amount shall be determined at the discretion of the GRP Administrator, taking into consideration the relative water demands of such Participant compared to the demands of all Participants; provided, however, the penalty shall not exceed \$2,500 per day per violation.

Section 11.03: Additional Penalties Related to Conversion to Surface Water.

(a) *Connection to Project.* A Participant shall be subject to penalties for failure or refusal to timely connect to the Project as and if required under Section 4.04 of the GRP Contract.

(b) *Contract Quantity.* A Converted Participant shall be subject to penalties for failure or refusal to at least take the applicable Contract Quantity of Surface Water from the Project on a monthly basis.

(c) *Imposition of Penalty; Penalty Amount.* The GRP Administrator shall be authorized to impose a penalty if permitted under subsection (a) or (b), above. The penalty amount shall be determined on a monthly or other periodic basis by multiplying the Contract Quantity of Surface Water that was not taken from the Project (whether through a failure to connect to the Project under subsection (a) or as a result of a failure to at least take the Contract Quantity) by the maximum civil penalty rate that may be imposed by the Conservation District on Large Volume Groundwater Users that are not part of a GRP under the Plan (currently \$4.00 per 1,000, which is subject to increase hereafter) unless a lesser rate is determined to be sufficient to achieve compliance by the GRP Administrator.

Section 11.04: Invoice for Penalties. The GRP Administrator shall provide a written invoice to the Participant for any penalty imposed under this Article. Such invoice shall specify thereon a due date for payment, which due date shall not be less than ten (10) days from the date of the invoice. All penalties imposed under this Article shall be in addition to, and not in substitution for, any other Fees or amounts owed the Authority.

Section 11.05: Appeal of Penalty. A Participant that has been invoiced a penalty under this Article may appeal the penalty to the GRP Administrator. The final decision of the GRP Administrator shall be subject to further review by the Board of Directors of the Authority as specified in Section 9.03(f) of the GRP Contracts.

Section 11.06: Recovery. In addition to the payment of any Fees, penalties, surcharges or other amounts under this Rate Order, the Authority has and reserves the right under Section 4.11 of the GRP Contracts the right to recover from a Participant by any lawful means, including intervention in legal proceedings of a Participant, for any losses, damages, claims, expenses,

costs, or judgments, including reasonable attorneys fees and court costs incurred by the Authority, and interest not to exceed the interest rate permitted by Section 2251.025, Texas Government Code, as amended.

Section 11.07: Violation of Rate Order. The adoption of this Rate Order is authorized by the Addenda and by the GRP Contracts and, therefore, any violation of this Rate Order shall be deemed a breach of such contracts. This Rate Order is also intended to set forth, in part, the rules and regulations of the Authority applicable to the GRP and the Project. The Authority is authorized to adopt rules and regulations under Section 10f of the Act and, therefore, any violation of this Rate Order shall be deemed a violation of such rules and regulations. The Authority may exercise any remedy specified under the Addenda or the GRP Contracts, or otherwise available in law or equity to the Authority, where a violation of this Rate Order occurs or is threatened to occur. The right to exercise any such remedy under the Addenda or the GRP Contracts shall not be deemed to be waived by the exercise of any remedies specified herein, specifically including but not limited to the imposition of penalties, which remedies shall be cumulative.

ARTICLE XII

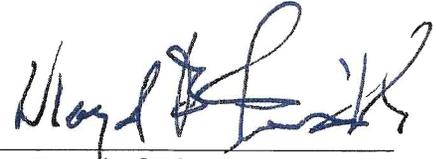
MISCELLANEOUS

Section 12.01: Conflict with Addenda or GRP Contracts. In the event that any provision of this Rate Order is in conflict with any provision of the Addenda or the GRP Contracts, the terms and provisions of this Rate Order shall control unless the Addenda or GRP Contracts specifically provide otherwise.

Section 12.02: Future Amendments. As determined necessary by the Authority, the Authority reserves the right to amend from time to time: (1) the rates, charges and fees contained in this Rate Order; and (2) any other terms and provisions of this Rate Order.

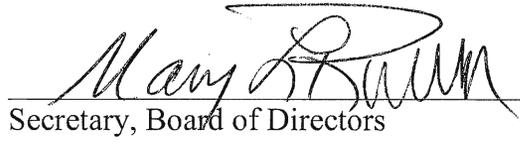
[SIGNATURES COMMENCE ON FOLLOWING PAGE]

PASSED AND APPROVED on June 25, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)





San Jacinto River Authority Board Communication

| Item No. | Agenda Item | Date |
|----------|--|------------|
| 6c5 | Consider and act upon an amended Rate Order for GRP Participants | 06/25/2015 |

BACKGROUND INFORMATION

In September 2013, SJRA contracted with HDR Engineering, Inc., to provide services related to the development of a Utility Financial Planning and Rate Model for the GRP Division for a ten-year period beginning September 1, 2014, through August 31, 2024 (10 year Plan). The most recent estimates of water demand and operating costs were input into that Rate Model by SJRA staff to project rates for Fiscal Year 2016 to support the operations of the GRP Division. The rates charged by the GRP Division consist of a Pumpage Fee assessed on groundwater pumped by each Participant, an Import Fee on groundwater imported by each Participant from a non-Participant, and a Surface Water Fee charged for treated surface water delivered to Participants that will receive treated surface water from SJRA.

For Fiscal Year 2016, the proposed Rate Order increases the Pumpage Fee and Import Fee from \$2.25 per 1,000 gallons to \$2.32 per 1,000 gallons, and increases the Surface Water Fee from \$2.44 per 1000 gallons to \$2.51 per 1,000 gallons, all as previously planned in the referenced 10-year Plan. The new fees will go into effect on September 1, 2015. These recommended fees are consistent with previous projections and provide adequate revenue to support efficient operations consistent with best practices for utility management provided the anticipated water demands meet projections. As previously noted, current water demands have been greatly impacted by wet weather patterns and also by changing customer behavior regarding water use.

The proposed Rate Order also addresses changes made to the following:

Article II, Definitions; Interpretations; References – Definitions and clarification have been provided for the terms “Initial-Conversion-Obligation-Adjusted Total Qualifying Demand” or “ICO-Adjusted Total Qualifying Demand,” “ORS,” “Plan,” and “Total Qualifying Demand.”

Article VII, Metering and Calibration – *Notice of Permit Filings and Other Documents or Information* moved to Article VI.

Article VI, Conservation District Permitting - Added as a placeholder for future amendment to address Lone Star Groundwater Conservation District permitting requirements.

Article XI, Penalties; Recovery; Violation of Rate Order – Reorganized to follow order of provisions in Rate Order due to addition of Article VI.

Also, revisions to formatting and numbering were made throughout the Rate Order.

The effective date for the amended Rate Order is July 1, 2015, with fee increases effective September 1, 2015.

FUNDING SOURCE: N/A

ATTACHMENTS: Rate Order (GRP Participants)

RECOMMENDED ACTION

Consider and act upon an amended Rate Order for GRP Participants.

Exhibit B

RESOLUTION NO. 2015-R-03

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF \$29,000,000 WATER REVENUE BONDS, SERIES 2015; PRESCRIBING THE TERMS AND PROVISIONS THEREOF; MAKING PROVISION FOR THE PAYMENT OF THE INTEREST THEREON AND THE PRINCIPAL THEREOF; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SAN JACINTO RIVER AUTHORITY THAT:

ARTICLE ONE

STATUTORY AUTHORITY, RECITALS AND FINDINGS

SECTION 1.01: AUTHORITY. San Jacinto River Authority (the "Authority") is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended (compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (such series of acts being hereinafter collectively referred to as the "Act").

SECTION 1.02: POWERS OF THE AUTHORITY. The Authority is authorized by the Act and the general laws of the State of Texas, among other matters, to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend, inside and outside its boundaries, any and all works, improvements, facilities, plants, equipment, contract rights, water rights and interests in property necessary to provide a system for conserving, storing, diverting, appropriating, using, transporting, distributing and delivering untreated surface water to users and customers of such system.

SECTION 1.03: AUTHORITY OF THIS RESOLUTION. The Authority is authorized by the Act and the general laws of the State of Texas to issue its negotiable revenue bonds, as hereinafter provided, for the purpose or purposes of financing the purchase, acquisition and provision of improvements, betterments and additions to the existing systems and facilities of the Authority, including, but not limited to, the Project (hereinafter defined).

SECTION 1.04: FINDINGS. It is hereby found, determined and declared that:

- (a) the matters and facts set forth in this Article One are true and correct;
- (b) the Authority is duly authorized and empowered to issue its revenue bonds for the purposes, in the manner and having the terms, conditions and provisions for security and repayment set forth in this Resolution (hereinafter defined);

- (c) the Authority is duly authorized and empowered to sell and deliver such bonds to the Texas Water Development Board, in accordance with Resolution No. 14-118, adopted by the Texas Water Development Board on December 11, 2014, for the price and upon the terms hereinafter set forth in this Resolution;
- (d) the issuance by the Authority of such revenue bonds for the purpose of financing the Project has been duly authorized by all actions required to be taken by the Authority on its part and represents the most economically efficient and expeditious means of financing the Project and is in the best interests of the Authority;
- (e) the Authority has heretofore issued its Water Revenue Refunding Bonds, Series 2010, in the aggregate, initial principal amount of \$14,000,000 (the "Series 2010 Refunding Bonds"), its Water Revenue Bonds, Series 2010, in the aggregate, initial principal amount of \$25,380,000 (the "Series 2010 Bonds"), its Water Revenue Refunding Bonds, Series 2012, in the aggregate, initial principal amount of \$3,710,000 (the "Series 2012 Refunding Bonds"), its Water Revenue Bonds, Series 2013, in the aggregate, initial principal amount of \$6,730,000 (the "Series 2013 Bonds"), and its Water Revenue Bonds, Series 2014, in the aggregate, initial principal amount of \$5,360,000 (the "Series 2014 Bonds"); and
- (f) as of the date hereof, there remains outstanding \$10,570,000 in aggregate principal amount of the Series 2010 Refunding Bonds, \$22,705,000 in aggregate principal amount of the Series 2010 Bonds, \$3,195,000 in aggregate principal amount of the Series 2012 Refunding Bonds, \$6,555,000 in aggregate principal amount of the Series 2013 Bonds, and \$5,360,000 in aggregate principal amount of the Series 2014 Bonds (collectively, the "Outstanding Bonds").

(End of Article One)

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01: DEFINITIONS. The following definitions, together with the supplemental definitions contained herein or in Exhibit "A" hereto, shall be applicable herein and in any amendment or supplement hereto, and the scope and meaning of terms used in Exhibit "A" hereto, whether or not defined therein, shall be determined by reference to this Article:

Act.

The term "Act" is defined in Section 1.01 hereof.

Additional Parity Revenue Bonds.

The term "Additional Parity Revenue Bonds" shall mean and refer to such Additional Revenue Bonds, other than refunding bonds, as may hereafter be authorized and issued by the Authority and secured and made payable, in whole or in part, from a lien on or pledge of the Net Revenues equal to and on a parity with the lien on and pledge of the Net Revenues in favor of the Bonds, the Outstanding Bonds, or any Additional Parity Revenue Bonds.

Additional Revenue Bonds.

The term "Additional Revenue Bonds" shall mean and refer to such bonds, other than refunding bonds, as may hereafter be authorized and issued by the Authority and secured and made payable, in whole or in part, from Net Revenues, including Additional Parity Revenue Bonds and Additional Subordinate Lien Revenue Bonds.

Additional Subordinate Lien Revenue Bonds.

The term "Additional Subordinate Lien Revenue Bonds" shall mean and refer to such Additional Revenue Bonds as may hereafter be authorized and issued by the Authority and secured and made payable, in whole or in part, from a lien on or pledge of the Net Revenues inferior and subordinate to the lien on and pledge of the Net Revenues in favor of the Bonds, the Outstanding Bonds, or any Additional Parity Revenue Bonds.

Authority.

The term "Authority" is defined in Section 1.01 hereof and shall mean and include any other municipal corporation, public body or other public agency at any time succeeding to the property and principal rights, powers and obligations of the Authority hereunder and, where appropriate, means the Board of Directors of the Authority, any operating division of the Authority duly authorized to exercise and discharge the rights, powers and obligations of the Authority, whether currently existing or duly created hereafter, or any successor thereto, or the governing body of any such successor municipal corporation, public body or public agency.

Authorized Investments.

The term "Authorized Investments" shall mean all bonds, notes, certificates, instruments, securities and obligations meeting the requirements for investment eligibility of applicable law, including, without limitation, the Act and the Public Funds Investment Act, Chapter 2256, Government Code, as amended, provided, however, that they are secured in the manner provided by applicable law, including, without limitation, the Act and the Public Funds Collateral Act, Chapter 2257, Government Code, as amended.

Board of Directors.

The term "Board of Directors" shall mean the governing body of the Authority, as now or hereafter constituted.

Bond Counsel.

The term "Bond Counsel" shall mean the law firm of Schwartz, Page & Harding, L.L.P., Houston, Texas.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of \$29,000,000 San Jacinto River Authority Water Revenue Bonds, Series 2015, initially dated as of the Initial Date, and authorized, issued and delivered pursuant to this Resolution.

Business Day.

The term "Business Day" shall mean a calendar day which falls on Monday through Friday, but shall not include any such day which is designated as an official state or national holiday or a day on which financial institutions where the Paying Agent is located are authorized or required by state or national law or by executive order to close.

Code.

The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund described and referred to in Sections 7.01(b) and 7.04 hereof.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund described and referred to in Sections 7.01(c) and 7.05 hereof.

Delivery Date.

The term "Delivery Date" shall mean, with respect to any one or more of the Bonds, the date of delivery of such Bond(s) to the TWDB, as printed, stamped, or typed on the Initial Bonds.

DTC.

The term "DTC" means the Depository Trust Company of New York, New York, or any successor securities depository.

DTC Participant.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC holds securities to facilitate the clearance and settlement of securities transactions among such DTC Participants.

Eligible Project Costs.

The term "Eligible Project Costs" shall mean the costs of issuance, sale and delivery of the Bonds and all or any portion of the Project Costs which have not been determined by the TWDB to be ineligible for financial assistance from the Financial Assistance Account (Texas Water Development Fund II) administered by the TWDB.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain Escrow Agreement by and between the Authority and Amegy Bank National Association, of even date herewith, relating to the receipt, deposit, administration, investment, release and disposition of certain of the proceeds received from the Bonds.

Escrow Fund.

The term "Escrow Fund" shall have the meaning assigned to such term in the Escrow Agreement.

Fiscal Year.

The term "Fiscal Year" shall mean the annual fiscal period for the Authority (exclusive of the Authority's Woodlands Division, the Authority's Groundwater Reduction Plan Division, or any other separate operating division which may be hereafter designated and established by the Authority and which may have the same or different fiscal year) from September 1 through August 31, or such other annual fiscal period as may hereafter be established by resolution of the Board of Directors of the Authority.

General Fund.

The term "General Fund" shall mean the fund described and referred to in Sections 7.01(a) and 7.03 hereof.

Gross Revenues.

The term "Gross Revenues" shall mean all income and increment which may be derived from the ownership and/or operation of the System but, except to the limited extent that same may pay a portion of the Authority's general and administrative costs or expenses properly allocable thereto, shall not mean or include all or any part of the income and increment derived from other systems, special projects, assets, funds, revenues, properties, facilities, operations, enterprises or separate operating divisions now or hereafter established, designated, owned, operated or controlled by the Authority, including, without limitation, the Authority's Woodlands Division and/or the Authority's Groundwater Reduction Plan Division.

Holder.

The term "Holder" or "Holders" shall mean, when used with respect to any Bond or Bonds, the Person or Persons in whose name or names such Bond or Bonds are registered on the Register.

Initial Bonds.

The term "Initial Bond" or "Initial Bonds" shall mean any one or more of the Bonds authorized, issued and initially delivered hereunder, upon or attached to which the manually executed certificate of registration of the Comptroller of Public Accounts of the State of Texas, or a duly authorized deputy, substantially in the form prescribed in Section 5.02 hereof, has been placed.

Initial Date.

The term "Initial Date" shall mean August 1, 2015.

Interest Payment Date.

The term "Interest Payment Date" shall mean any date on which interest on any then outstanding Bond becomes due and payable, as provided in Section 3.04 hereof.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority and DTC, as same may be amended or supplemented from time to time.

Maintenance and Operation Expenses.

The term "Maintenance and Operation Expenses" shall mean all costs, payments and expenses necessary to provide for the administration, efficient operation and adequate maintenance of the System, together with such other costs and expenses as may now or hereafter be defined by applicable law as proper maintenance and operation expenses of the System.

Maturity Date.

The term "Maturity Date" shall mean any date on which the principal of any then outstanding Bond becomes due and payable, as provided in Section 3.03 hereof.

Net Revenues.

The term "Net Revenues" shall mean the Gross Revenues remaining after deducting the Maintenance and Operation Expenses.

Outstanding Bonds

The term "Outstanding Bonds" is defined in Section 1.04(f) hereof.

Paying Agent.

The term "Paying Agent" shall mean the agency or agencies selected and maintained from time to time by the Authority for the purpose of making payment on behalf of the Authority of the principal of and the interest on the Bonds, as provided in Section 12.06 hereof.

Person.

The term "Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof.

Predecessor Bonds.

The term "Predecessor Bonds" shall mean, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond, and, for the purposes of this definition, any Bond registered and delivered pursuant to Section 3.10 hereof shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond in lieu of which such Bond was delivered.

Project.

The term "Project" shall mean the construction, reconstruction, maintenance, repair, replacement, rehabilitation, modification, relocation, addition, enlargement, expansion or extension of or to the System, including, without limitation, the improvements to the System described more fully in the Authority's application for financial assistance to the TWDB and identified by the TWDB as Project No. 21749.

Project Costs.

The term "Project Costs" shall mean and include all costs of the Project and all works, facilities, improvements, interests in property, plants, equipment and appliances related thereto, and contract rights, water rights, permits and other assets and properties needed in connection therewith, including, without limitation, costs and expenses for the preparation of plans and specifications; the acquisition of necessary consents, licenses or permits; the acquisition of sites, easements and rights-of-way; fiscal, legal, administrative, advertising, engineering, inspection, materials-testing, environmental and geotechnical costs and expenses; and all other costs, expenses, and reasonable contingencies related to the foregoing.

Record Date.

The term "Record Date" shall mean, with respect to an Interest Payment Date of April 1, the preceding March 15, and with respect to an Interest Payment Date of October 1, the preceding September 15, whether or not such dates are Business Days.

Redemption Date.

The term "Redemption Date" shall mean, when used with respect to any Bond to be redeemed, the date fixed for such redemption pursuant to the terms of this Resolution.

Register.

The term "Register" shall mean the registry books maintained on behalf of the Authority by a Registrar designated by the Authority for such purpose in which are maintained the names and addresses of Holders and the principal amounts of the Bonds registered in the name of each Holder.

Registrar.

The term "Registrar" shall mean the banking corporation(s) or association(s), or the State Comptroller, designated and acting in such capacity from time to time, as provided in Section 12.05 hereof.

Required Debt Service Reserve Fund Amount.

The term "Required Debt Service Reserve Fund Amount" shall mean an amount equal to the average annual sum payable in each Fiscal Year in respect of the principal and interest scheduled to become due on the Bonds, the Outstanding Bonds and any Additional Parity Revenue Bonds which are unpaid and outstanding at the time of such computation.

Resolution.

The term "Resolution" shall mean this Resolution and all amendments hereof and supplements hereto.

Series 2010 Bonds; Series 2010 Refunding Bonds; Series 2012 Refunding Bonds; Series 2013 Bonds; Series 2014 Bonds.

The terms "Series 2010 Bonds", "Series 2010 Refunding Bonds", "Series 2012 Refunding Bonds", "Series 2013 Bonds", and "Series 2014 Bonds" are defined in Section 1.04(e) hereof.

Series 1995 Resolution.

The term "Series 1995 Resolution" shall mean the resolution of the Board of Directors of the Authority adopted on May 31, 1995, authorizing the issuance of its Water Revenue Bonds, Series 1995, in the aggregate, initial principal amount of \$19,000,000, and all amendments and supplements thereto.

Series 2010 Resolution.

The term "Series 2010 Resolution" shall mean the resolution of the Board of Directors of the Authority adopted on June 16, 2012, authorizing the issuance of the Series 2010 Bonds, and all amendments and supplements thereto.

System.

The term "System" shall mean and include all works, facilities, improvements, interests in property, plants, equipment, contract rights, water rights, permits and other assets and properties of the Authority needed for and used in connection with the conservation, storage, diversion, appropriation, use, transportation, distribution or delivery of untreated surface water under or pursuant to the rights, powers, and authority granted under or evidenced by Certificate of Adjudication Nos. 10-4963, 10-4964, and 08-4279, and Water Permit Nos. 5271, 5807, 5808 and 5809, as amended, issued by the Texas Commission on Environmental Quality, or its predecessor, as same may be now or hereafter amended; the Authority's undivided interest in and to the Lake Conroe Dam and Reservoir, located on the West Fork of the San Jacinto River near the City of Conroe, Texas; the Authority's Highlands Reservoir, located in southeast Harris County near the unincorporated community of Highlands, Texas; the Authority's Main Canal System, extending from Lake Houston to the Highlands Reservoir, and the Authority's East

Canal System and South Canal System extending from the Main Canal and/or the Highlands Reservoir, located in southeast Harris County; and all related pump stations, pipelines, canals, siphons and storage, control, diversion, measurement, distribution and delivery facilities and all improvements, extensions, enlargements, replacements, additions or betterments thereto now existing or hereafter purchased, constructed or acquired by the Authority. Such term shall not include all or any part of any other systems, special projects, assets, funds, revenues, properties, facilities, operations, enterprises or separate operating divisions now or hereafter established, designated, owned, operated or controlled by the Authority, including, without limitation, the Authority's Woodlands Division and/or the Authority's Groundwater Reduction Plan Division.

Texas Water Development Board or TWDB.

The term "Texas Water Development Board" or "TWDB" shall mean and include the Texas Water Development Board, an agency of the State of Texas, or any other public body, agency or instrumentality at any time succeeding to the principal rights, powers, authorities and responsibilities of the TWDB as administrator of the Financial Assistance Account (Texas Water Development Fund II) and, where appropriate, means the Executive Administrator, Fund Manager, or other duly authorized representative of the TWDB, but unless otherwise expressly provided herein, such term shall not mean or refer to any person succeeding to the interests of the TWDB as a Holder of all or any portion of the Bonds.

SECTION 2.02: INTERPRETATIONS. The titles and headings of the Articles and Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the pledge of and lien on the Net Revenues to secure payment thereof. Unless a time period specified for the performance of any action under this Resolution is specified to be a Business Day or Business Days, such time period means the number of calendar days for such performance to be accomplished.

(End of Article Two)

ARTICLE THREE

AUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

SECTION 3.01: AMOUNT, NAME, PURPOSE AND AUTHORIZATION. The Bonds of the Authority, to be known and designated as "San Jacinto River Authority Water Revenue Bonds, Series 2015", shall be issued in the aggregate, initial principal amount of \$29,000,000, for the purpose or purposes of paying or making provision for the payment of Project Costs, and for paying the costs of the issuance, sale and delivery of the Bonds, all under and in strict conformity with the Constitution and laws of the State of Texas, including, particularly, Section 59 of Article XVI of the Constitution of Texas, and the Act.

SECTION 3.02: FORM, INITIAL DATE, DELIVERY DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, and shall be initially dated as of Initial Date. Each Initial Bond submitted for approval, registration and delivery in accordance with Section 3.07 hereof shall be numbered "IR-", followed by the last two digits of the year of the Maturity Date of such Initial Bond, and shall be completed with the Delivery Date. Thereafter, each Bond registered and delivered by the Registrar shall be numbered consecutively, in succession, beginning with the numeral "1", which shall be preceded by the prefix "R-", and shall be in denominations of \$5,000, or any integral multiple thereof. Each such Bond shall be dated as of the Initial Date, shall include thereon the Delivery Date, and shall include in the certificate of registration the date of authentication by the Registrar.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. The Bonds shall bear interest at the per annum rates set forth in the schedule below, and shall mature and become payable, subject to prior redemption in accordance with the provisions of Article Four hereof, on October 1 in each of the years and in the principal amounts set forth in the schedule below:

[SCHEDULE COMMENCES ON FOLLOWING PAGE]

| PRINCIPAL AMOUNT | YEAR OF MATURITY | INTEREST RATES |
|---------------------|---------------------|-------------------|
| \$835,000 | 2016 | 0.890% |
| \$845,000 | 2017 | 1.390% |
| \$860,000 | 2018 | 1.830% |
| \$880,000 | 2019 | 2.180% |
| \$900,000 | 2020 | 2.410% |
| \$920,000 | 2021 | 2.720% |
| \$950,000 | 2022 | 2.890% |
| \$975,000 | 2023 | 3.060% |
| \$1,005,000 | 2024 | 3.160% |
| \$1,040,000 | 2025 | 3.340% |
| \$1,075,000 | 2026 | 3.500% |
| \$1,115,000 | 2027 | 3.680% |
| \$1,160,000 | 2028 | 3.830% |
| \$1,205,000 | 2029 | 3.860% |
| \$1,250,000 | 2030 | 4.050% |
| \$1,305,000 | 2031 | 4.190% |
| \$1,360,000 | 2032 | 4.190% |
| \$1,420,000 | 2033 | 4.190% |
| \$1,480,000 | 2034 | 4.190% |
| \$1,545,000 | 2035 | 4.270% |
| \$1,610,000 | 2036 | 4.280% |
| \$1,680,000 | 2037 | 4.280% |
| \$1,755,000 | 2038 | 4.280% |
| \$1,830,000 | 2039 | 4.280% |

SECTION 3.04: DATES, MANNER, AND PLACE OF PAYMENT. Interest on the Bonds shall accrue from the later of the Delivery Date or the most recent Interest Payment Date to which interest has been paid or duly provided for, and shall be payable semi-annually on October 1 and April 1 of each year until the earlier of the Maturity Date or the Redemption Date, commencing on April 1, 2016. The amount of interest on the Bonds payable on each Interest Payment Date, Maturity Date or Redemption Date shall be computed on the basis of a 360-day year of twelve 30-day months. Not less than ten (10) days before each Interest Payment Date Maturity Date, or Redemption Date, the Paying Agent shall compute the amount of interest to be due and payable on such date and shall send to the Authority notice of the amount of interest so computed to be due and payable on such date.

The payment of interest on the Bonds, except interest payments due on any Maturity Date or Redemption Date, shall be payable, (a) at the option and expense of the Authority by (i) check or draft mailed by the Paying Agent to the Holder, at the address shown on the Register, or (ii) wire transfer to the Holder; or (b) by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of the Holder. The interest so payable on any Interest Payment Date will be paid to the Person in whose name each

Bond (or one or more Predecessor Bonds evidencing the same obligation) is registered at the close of business on the Record Date for such Interest Payment Date. Each Bond delivered pursuant to the terms of this Resolution upon transfer or in exchange for or in lieu of any Predecessor Bond shall carry all the rights to interest, both accrued and unpaid, and to accrue, which were carried by such Predecessor Bond, and each such Bond shall bear or accrue interest as specified herein so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

The principal of the Bonds, together with accrued interest since the preceding Interest Payment Date, shall be payable only upon their presentation and surrender, on their respective Maturity Dates or on an earlier Redemption Date, at the principal trust office of the Paying Agent.

If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

SECTION 3.05: MEDIUM OF PAYMENT. The interest on and principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the respective Interest Payment Dates, Maturity Dates or Redemption Dates is legal tender for the payment of debts due the United States of America.

SECTION 3.06: EXECUTION. The Bonds shall be signed on behalf of the Authority by the President and Secretary of the Board of Directors of the Authority, and the Authority's seal shall be placed or impressed thereon. Such signatures may be manually executed or placed in facsimile on the Bonds, and the Authority's seal may be manually impressed or printed or otherwise mechanically reproduced in facsimile on the Bonds. In case any official of the Authority who shall have signed any of the Bonds, either manually or by facsimile signature, shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, or disposed of by the Authority, such Bonds, nevertheless, may be authenticated and delivered or disposed of as though the Person who signed such Bonds had not ceased to be such officer of the Authority, and any Bond may be signed on behalf of the Authority by such Person as, at the actual time of execution of such Bond, shall be a proper officer of the Authority, although at the date of such Bond or of the adoption of this Resolution, such Person was not such officer. Minor typographical and other minor errors in the text of any Bond or minor defects in the seal or facsimile signature on any Bond shall not affect the validity or enforceability of such Bond, if same has been duly registered by the Comptroller of Public Accounts of the State of Texas or authenticated by the Registrar, as required herein.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each Maturity Date specified in Section 3.03 hereof, representing the entire principal amount of Bonds scheduled to mature on each Maturity Date. The Initial Bonds shall be made payable to Cede & Co., as nominee for DTC, the designee of the TWBD. The President and Secretary of the Board of Directors of the Authority and representatives of the Authority's Bond Counsel are each hereby authorized and directed to submit the Initial Bonds

and a transcript of the proceedings relating to the issuance of the Bonds to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Registrar, completed with the Delivery Date and registered on the Register in the name of Cede & Co., as nominee of DTC, by the Registrar, and delivered to the TWBD as the initial purchaser, but only upon payment by the TWBD of the full purchase price therefor.

At any time after delivery of the Initial Bonds, the Holder(s) may, subject to the requirements of and in accordance with the procedures prescribed in Section 3.09 hereof, surrender any Bond(s) to the Registrar for transfer or exchange, accompanied by instructions specifying the name(s) and address(es) of the Person(s) to whom such Bond(s) are to be transferred and the Maturity Date(s) and principal amount(s) of the Bond(s) to be authenticated and delivered in exchange therefor, and the Registrar shall thereupon, within not more than three (3) business days, register and deliver Bonds conforming to such instructions and the provisions of this Resolution.

No Initial Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Initial Bond a certificate of registration substantially in the form provided in Section 5.02 hereof, executed by the Comptroller of Public Accounts of the State of Texas, or his duly authorized deputy, by manual signature; nor shall any Bond authenticated and delivered subsequent to the Initial Bonds be so entitled or be valid or obligatory unless there appears on such Bond a Certificate of Registrar substantially in the form provided in Section 5.03 hereof duly executed by an authorized officer or employee of the Registrar by manual signature. Such Certificate of Registrar upon any Bond authenticated and delivered subsequent to the Initial Bonds shall be conclusive evidence that such Bond has been duly authenticated, registered and delivered.

SECTION 3.08: OWNERSHIP OF BONDS. The Authority, the Paying Agent, the Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes, whether or not such Bond is overdue, and neither the Authority, the Paying Agent, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the owner of any Bond in accordance with this Section 3.08 shall be valid and effective for all purposes and shall discharge the liability of the Authority, the Paying Agent and the Registrar to the extent of the sums paid.

SECTION 3.09: REGISTRATION, TRANSFER AND EXCHANGE. So long as any Bonds remain outstanding, the Registrar shall keep and maintain at its designated office a Register in which, subject to such reasonable regulations as it may prescribe, the Registrar shall

provide for the registration, transfer and exchange of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the office designated by the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Within three (3) business days following due presentation for registration of the transfer of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate in the name of the transferee or transferees one or more exchange Bonds of the same Maturity Date as the Bond so presented, in a like aggregate principal amount and of like interest rate as the Bond so presented, shall deliver or mail same to the transferee or transferees by United States mail, first class, postage prepaid.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the office designated by the Registrar for a Bond or Bonds having the same Maturity Date and interest rate, in any authorized denomination which is an integral multiple of \$5,000, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. Within three (3) business days following due presentation for exchange of any Bond, the Authority shall cause to be executed and the Registrar shall authenticate, register and deliver or send to the Holder, by United States mail, first class, postage prepaid, exchange Bonds in accordance with the provisions of this Section 3.09.

Each exchange Bond duly authenticated and delivered in accordance with this Section 3.09 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

No service charge shall be made for any transfer or exchange referred to above, but the Authority or the Registrar may require the Holder of any Bond to pay a sum sufficient to pay any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond.

The Registrar shall not be required to transfer or exchange any Bond (a) on any date subsequent to a Record Date and prior to the next succeeding Interest Payment Date, (b) during any period beginning fifteen (15) calendar days prior to, and ending on the day of the mailing of, notice to the Holders of a redemption of the Bonds pursuant to Article Four hereof, or (c) to the extent that such Bond has been selected for redemption, in whole or in part, pursuant to Article Four hereof when the Redemption Date in respect of such Bond is less than thirty (30) days prior to the actual presentation and surrender thereof for transfer or exchange.

SECTION 3.10: REPLACEMENT BONDS. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Authority shall cause to be executed, and the Registrar shall authenticate, register and deliver in exchange therefor, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. In the event that any Bond is apparently lost, destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas, and in the absence of actual notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall cause to be executed and the Registrar shall

authenticate, register and deliver a replacement Bond of like tenor and effect, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar and the Authority satisfactory evidence of the ownership and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Registrar and/or the Paying Agent and/or the Authority to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees and expenses of the Registrar and/or Paying Agent and/or the Authority and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and/or the Paying Agent.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority, the Registrar and/or the Paying Agent shall be entitled to recover upon such replacement Bond from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Authority, the Registrar and/or the Paying Agent in connection therewith.

In the event that any such mutilated, apparently lost, destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent, with the concurrence of the Registrar, in their discretion, may pay such Bond, in lieu of issuance of a replacement Bond.

Each replacement Bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 3.11: BOOK-ENTRY ONLY SYSTEM. The Initial Bonds shall be registered in the name of Cede & Co., as nominee of DTC, pursuant to Section 3.07 hereof. Except as provided in Section 3.12 hereof, all transfer, exchange or replacement Bonds delivered subsequent to the Initial Bonds pursuant to the terms and provisions of this Resolution shall be likewise registered in the name of Cede & Co. or the then-designated nominee of DTC. Accordingly, the provisions of the Letter of Representation and DTC's Operational Arrangements, as incorporated by the Letter of Representation, shall control to the extent of any conflict with the provisions of this Resolution and for so long as the Bonds are registered in DTC's book-entry only system.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation to any

DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. In particular, and not by way of limiting the foregoing, the Authority, the Paying Agent and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than a Holder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Holder, as shown in the Register, any amount with respect to the principal of or the premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the Authority, the Paying Agent and the Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered on the Register as the absolute owner of such Bond for the purpose of payment of the principal of and the premium, if any, and interest on such Bond; for the purpose of giving notices of redemption and other matters with respect to such Bond; for the purpose of registering transfers with respect to such Bond; and for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Holders, as shown on the Register and as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the payment of the principal of and the premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except as provided in Section 3.12 hereof, no Person, other than a Holder, as shown on the Register, shall be issued an exchange Bond pursuant to this Resolution. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to interest payments to the Holders as of the close of business on a Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

SECTION 3.12: SUCCESSOR SECURITIES DEPOSITORY; TRANSFER OUTSIDE BOOK-ENTRY ONLY SYSTEM. In the event that the Authority, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain exchange Bonds, the Authority shall notify DTC and the DTC Participants, as identified by DTC, of the availability through the Registrar of exchange Bonds and shall cause the registration and transfer of one or more exchange Bonds to the DTC Participants having Bonds credited to their DTC accounts, as identified by DTC, but only upon presentation and surrender of the Bonds to be exchanged, upon receipt of proper proof of the beneficial ownerships of the DTC Participants, and in integral multiples of \$5,000 in principal amount. In the event DTC discontinues the services described herein, the Authority shall appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and the DTC Participants, as identified by DTC, of the appointment of such successor securities depository; and cause the registration and transfer of one or more exchange Bonds to such successor securities depository. In either such event, the Bonds shall no longer be restricted to being registered on the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Holders transferring or exchanging Bonds shall designate, in accordance with such transfer or exchange instructions and the provisions of this Resolution.

SECTION 3.13: CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are executed, authenticated registered, and delivered in accordance with Sections 3.09, 3.10, 3.11 or 3.12 hereof, shall be cancelled and destroyed upon the making of proper records regarding such payment, redemption, exchange or replacement and shall be treated in accordance with the document retention policies of the Paying Agent and/or Registrar and the record retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of cancellation and/or destruction of such Bonds upon written request therefor.

(End of Article Three)

ARTICLE FOUR

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: OPTIONAL REDEMPTION OF BONDS. The Authority reserves the right, at its option, to redeem the Bonds maturing on or after October 1, 2026, prior to their respective Maturity Dates, in whole or, from time to time, in part, in inverse order of their stated maturities, on October 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus-unpaid accrued interest on the Bonds called for redemption to the Redemption Date. The Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of Bonds of each maturity to be redeemed. If less than all of the Bonds of the same Maturity Date are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar from the Bonds which have not previously been called for redemption by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.02: MANDATORY REDEMPTION OF BONDS. To the extent of any excess funds remaining on deposit in the Escrow Fund or in the Series 2015 Water Revenue Bond Construction Account following completion of the Project, as provided in Section 7.06 and Section 7.07 hereof and in the Escrow Agreement, and unless the use of such excess funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB, the Bonds shall be subject to mandatory redemption by the Authority to the maximum extent possible out of such excess funds, rounded to the next lowest integral multiple of \$5,000, at a price equal to the principal amount thereof, plus accrued interest on the Bonds called for redemption to the Redemption Date, in inverse order of their scheduled maturities, and on any date within sixty (60) days following the filing with and the approval by the TWDB of a final accounting. The Authority shall, at least forty-five (45) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Registrar and Paying Agent), notify the Registrar and Paying Agent of such Redemption Date and of the principal amount of the Bonds of each maturity to be redeemed. If less than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed in whole or in part from within each such Maturity Date shall be selected by the Registrar from the Bonds which have not previously been called for redemption, by lot or other customary method; provided, however, that in the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof. The Registrar shall promptly notify the Authority and the Paying Agent, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, of the principal amount thereof to be redeemed.

SECTION 4.03: PARTIAL REDEMPTIONS. For purposes of this Resolution, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal amount of such Bond which has been or is to be redeemed. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.09 of this Resolution, shall authenticate, register and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

SECTION 4.04: NOTICE OF REDEMPTION. Notice of each exercise of redemption shall be given by the Authority, or at the Authority's request, by the Registrar, at least thirty (30) days prior to the Redemption Date by sending such notice by United States mail, first class, postage prepaid, to the Holder of each Bond to be redeemed in whole or in part at the address shown on the Register on the date which is forty-five (45) calendar days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amount of the Bonds to be redeemed or, if less than all of the then outstanding Bonds are to be redeemed, the identification of the Bonds to be redeemed and, in the case of partial redemptions within a maturity, the respective principal amounts of the Bonds to be redeemed in each maturity, the amount of accrued interest payable on the Redemption Date and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.04 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as otherwise provided in Section 11.03 hereof and unless otherwise required by law, no other notice of the exercise of the reserved right of redemption shall be given.

SECTION 4.05: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest thereon to the Redemption Date. When Bonds are scheduled for mandatory redemption or have been called for optional redemption, in whole or in part, as provided above, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for redemption, and the right of the Holders to collect interest which would otherwise accrue after the Redemption Date upon the principal of such Bonds, or the portions thereof so called for redemption, shall be terminated.

(End of Article Four)

ARTICLE FIVE

FORM OF BONDS

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Resolution shall be in substantially the forms specified in Exhibit "A" and Exhibit "B" attached hereto and made a part hereof for all purposes, with such omissions, insertions and variations as may be necessary or desirable and consistent with the terms of this Resolution.

SECTION 5.02: REGISTRATION OF BONDS BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed or typed on or attached to each of the Initial Bonds and shall be in substantially the form specified in Exhibit "A" attached hereto.

SECTION 5.03: CERTIFICATE OF REGISTRAR. The form of Certificate of Registrar specified in Exhibit "B" attached to hereto shall be printed on the face of or attached to each of the Bonds authenticated and delivered subsequent to the Initial Bonds.

SECTION 5.04: FORM OF ASSIGNMENT. The form of Assignment specified in Exhibit "A" and Exhibit "B" attached hereto shall be printed at the back of or attached to each of the Bonds.

SECTION 5.05: CUSIP REGISTRATION. The officers and representatives of the Authority may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York.

SECTION 5.06: LEGAL OPINIONS. The opinion of the Authority's Bond Counsel may be, but is not required to be, printed on or attached to the Initial Bonds and exchange Bonds and certified by the Secretary of the Board of Directors, which certification may be executed in facsimile. An original of such opinion may be delivered to TWDB as the initial purchaser of the Bonds.

SECTION 5.07: BOOK-ENTRY ONLY BONDS. Notwithstanding anything in this Article Five to the contrary, exchange Bonds in the form specified in Exhibit "B" attached hereto shall not be issued except as set forth in Section 3.12 of this Order.

(End of Article Five)

ARTICLE SIX

SECURITY FOR THE BONDS

SECTION 6.01: SECURITY FOR THE BONDS. The Bonds shall be secured by and payable from a first lien on and pledge of the Net Revenues, and the Net Revenues are hereby pledged to the payment of the principal of and the interest on the Bonds, and to pay any bank charges, paying agent fees and related costs and expenses of payment of the Bonds. The Net Revenues shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having a claim of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. The lien and pledge hereby created shall be equal and on a parity with the lien on and pledge of the Net Revenues heretofore made in favor of the Outstanding Bonds, or which may hereafter be made in favor of any Additional Parity Revenue Bonds, and such lien and pledge shall remain in full force and effect until the Bonds have been paid in full, as to both principal and interest, at their scheduled maturities or upon their earlier redemption, or by reason of their defeasance and discharge.

SECTION 6.02: LIMITED OBLIGATIONS. The Bonds are and shall be limited obligations of the Authority payable solely out of and secured solely by a lien on and pledge of the Net Revenues, and any amounts from time to time on deposit in or belonging to the Debt Service Fund and the Debt Service Reserve Fund, as herein provided. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. Except to the extent provided herein, the Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, or out of any other funds, resources, assets or revenues of the Authority. The Bonds are not secured by or payable from a mortgage, deed of trust or other lien on, claim against or security interest in or to the System or any real, personal, or mixed properties comprising the System.

SECTION 6.03: SUFFICIENCY OF RATES AND CHARGES. Subject only to applicable laws and regulatory requirements, the Authority will at all times establish, maintain and use due diligence to collect and will periodically review, alter and amend rates, fees and charges for the storage, sale, lease, delivery or use of water or for other services and facilities provided by, through or from the System sufficient to produce Gross Revenues to pay or provide for payment of all Maintenance and Operation Expenses of the System and to yield sufficient Net Revenues to pay or provide for payment of the Bonds and to comply with its covenants and obligations herein. In particular, the Authority covenants and agrees that, to the extent now or hereafter permitted by law, there shall from time to time be fixed, assessed, levied, charged and billed to the users and customers of the System rates, fees and charges in such amounts as will be ample and sufficient to produce Gross Revenues to pay or provide for payment of (i) all Maintenance and Operation Expenses, (ii) all amounts required hereunder to be deposited in and paid from the Debt Service Fund for all principal of and interest on and all bank charges, paying agent fees and costs and expenses of payment of the Bonds, the Outstanding Bonds, and any

Additional Revenue Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, and (iii) all payments to the Debt Service Reserve Fund or any similar reserve or sinking funds created in respect of the Bonds, the Outstanding Bonds, or any Additional Revenue Bonds issued in conformity with this Resolution, when and as the same shall become due and payable, and to otherwise fulfill the terms, agreements and covenants made with the Holders of the Bonds, the Outstanding Bonds, and any Additional Revenue Bonds issued in conformity with this Resolution and/or with any other Persons in their behalf.

(End of Article Six)

ARTICLE SEVEN

DEPOSITS, REVENUES AND APPLICATIONS THEREOF

SECTION 7.01: CONFIRMATION OF FUNDS. Notwithstanding any part or provision hereof to the contrary, the creation, establishment and use of the following funds pursuant to the Series 1995 Resolution, as confirmed and adopted by the Series 2010 Resolution, is hereby adopted and confirmed as a part hereof, as if set forth in full herein, and same shall continue in force and effect so long as this Resolution remains in effect:

- (a) The General Fund;
- (b) The Debt Service Fund; and
- (c) The Debt Service Reserve Fund.

Each of such Funds shall be kept separate and apart from all other funds of the Authority. The Debt Service Fund and the Debt Service Reserve Fund shall, to the extent permitted by law, constitute trust funds for the benefit of the Holders of the Bonds, the Outstanding Bonds and any Additional Revenue Bonds and shall, to the extent permitted by law, be used solely as provided in the Series 1995 Resolution, the Series 2010 Resolution, and this Resolution, until all of the Bonds, the Outstanding Bonds and any Additional Revenue Bonds have been retired, both as to principal and interest. The Authority reserves the right to create, establish and maintain, by separate resolution, order or agreement, one or more additional funds or accounts to facilitate delivery of the Bonds and to provide for the receipt, investment, reinvestment, transfer, withdrawal, expenditure and/or other disposition of the proceeds received from time to time from sale and delivery of the Bonds; provided, however, that such funds or accounts are used solely for the purposes herein described and are secured and invested in a manner consistent herewith.

SECTION 7.02: SECURITY OF FUNDS. Any cash balance in any fund of the Authority identified in Section 7.01 hereof, to the extent not insured by the Federal Deposit Insurance Corporation, or its successor, shall be continuously secured by a valid pledge to the Authority of securities eligible under the laws of the State of Texas to secure the funds of political subdivisions such as the Authority, having an aggregate market value, exclusive of accrued interest, at all times at least equal to the uninsured cash balance in the fund to which such securities are pledged or such higher amount as required by the Authority's policies for investment of funds of the Authority.

SECTION 7.03: GENERAL FUND. The Authority shall deposit, as collected, the Gross Revenues into the General Fund. All Gross Revenues credited to or on deposit in the General Fund, including earnings and investment profits derived therefrom, shall be used for the following purposes and in the following order of priority:

- (a) Paying Maintenance and Operation Expenses of the System;

- (b) Making such transfers into the Debt Service Fund as shall be necessary to pay principal, redemption price and interest on the Bonds, the Outstanding Bonds, and any Additional Parity Revenue Bonds;
- (c) Making such transfer into the Debt Service Reserve Fund as shall be necessary to accumulate or replenish and to maintain therein the Required Debt Service Reserve Fund Amount, as hereinafter provided;
- (d) Making periodic transfers into a debt service fund or funds created for the benefit of any Additional Subordinate Lien Revenue Bonds, or making payments into one or more bond redemption funds as may be required by a resolution or resolutions authorizing Additional Revenue Bonds;
- (e) Establishing and maintaining one or more operating reserve funds in respect of all or any portion of the System; and
- (f) For any other lawful purpose of the Authority.

SECTION 7.04: DEBT SERVICE FUND. To the extent that funds are not available in the Debt Service Fund for such purposes, the Authority shall deposit or cause to be deposited into the Debt Service Fund from (i) Net Revenues on deposit in or to the credit of the General Fund, or (ii) to the extent sufficient Net Revenues are not available for such purposes, from funds credited to or on deposit in the Debt Service Reserve Fund, not later than five (5) days prior to any Maturity Date, Redemption Date or Interest Payment Date on the Bonds, amounts not less than that which are sufficient to pay the principal on the Bonds which matures and becomes payable on such date, the interest which accrues and becomes payable on the Bonds on such date, and the Paying Agent's fees and expenses for handling and making such payments on the Bonds on such date, and not later than two (2) days prior to such payment dates, shall cause such amounts to be transferred to the Paying Agent.

SECTION 7.05: DEBT SERVICE RESERVE FUND. Moneys and properties belonging to the Debt Service Reserve Fund, including, without limitation, any interest earnings or investment profits thereon, shall be used, invested, applied and replenished as provided herein and in the Series 1995 Resolution and the Series 2010 Resolution. The Authority shall promptly make deposits or cause deposits to be made into the Debt Service Reserve Fund and/or shall promptly release such surety bond or bonds and/or such policy or policies or municipal guaranty insurance, in such amounts that the aggregate amount of moneys on deposit therein and the insured amounts of such surety bonds or insurance policies equals the Required Debt Service Reserve Fund Amount. For purposes of determining from time to time whether the Debt Service Reserve Fund contains on deposit therein the required amounts, all investments belonging or allocable to the Debt Service Reserve Fund shall be valued at their fair market value with all interest earnings and/or investment profits accrued thereon to the date of such computation, all such surety bonds and/or insurance policies shall be valued at the remaining insured amounts thereunder; provided, however, that nothing herein or in Section 7.08 hereof shall be deemed or

construed to require the sale or liquidation of such investments prior to their maturity as a result of capital gains or losses in the value of such investments.

SECTION 7.06: ESCROW FUND. The Escrow Fund shall be established, maintained and administered as provided in the Escrow Agreement. Proceeds from the sale and delivery of the Bonds, after deduction of the amounts described in Section 8.01 and Section 8.02 hereof, shall be deposited therein and shall thereafter be administered, invested, secured, disbursed and accounted for in the manner and at the times specified in the Escrow Agreement. Periodically, in compliance with the applicable rules, requirements and regulations of the TWDB, funds on deposit in the Escrow Fund may be withdrawn and deposited into the Construction Account. Any amounts remaining in the Escrow Fund, after completion of the Project, shall be aggregated with any amounts remaining in the Construction Account and shall be utilized for the redemption of the Bonds, as provided herein and in the Escrow Agreement.

SECTION 7.07: CONSTRUCTION ACCOUNT. There is hereby created and established within the General Fund a special account, to be known and designated as the Series 2015 Water Revenue Bond Construction Account, which shall be kept separate and apart from all other funds and accounts of the Authority. Certain proceeds from the sale and delivery of the Bonds shall be deposited into 2015 Water Revenue Bond Construction Account and applied to pay the costs of issuance of the Bonds, as further described in Section 8.02 hereof. Otherwise, proceeds from the sale and delivery of the Bonds deposited, from time to time, into the Series 2015 Water Revenue Bond Construction Account, and any investment earnings or profits thereon, shall be used to pay Eligible Project Costs, or following completion of the Project, to redeem Bonds prior to their scheduled maturities, as provided hereinafter.

The Authority covenants and agrees that a final accounting of Eligible Project Costs shall be provided to the TWDB following completion of the Project. If the Project shall be completed at a total cost less than the aggregate amount of funds available therefor in the Series 2015 Water Revenue Bond Construction Account and in the Escrow Fund, or if any portion of the Project Costs shall be disapproved or determined by applicable regulatory requirement or rule, regulation or policy of the TWDB to be ineligible for funding out of moneys on hand in the Series 2015 Water Revenue Bond Construction Account or the Escrow Fund, then, in such event, unless an authorized representative of the TWDB shall have approved in writing the use of any remaining funds for other Project purposes or similar purposes, the Authority shall, immediately upon filing with and approval by the TWDB of such final accounting, call for the redemption of such portions of the Bonds as may be redeemed with such remaining funds, as provided in Section 4.02 hereof. In determining the amount of remaining funds for such purposes, such final accounting shall include all moneys on deposit in the Series 2015 Water Revenue Bond Construction Account and the Escrow Fund, together with all investments, interest earnings and investment profits belonging or allocable thereto.

SECTION 7.08: INVESTMENTS; EARNINGS. Moneys on deposit in any of such funds may be invested or reinvested in Authorized Investments. All investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that in the discretion of the Board

of Directors of the Authority, the profits realized from and the interest accruing on investments made from the Debt Service Reserve Fund, after the Required Debt Service Reserve Fund Amount is on deposit therein, may be used for any lawful purpose of the Authority. If any moneys are so invested, the Authority shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. After such sale, the moneys resulting therefrom shall belong to the fund from which the moneys for such investments were initially taken. The Authority shall not be responsible to the Holders for any market loss arising out of the sale of any investments.

(End of Article Seven)

ARTICLE EIGHT

APPLICATION OF BOND PROCEEDS; TAX COVENANTS

SECTION 8.01: DEPOSITS TO DEBT SERVICE FUND AND DEBT SERVICE RESERVE FUND. No proceeds from the sale and delivery of the Bonds shall be deposited into the Debt Service Fund or into the Debt Service Reserve Fund.

SECTION 8.02: DEPOSIT TO CONSTRUCTION ACCOUNT. Proceeds from the sale and delivery of the Bonds, as and if approved by the TWDB prior to the Delivery Date and in such amounts as approved by the TWDB, representing Eligible Project Costs, shall be deposited into the Series 2015 Water Revenue Bond Construction Account on the Delivery Date. Proceeds from the sale and delivery of the Bonds, as and if approved by the TWDB prior to the Delivery Date and in such amounts as approved by the TWDB, representing the estimated costs of issuance of the Bonds, shall also be deposited into the Series 2015 Water Revenue Bond Construction Fund on the Delivery Date. The Authority shall pay the costs of issuance of the Bonds from such amount and, to the extent that amounts remain on deposit for such purposes on the 90th day after delivery of the Bonds, the Authority shall treat such amounts as surplus bond funds and call for the redemption of Bonds as provided in Section 4.02 hereof, unless the use of such funds for other Project purposes or similar purposes is approved in writing by an authorized representative of the TWDB.

SECTION 8.03: DEPOSIT TO ESCROW FUND. After making the above deposits, the remaining proceeds from the sale of the Bonds shall be deposited into the Escrow Fund and shall be administered and applied in the manner provided in the Escrow Agreement.

SECTION 8.04: TAXABLE BONDS. (a) It is the intention of the Authority that the Bonds be issued as taxable obligations and not as obligations the interest on which is excludable from gross income for federal income tax purposes, including, without limitation, for purposes of Sections 103 and 141-150 of the Code, and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code (the "Regulations"). The Authority covenants and agrees not to file a Form 8038-G, or any similar information return relating to the issuance of tax-exempt obligations, with the Internal Revenue Service in connection with the issuance, sale and delivery of the Bonds.

(b) To the extent required by the Code and the Regulations, the Authority covenants and agrees to cause the Paying Agent to report to the Holders of the Bonds and to the Internal Revenue Service (i) the amount of "reportable payments," if any, subject to back up withholding during each year and the amount of tax withheld, if any, with respect to the payments on the Bonds and (ii) the amount of interest or amount treated as interest, such as original issue discount, on the Bonds required to be included in the gross income of the owners thereof for federal income tax purposes.

(End of Article Eight)

ARTICLE NINE

AMENDMENTS, ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 9.01: AMENDMENTS AND SUPPLEMENTS. The Authority may, without the consent of, or notice to, any of the Holders or beneficial owners of the Bonds, enter into amendments or supplements to this Resolution for any of the following purposes:

- (a) to provide for the issuance, sale and delivery of Additional Bonds in conformity with the requirements of this Resolution and, in such connection, to provide for the deposit and the disbursement of the proceeds of sale of such Additional Bonds and the construction or installation of facilities and improvements to be financed from the proceeds of such Additional Bonds,
- (b) to cure any ambiguity, inconsistency or formal defect or omission in this Resolution, or
- (c) to modify this Resolution or to add any provisions or changes thereto that do not materially adversely affect the interest of the Holders of the Bonds.

Otherwise, unless expressly authorized by this Resolution, no change, amendment, modification, supplement or alteration of the terms or provisions of this Resolution shall be made, entered into or effective without the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) the Bonds then outstanding.

SECTION 9.02: ADDITIONAL PARITY REVENUE BONDS. The Authority expressly reserves the right to issue Additional Parity Revenue Bonds, in one or more installments, upon such terms and conditions as the Authority deems advisable, upon satisfaction of the following conditions:

- (a) the Net Revenues received by the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution authorizing the issuance of such proposed Additional Parity Revenue Bonds, shall have been not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Outstanding Bonds, the Bonds, and any Additional Parity Revenue Bonds, and estimated to become due on such proposed Additional Parity Revenue Bonds; or
- (b) the Authority shall have revised its rates, fees and charges to users or customers of the System effective at least sixty (60) days prior to the close of (i) its most recent Fiscal Year or (ii) any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution authorizing the issuance of such proposed Additional Parity Revenue Bonds, and the Authority shall have received a certificate executed by a certified public

accountant or firm of certified public accountants to the effect that the Net Revenues received by the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised rates, fees and charges had been in effect for the entirety of such Fiscal Year or twelve-month period, would have been not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Outstanding Bonds, the Bonds, and Additional Parity Revenue Bonds, and estimated to become due on such proposed Additional Parity Revenue Bonds; or

- (c) the Authority shall have received the written consent and approval to the issuance of such proposed Additional Parity Revenue Bonds of the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

SECTION 9.03: SUBORDINATE LIEN BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority further reserves the right to issue Additional Bonds as Subordinate Lien Revenue Bonds in one or more installments and upon such terms and conditions as the Authority deems advisable.

SECTION 9.04: REFUNDING BONDS. Without the necessity for compliance with Section 9.02 hereof, the Authority further reserves the right to issue refunding bonds in any manner permitted by law to refund or defease the Bonds, the Outstanding Bonds or any Additional Parity Revenue Bonds at or prior to their respective dates of maturity or redemption.

SECTION 9.05: OTHER BONDS. The Authority further reserves the right to issue other bonds, notes or indebtedness, including, without limitation, special project bonds, for any lawful purpose so long as same are payable from and secured by any resources, assets, income or revenues of the Authority, other than the Net Revenues.

(End of Article Nine)

ARTICLE TEN

BONDHOLDER PROVISIONS

SECTION 10.01: REMEDIES IN EVENT OF DEFAULT. In addition to any other rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees that in the event of default in the payment of the principal of or interest on any of the Bonds when due, or, in the event the Authority fails to make the payments required to be made into the Debt Service Fund or Debt Service Reserve Fund, or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Resolution, the Holders shall be entitled to seek a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Authority and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in this Resolution; provided, however, that nothing herein shall be deemed or construed to require payment by the Authority of amounts due in respect of the Bonds from any source or sources of revenue or income, other than the Net Revenues, and the Authority's responsibilities hereunder and under the Bonds shall be limited to the exercise of reasonable diligence to assess, levy, charge, bill and collect rates, fees and charges as may be ample and sufficient to provide for full and timely payment of the Bonds, and to the performance of its covenants, obligations and duties hereunder and under the Bonds.

Any delay or omission in the exercise of any right or power accruing upon any default shall not impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

SECTION 10.02: RESOLUTION AS CONTRACT. In consideration of the purchase and acceptance of the Bonds by the Holders, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of each of same. Each of the Bonds, regardless of the time or times of their issue, authentication, delivery or maturity, shall be of equal rank, without preference, priority or distinction of any Bond over any other, except as expressly provided herein.

(End of Article Ten)

ARTICLE ELEVEN

CONTINUING DISCLOSURE

SECTION 11.01: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to them below:

The term "MSRB" means the Municipal Securities Rulemaking Board.

The term "obligated person" has the meaning assigned to such term in the Rule.

The term "Offering" has the meaning assigned to such term in the Rule.

The term "Rule" means SEC Rule 15c2-12, and any regulations promulgated thereunder, all as amended from time to time.

The term "SEC" means the United States Securities and Exchange Commission.

SECTION 11.02: ANNUAL REPORTS. The Authority shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six (6) months after the end of each Fiscal Year, financial information and operating data with respect to the Authority of the general type included in the Authority's application to the TWDB for financial assistance prepared in connection with the Bonds. Any financial statements to be so provided shall be (a) prepared in accordance with general accepted accounting principles for governmental units, as prescribed by the Government Accounting Standards Board from time to time, and as modified, supplemented or amended from time to time by applicable law and the applicable rules, regulations and requirements of the Texas Commission on Environmental Quality, the TWDB, and/or, or such other accounting principles as the Authority may be required to employ from time to time pursuant to applicable law or regulatory requirement, and (b) audited, if the Authority commissions an audit of such statements and such audit is completed within the period during which they must be provided hereunder. If any such audit is not completed within such period, then the Authority shall provide such audited financial statements for the applicable Fiscal Year to the MSRB when and if such audit report becomes available.

If the Authority changes its Fiscal Year, the Authority will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section 11.02. The financial information and operating data to be provided pursuant to this Section 11.02 may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet website or filed with the SEC. The Authority shall notify the MSRB, in a timely manner, of any failure of the Authority to provide financial information or operating data in accordance with this Section 11.02 by the time required herein. All documents provided to the MSRB pursuant to this Section 11.02 shall be accompanied by such identifying information as may be prescribed by the MSRB.

SECTION 11.03: MATERIAL EVENT NOTICES. The Authority shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) Business Days after occurrence, of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material within the meaning of the federal securities laws;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to the rights of the Holders of the Bonds, if material within the meaning of the federal securities laws;
- (h) Calls for redemption of the Bonds, if material within the meaning of the federal securities laws, and tender offers;
- (i) Defeasance of the Bonds;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws, and tender offers;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event(s) of the Authority;
- (m) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets comprising the System, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material within the meaning of the federal securities laws.

SECTION 11.04: LIMITATIONS, DISCLAIMERS AND AMENDMENTS. (a) The Authority shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Bonds, within the meaning of the Rule, except that the Authority in any event will give notice of any call for redemption of the Bonds or defeasance of the Bonds, in whole or in substantial part, made in accordance with this Resolution or applicable law that causes such Bonds to no longer be outstanding.

(b) The provisions of this Article are for the sole benefit of the Holders and any beneficial owners of the Bonds within the meaning of the Rule, and nothing herein, expressed or implied, shall be deemed to confer any benefit or any legal or equitable right, remedy or claim hereunder upon any other Person. The Authority undertakes to provide only the financial information, operating data financial statements and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, conditions or prospects of the Authority, nor does the Authority undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or to sell Bonds at any future date.

(c) UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR IN TORT, FOR DAMAGES RESULTING, IN WHOLE OR IN PART, FROM ANY BREACH BY THE AUTHORITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR IN TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH, SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(d) No default by the Authority in observing or performing its obligations under this Article shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

(e) Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under applicable federal and state securities laws.

(f) Should the Rule be amended to obligate the Authority to make filings with or provide notices to entities other than the MSRB, the Authority hereby agrees to undertake such obligations with respect to the Bonds in accordance with the Rule as amended.

(g) Except as provided hereinafter, the provisions of this Article may be amended by the Authority from time to time, in its discretion, to adapt to changed circumstances that arise from a change in law, the identity, nature, status or type of operations of the Authority, or other circumstances, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in a primary offering of the Bonds in compliance

with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Holders or beneficial owners of two-thirds (2/3) in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment, or (B) a Person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and any beneficial owners of the Bonds within the meaning of the Rule. Notwithstanding the foregoing, the Authority may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or if any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but, in either case, only if and to the extent that any such amendment or repeal by the Authority would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If this Article is so amended, the Authority shall include with any amended financial information or operating data next provided in accordance with this Article an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(End of Article Eleven)

ARTICLE TWELVE

MISCELLANEOUS PROVISIONS

SECTION 12.01: PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS. The Authority covenants to fully and timely pay, but only out of Net Revenues, the principal of and the interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution, or in any Bond issued, executed and delivered hereunder.

SECTION 12.02: ISSUANCE OF BONDS UNDER CERTAIN TERMS AND CONDITIONS. The Bonds shall be issued upon and subject to the further terms and conditions contained in the Series 1995 Resolution and the Series 2010 Resolution, which shall apply with equal force to the Bonds as if set forth fully herein; provided, however, that where the provisions of the Series 1995 Resolution and/or the Series 2010 Resolution are inconsistent or in conflict with the terms and provisions of this Resolution, the terms and provisions of this Resolution shall govern.

SECTION 12.03: TWDB REQUIREMENTS. (a) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the Authority shall (i) develop, implement and maintain a water conservation program relative to the Project which is consistent with applicable rules, regulations and requirements of the TWDB and approved by the TWDB, (ii) comply with any and all special conditions and covenants specified and contained in the environmental assessment and determination of the Project by the TWDB, and (iii) comply with any and all provisions specified and contained in Resolution No. 14-118, approved by the TWDB in connection with the issuance of the Bonds, and (iv) comply with and abide by all other applicable rules, regulations and requirements of the TWDB relative to the Project. Without limiting the generality of the foregoing, the Authority specifically covenants and agrees to abide by all applicable construction contract requirements related to the use of iron and steel products and manufactured goods produced in the United States, as required by §17.183, Texas Water Code, as amended

(b) The Authority covenants and agrees that proceeds from the sale of the Bonds shall never be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site(s), and agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport and/or removal and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating the Project.

(c) The Authority covenants and agrees that, for any Bond registered in the name of the TWDB at the close of business on a Record Date, the payment of interest on the Bonds on the

next succeeding Interest Payment Date, except for an interest payment due on any Maturity Date or Redemption Date, shall be payable at the expense of the Authority by wire transfer to the TWDB, notwithstanding Section 3.04 hereof.

(d) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the Authority shall provide the TWDB with written notice thirty days prior to (i) the proposed passage and adoption of an amendment to this Resolution without obtaining the prior written consent of the Holders or beneficial owners of not less than two-thirds (2/3) of the Bonds then outstanding, to the extent authorized under Section 9.01 hereof, or (ii) the proposed issuance of any Additional Bonds by the Authority.

(e) The Authority covenants and agrees that, for so long as the TWDB is a Holder or beneficial owner of the Bonds, the TWDB may exercise all remedies available to it in law or equity and any provisions hereof that restricts or limits the TWDB's full exercise of such remedies, including but not limited to the provisions of Section 10.01 hereof, shall be of no force or effect.

(f) That certain Private Placement Memorandum, of even date herewith, relating to the sale, issuance and delivery of the Bonds to the TWDB is hereby approved and authorized to be delivered to the TWDB on the Delivery Date.

SECTION 12.04: LIMITED RECOURSE. No recourse shall be had for the payment of the principal of or the interest on the Bonds, or for any claim based thereon or on this Resolution, against any officer, director, agent, representative or employee of the Authority, or any Person executing the Bonds, or against any funds, revenues, resources or assets of the Authority of any type or character, or from any source derived, other than the Net Revenues.

SECTION 12.05: REGISTRAR. The initial Registrar in respect of the Bonds shall be The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The Authority will maintain at least one (1) Registrar in the State of Texas where the Bonds may be surrendered for registration of transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Register on behalf of the Authority; provided, however, that except during any period when the State Comptroller shall be duly designated to act as Registrar hereunder, the Registrar shall at all times be a duly qualified and competent banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves to the right and authority to change any Registrar or to appoint additional Registrars, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Registrar, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The Authority's General Manager is hereby authorized and directed to approve, execute and deliver on behalf of the Authority an agreement for Registrar services with The Bank of New York

Mellon Trust Company, N.A., Dallas, Texas, in such form and upon such terms and conditions as he may deem necessary and appropriate.

SECTION 12.06: PAYING AGENT. The initial Paying Agent in respect of the Bonds shall be The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The General Manager of the Authority is hereby authorized and directed to execute and deliver, for and on behalf of the Authority, an agreement for Paying Agent and Registrar services with the Bank of New York Mellon Trust Company, N.A., Dallas, Texas, in such form and upon such terms and conditions as many be deemed necessary and appropriate. The Authority will maintain in the State of Texas at least one (1) Paying Agent, who may be the State Comptroller and/or one (1) or more duly qualified and competent banking corporations or associations organized and doing business under the laws of the United States of America, or of any State thereof, each of which with a combined capital and surplus of at least \$25,000,000, and which is subject to supervision or examination by federal or state banking authorities, where the Bonds may be presented or surrendered for payment and where interest payable on the Bonds may be paid. To the extent now or hereafter permitted by law, the Authority, by order, resolution or other appropriate action, reserves the right and authority to change any Paying Agent or to appoint additional Paying Agents, and upon any such change or appointment, the Authority covenants and agrees to promptly cause written notice thereof, specifying the name and address of such changed or additional Paying Agent, to be sent to each Holder of the Bonds by United States mail, first class, postage prepaid. The Authority's General Manager is hereby authorized and directed to approve, execute and deliver on behalf of the Authority an agreement for Paying Agent services with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, in such form and upon such terms and conditions as he may deem necessary and appropriate.

SECTION 12.07: PAYING AGENT MAY OWN BONDS. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

SECTION 12.08: LEGAL HOLIDAYS. In any case when any Interest Payment Date, Maturity Date or Redemption Date for any Bond shall be a legal holiday or a day on which the Paying Agent is authorized by law or executive order to close, then payment of such principal or interest need not be made on such date, but may be made on the next succeeding business day which is not a legal holiday or a day on which such banking institutions are authorized by law or executive order to close, with the same force and effect as if made on the scheduled Interest Payment Date, Maturity Date or Redemption Date, and no further interest shall accrue beyond such scheduled date.

SECTION 12.09: DISCHARGE BY DEPOSIT. The Authority may discharge its obligations to the Holders to pay the principal of and the interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable law, including, without limitation, §1207.001 et seq., Texas Government Code, as amended, subject to any limitations or requirements set forth herein.

SECTION 12.10: ESCHEAT LAWS. Notwithstanding any part or provision of the Bonds or this Resolution to the contrary, the powers, rights, duties, functions and responsibilities of the Authority, the Paying Agent, the Registrar and the Holders hereunder or under the Bonds shall at all times conform and be subject to the requirements, limitations, procedures and provisions of Title 6, Texas Property Code, as now or hereafter amended, and in case of any conflict or inconsistency therewith now existing or hereafter created, the provisions of such laws shall prevail and control, and the provisions of this Resolution and the Bonds shall be deemed to be supplemented or amended to conform thereto.

SECTION 12.11: BENEFITS OF RESOLUTION. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any Person, other than the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition or provision herein contained, and all the covenants, conditions and provisions contained in this Resolution or in the Bonds shall be for the sole benefit of the Authority, the TWDB, the Paying Agent, the Registrar, and the Holders of the Bonds.

SECTION 12.12: SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section or other part of this Resolution, or the application thereof to any Person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section or other part of this Resolution to any other Persons or circumstances shall not be affected thereby.

SECTION 12.13: ACCOUNTING. In addition to the final accounting to be performed upon completion of the Project, as provided in Section 7.07 hereof, the Authority will keep proper records and accounts regarding the Projects and the Bonds and, in particular, the establishment, levy, collection, investment and utilization of the proceeds from sale of the Bonds and the Net Revenues, which records and accounts will be made available for inspection to any Holder on reasonable request. Each year while any of the Bonds are outstanding, the Authority shall have an audit conducted of its books and accounts by a certified public accountant or firm of certified public accountants, based on its Fiscal Year, and copies of such audits will be provided to the Executive Administrator of the TWDB within one hundred thirty-five (135) days after the close of such Fiscal Year.

SECTION 12.14: ESCROW AGREEMENT. The form, terms and conditions of the Escrow Agreement are hereby approved, and the General Manager of the Authority is hereby authorized and directed to execute and deliver same for and on behalf of the Authority.

SECTION 12.15: NOTICE. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when deposited in the United States mail, first class or registered or certified, with postage prepaid, and addressed to the Person to be notified at the latest address shown on the Register. A United States Postal Service registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery of such notice.

SECTION 12.16: FURTHER PROCEEDINGS. The President and Secretary of the Board of Directors, the Authority's General Manager, the Authority's Bond Counsel and all other appropriate officials of the Authority are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution including, without limitation, the execution of this Resolution and other documentation required in connection herewith and with the issuance of the Bonds.

(End of Article Twelve)

ARTICLE THIRTEEN

SALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. The sale of the Bonds is hereby awarded to the TWDB at a price equal to the principal amount of the Bonds. It is hereby found, determined and declared by the Board of Directors of the Authority that the foregoing terms and price represent the best terms and price obtainable for the Bonds. It is hereby further found and declared that the terms of the sale of the Bonds are in the Authority's best interests.

SECTION 13.02: APPROVAL, REGISTRATION AND DELIVERY. The President and Secretary of the Board of Directors of the Authority, the Authority's General Manager and Bond Counsel for the Authority are hereby authorized and directed to submit the Initial Bonds, and a transcript of the proceedings relating to the issuance of the Bonds, to the Attorney General of Texas for approval and, following such approval, to submit the Initial Bonds to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered as set forth in Section 3.07 hereof.

(End of Article Thirteen)

ARTICLE FOURTEEN

OPEN MEETING AND EFFECTIVE DATE

SECTION 14.01: OPEN MEETING. The Board of Directors officially finds, determines and declares that this Resolution was reviewed, considered and adopted at a regular meeting of the Board of Directors beginning at 7:30 a.m., Conroe, Texas time on June 25, 2015, and that a sufficient written notice of the date, hour, place and subject of such meeting was duly and timely posted and/or furnished for posting to the County Clerk of Montgomery County, Texas, and to the Secretary of State of Texas for the time prescribed by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Government Code, as amended, and Chapter 49, Texas Water Code, as amended, and that such meeting has been open to the public, as required by law, at all times during which this Resolution and the subject matter hereof was discussed, considered and acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 14.02: EFFECTIVE DATE OF RESOLUTION. This Resolution shall take effect and be in full force and effect upon and after its passage and adoption.

PASSED AND ADOPTED this 25th day of June, 2015.



President, Board of Directors
San Jacinto River Authority

ATTEST:



Secretary, Board of Directors
San Jacinto River Authority



(End of Article Fourteen)

EXHIBIT "A"
(FORM OF INITIAL BOND)

| | | |
|----------------------|--|----------------------|
| REGISTERED NUMBER | UNITED STATES OF AMERICA STATE OF TEXAS | REGISTERED AMOUNT |
| IR-__ | | \$ _____ |

SAN JACINTO RIVER AUTHORITY
WATER REVENUE BOND
SERIES 2015

| | | | | |
|---------------------------|------------------------------------|---------------------------------|-------------------------|---------------------|
| Interest Rate: _____ % | Maturity Date: October 1, _____ | Initial Date: August 1, 2015 | Delivery Date: _____ | CUSIP No.: _____ |
|---------------------------|------------------------------------|---------------------------------|-------------------------|---------------------|

SAN JACINTO RIVER AUTHORITY, a conservation and reclamation district, a body politic and corporate and a governmental agency organized and operating under the Constitution and laws of the State of Texas, having its principal offices in Montgomery County, Texas (herein the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the maturity date specified above, the principal sum of

_____ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable on April 1, 2016, and semiannually thereafter on each October 1 and April 1 (individually, an "Interest Payment Date") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 25, 2015 (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date. Principal of this Bond and any interest due at maturity or upon prior redemption are payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon presentation and surrender of this Bond at the offices of the agency or agencies selected by the Authority for such purpose (the "Paying Agent"), or, if the State Treasurer shall then be duly designated and acting as Paying Agent, at the principal office of the State Treasurer. Otherwise, interest on this Bond is payable, at the option of the Authority, by mailing of a check or draft of

the Paying Agent for such interest payable to, or upon written order of, the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a banking corporation or association selected by the Authority for such purpose (the "Registrar"), or by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof, at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Nine Million and No/100 Dollars (\$29,000,000.00) in principal amount, issued for the purpose or purposes of paying or making provision for the payment of Project Costs, as defined in the Bond Resolution, and paying the costs of issuance, sale and delivery of the Bonds, pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE AUTHORITY RESERVES THE RIGHT, AT ITS OPTION, TO REDEEM the Bonds of this issue maturing on or after October 1, 2026, prior to their scheduled maturities, in whole or, from time to time, in part, in inverse order of their stated maturities, on October 1, 2025, or on any date thereafter, at a price equal to the principal amount to be redeemed, plus accrued interest thereon to Redemption Date. Under certain circumstances described in the Bond Resolution, the Bonds may be subject to mandatory redemption, in whole or in part, in inverse order of their stated maturities. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION WILL BE GIVEN by mailing same to the Registrar and to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the registered owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

THE TRANSFER OR EXCHANGE OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registrable at the designated offices of the Registrar, or, if the State Treasurer shall then be duly designated and acting as Registrar, at the principal office of the State Treasurer, by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer

or exchange, one or more exchange Bonds, in authorized denominations, for a like aggregate principal amount, bearing the same rate of interest and having the same maturity date, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. To the extent possible, such registration of transfer or exchange will be accomplished within three (3) business days after the receipt by the Registrar of a request for transfer or exchange in proper form. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith. Neither the Authority nor the Registrar shall be required to transfer or exchange any Bond on any date which is fifteen (15) calendar days or less prior to any Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and are secured by a lien on and pledge of the Net Revenues of the Authority's System; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Revenue Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Net Revenues of the Authority's System, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Net Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By

acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part by irrevocably pledging the Net Revenues of the Authority's System, as provided in the Bond Resolution; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Comptroller of Public Accounts of the State of Texas has been manually executed hereon by such Comptroller (or a duly authorized deputy), as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

SAN JACINTO RIVER AUTHORITY

By: _____
President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

OFFICE OF THE COMPTROLLER

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding limited obligation of the San Jacinto River Authority, and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,

_____.

Comptroller of Public Accounts
of the State of Texas

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

(Social Security or other identifying number): _____
the within Bond and does hereby irrevocably constitute and appoint
_____ as attorney to transfer said Bond on the books kept
for registration thereof, with full power of substitution in the premises.

Dated: _____

Registered Owner

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.

(Bank, Trust Company, or
Brokerage Firm)

By: _____
(Authorized Representative)

EXHIBIT "B"
(FORM OF EXCHANGE BOND)

| | | |
|----------------------|--|----------------------|
| REGISTERED NUMBER | UNITED STATES OF AMERICA STATE OF TEXAS | REGISTERED AMOUNT |
| R-_____ | | \$ _____ |

SAN JACINTO RIVER AUTHORITY
WATER REVENUE BOND
SERIES 2015

| | | | | |
|---------------------------|------------------------------------|---------------------------------|-------------------------|---------------------|
| Interest Rate: _____ % | Maturity Date: October 1, _____ | Initial Date: August 1, 2015 | Delivery Date: _____ | CUSIP No.: _____ |
|---------------------------|------------------------------------|---------------------------------|-------------------------|---------------------|

SAN JACINTO RIVER AUTHORITY, a conservation and reclamation district, a body politic and corporate and a governmental agency organized and operating under the Constitution and laws of the State of Texas, having its principal offices in Montgomery County, Texas (herein the "Authority"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY TO

CEDE & CO.

or registered assigns, on the maturity date specified above, the principal sum of

_____ DOLLARS

(or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption), and to pay interest thereon from the later of the initial date specified above or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months. Interest hereon is payable on April 1, 2016, and semiannually thereafter on each October 1 and April 1 (individually, an "Interest Payment Date") of each year until the maturity or redemption date of this Bond, as provided in the resolution of the Board of Directors of the Authority duly adopted on June 25, 2015 (the "Bond Resolution"), authorizing the issuance of this Bond, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date. Principal of this Bond and any interest due at maturity or upon prior redemption are payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon presentation and surrender of this Bond at the offices of the agency or agencies selected by the Authority for such purpose (the "Paying Agent"), or, if the State Treasurer shall then be duly designated and acting as Paying Agent, at the principal office of the State Treasurer. Otherwise, interest on this Bond is payable, at the option of the Authority, by mailing of a check or draft of

the Paying Agent for such interest payable to, or upon written order of, the registered owner hereof at the address shown on the registry books maintained on behalf of the Authority by a banking corporation or association selected by the Authority for such purpose (the "Registrar"), or by such other customary banking arrangements as may be acceptable to the Paying Agent and the registered owner hereof, at the risk and expense of the registered owner hereof. The initial Registrar and Paying Agent shall be The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

THIS BOND IS ONE OF AN AUTHORIZED ISSUE OF BONDS, aggregating Twenty Nine Million and No/100 Dollars (\$29,000,000.00) in principal amount, issued for the purpose or purposes of paying or making provision for the payment of Project Costs, as defined in the Bond Resolution, and paying the costs of issuance, sale and delivery of the Bonds, pursuant to the Bond Resolution and under and in strict conformity with the Constitution and laws of the State of Texas.

THE AUTHORITY RESERVES THE RIGHT, AT ITS OPTION, TO REDEEM the Bonds of this issue maturing on or after October 1, 2026, prior to their scheduled maturities, in whole or, from time to time, in part, in inverse order of their stated maturities, on October 1, 2025, or on any date thereafter, at a price equal to the principal amount to be redeemed, plus accrued interest thereon to Redemption Date. Under certain circumstances described in the Bond Resolution, the Bonds may be subject to mandatory redemption, in whole or in part, in inverse order of their stated maturities. In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000, or an integral multiple thereof, and only upon the delivery of one or more exchange Bonds in aggregate principal amount equal to the unredeemed portion of the Bond so redeemed in part.

NOTICE OF REDEMPTION WILL BE GIVEN by mailing same to the Registrar and to the registered owners of the Bonds to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will have been made with the Paying Agent for payment of the principal amount of the Bonds so called for redemption, plus accrued interest thereon to the date fixed for redemption. When Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the registered owners to collect interest which would otherwise accrue after the redemption date on the principal of the Bonds, or the portions thereof so called for redemption, will be terminated.

THE TRANSFER OR EXCHANGE OF THIS BOND may be accomplished by due execution of the provisions for assignment hereon and is registrable at the designated offices of the Registrar, or, if the State Treasurer shall then be duly designated and acting as Registrar, at the principal office of the State Treasurer, by the registered owner hereof, or by his duly authorized representative, but only in the manner and subject to the limitations provided in the Bond Resolution, and only upon surrender of this Bond. Upon any such registration of transfer

or exchange, one or more exchange Bonds, in authorized denominations, for a like aggregate principal amount, bearing the same rate of interest and having the same maturity date, shall be authenticated by the Registrar and registered and delivered or sent by United States mail, first class, postage prepaid, to the transferee in exchange therefor. To the extent possible, such registration of transfer or exchange will be accomplished within three (3) business days after the receipt by the Registrar of a request for transfer or exchange in proper form. No service charge shall be made for any such transfer or exchange, but the Authority and/or the Registrar may impose a charge sufficient to defray any tax or governmental charge in connection therewith. Neither the Authority nor the Registrar shall be required to transfer or exchange any Bond on any date which is fifteen (15) calendar days or less prior to any Interest Payment Date, or during any period beginning fifteen (15) calendar days prior to, and ending on the date of, the mailing of any notice of redemption prior to maturity; nor shall the Authority or the Registrar be required to transfer or exchange any bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within thirty (30) calendar days thereafter.

PRIOR TO DUE PRESENTATION OF THIS BOND FOR REGISTRATION OF TRANSFER, the Authority, the Paying Agent and the Registrar may deem and treat the registered owner hereof as the absolute owner of this Bond (whether or not this Bond shall be overdue and notwithstanding any notation of ownership or other writing hereon) for the purpose of receiving payment hereof, or on account hereof, and interest due hereon, and for all other purposes, and neither the Authority, the Paying Agent nor the Registrar shall be bound or affected by any notice to the contrary.

THIS BOND, AND THE OTHER BONDS OF THE SERIES OF WHICH IT IS A PART, are payable only from and are secured by a lien on and pledge of the Net Revenues of the Authority's System; amounts on deposit to the credit of the Debt Service Fund and the Debt Service Revenue Fund described in the Bond Resolution; proceeds received from any insurance settlement, condemnation award or other similar proceedings described in the Bond Resolution; and interest earnings and investment profits thereon, all as more particularly described in the Bond Resolution. The Bonds are limited obligations of the Authority and are payable solely out of and are secured solely by a lien on and pledge of the Net Revenues of the Authority's System, if, as, when and to the extent actually received by the Authority pursuant to the Bond Resolution. Neither the State of Texas nor any other political subdivision or agency thereof shall be obligated to pay the principal of or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Texas, the Authority or any other political subdivision or agency thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds shall never be paid in whole or in part out of any funds raised or to be raised by taxation, including, without limitation, ad valorem, sales, use, incremental, excise, income or general purposes taxes, or out of any other funds, resources, assets or revenues of the Authority, except the Net Revenues. Reference is hereby made to the Bond Resolution for a complete description of: the terms, covenants and provisions pursuant to which this Bond and said series of Bonds are secured and made payable; the respective rights thereunder of the registered owners of the Bonds and of the Authority, the Paying Agent and the Registrar; the terms upon which the Bonds are, and are to be, registered and delivered; and any capitalized terms not otherwise defined herein. By

acceptance of this Bond, the owner hereof expressly assents to all of the provisions of the Bond Resolution

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond, and the series of Bonds of which it is a part, is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Bond and said series of Bonds to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the interest on and the principal of this Bond and the series of Bonds of which it is a part by irrevocably pledging the Net Revenues of the Authority's System, as provided in the Bond Resolution; and that the issuance of this Bond and said series of Bonds does not exceed any constitutional or statutory limitation.

UNLESS AND UNTIL A CERTIFICATE OF REGISTRATION of the Registrar has been manually executed by an authorized representative of the Registrar, as provided in the Bond Resolution, this Bond shall not be entitled to the benefit and security of the Bond Resolution nor be valid or obligatory for any purpose.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Directors and its official seal to be impressed or placed in facsimile hereon.

SAN JACINTO RIVER AUTHORITY

By: _____
President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the bonds issued under the provisions of the within-mentioned Bond Order, and it is hereby further certified that this Bond has been authorized and delivered in conversion and exchange for, or in replacement of, a bond, bonds or portions thereof (or one or more prior conversion, exchange or replacement bonds) originally issued by the San Jacinto River Authority, approved by the Attorney General of Texas, and initially registered by the Comptroller of Public Accounts of the State of Texas.

_____, Registrar

Dated: _____

By: _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

(Social Security or other identifying number): _____
the within Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

The signature of the Registered Owner appearing on this Assignment is hereby verified as true and genuine and is guaranteed by:

(Bank, Trust Company, or Brokerage Firm)

By: _____
(Authorized Representative)

Registered Owner
NOTICE: The signature on this Assignment must correspond in every particular with the name of the Registered Owner as it appears on the face of the within Bond.