

MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
SAN JACINTO RIVER AUTHORITY

OCTOBER 30, 2014

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 A.M., October 30, 2014, at the San Jacinto River Authority General and Administration Building, 1577 Dam Site Road, Conroe, Texas 77304. The roll was called of the duly constituted members of the Board as follows:

Lloyd B. Tisdale	President
Fredrick Koetting	Vice President
Mary L. Rummell	Secretary
Joseph L. Stunja	Treasurer
Mike Bleier	Member
John D. Eckstrum	Member
Jim Alexander	Member

Present were Lloyd B. Tisdale, Mary L. Rummell, Jim Alexander, Mike Bleier, and John Eckstrum thus constituting a quorum. Also present were Jace Houston, General Manager; Ron Kelling, Deputy General Manager; Tom Michel, Director of Financial and Administrative Services; David Parkhill, Director of Raw Water Enterprise; Cynthia Bowman, Administrative Services Manager; Ronda Trow, Public Relations Manager; SuEllen Staggs, Woodlands Division Manager; Mark Smith, GRP Division Manager; Phil Smith, Surface Water Plant Construction Manager; Doug Haude, Senior Project Manager/Construction Manager; Dr. Robert Hill, SCADA Manager;

Mitchell Page, Schwartz, Page & Harding, LLP, General Counsel and Bond Counsel; Jan Bartholomew with RBC Capital Markets, LLC; and numerous other guests.

Mr. Tisdale called the meeting to order at 8:08 a.m., and announced that notice of the meeting had been posted as required by law, that advance notice of the time, place, and subject matter of the meeting had been sent to all Directors, and that a quorum was present.

Mr. Tisdale requested that Mr. Bleier lead the pledges of allegiance to the United States flag and the Texas flag.

Mr. Tisdale continued the meeting by inviting comments from the public; there were none.

Mr. Tisdale then introduced newly-appointed Board Member Jim Alexander. Mr. Alexander briefly introduced himself, and he was welcomed by the Board.

Mr. Tisdale moved to the next item to receive updates from the Operational Divisions and General & Administration Division related to ongoing projects, staff reports, and items on the consent agenda. Mr. Houston reported on Mr. Alexander's orientation with SJRA staff as well as his legislative bus tour in Austin.

Ms. Trow provided information related to the annual Jamboree in the Highlands, Highlands Cleanup Day, recent Patty Potty appearances, recent attendance at TWCA, Lake Conroe's Watershed Protection Plan Stakeholder meetings, and GRP water quality campaign.

Mr. Michel stated that the annual audit is nearing completion and will be presented to the Board at December's meeting.

Mr. Parkhill stated that he would reserve his comments for Raw Water Enterprise Regular agenda items.

Ms. Staggs reported on her attendance and participation at the Association of Water Board Directors event as well as the Woodland Division facilities tour.

Mr. Mark Smith reported that the GRP Review Committee met this week and all items on the agenda were presented to and recommended by the GRP Review Committee for approval. Mr. Smith explained the initial estimates contained in the previously-approved Supplemental Agreement with the City of Conroe relative to system improvements. He further stated that the bids for the project came in and were slightly higher than the original estimate and reassured that funds are available within the GRP budget to pay for the project. Mr. Smith went on to say that information received from Dr. Mark Meinrath regarding geologic monitoring had been distributed to the Board as well as the GRP Monthly Progress Report. He reported on the progress of GRP staffing.

Mr. Phil Smith and Mr. Doug Haude provided the Groundwater Reduction Plan Program's Monthly Construction Progress Report regarding the progress of the Surface Water Facility and the Surface Water Transmission System, respectively.

Mr. Tisdale then continued on to the consent agenda. A motion was made by Ms. Rummell, seconded by Mr. Eckstrum and unanimously approved, to: (5a) approve the minutes of the Board of Directors meeting of September 25, 2014; (5b) approve the unaudited financial statement for the month of September, 2014; (5c) authorize the General Manager to execute Amendment No. 1 to Work Order No. 1 in the deductive amount of (\$250,000.00) with Terracon Consultants, Inc., for construction materials sampling and testing services for various surface water transmission line segments for the GRP Program; and (5d) authorize the General Manager to execute Amendment No. 1 to Work Order No. 1 in an amount not to exceed

\$250,000.00 with Aviles Engineering Corporation, for construction materials sampling and testing services for various surface water transmission line segments for the GRP Program.

Mr. Tisdale continued on to item (6a), where he led the discussion regarding the election of officers of the Board of Directors. Mr. Eckstrum nominated Mr. Koetting to hold the position of Vice President of the Board of Directors. The motion was seconded by Ms. Rummell and carried unanimously. Mr. Eckstrum then moved that the remaining officers continue to serve in their current positions, that being Mr. Tisdale as President, Ms. Rummell as Secretary, and Mr. Stunja as Treasurer. The motion was seconded by Mr. Bleier and carried unanimously.

Mr. Tisdale moved on to item (6b). Ms. Rummell made a motion, seconded by Mr. Eckstrum and unanimously approved, to adopt a *resolution commending Gary Montgomery for his service to the San Jacinto River Authority Board as a director*, attached hereto as Exhibit "A".

Mr. Tisdale continued on to item (6c), announcing that he and Mr. Bleier were reappointed to the Board of Directors by the Governor. He went on to appoint members of the Board to standing committees as follows: Construction Committee – Fred Koetting, John Eckstrum, and Jim Alexander; Finance Committee – Joseph Stunja, Lloyd Tisdale, and Mike Bleier; Long Range Planning Committee – Lloyd Tisdale, Marisa Rummell, and Fred Koetting; Personnel Committee – Marisa Rummell, Joseph Stunja, and John Eckstrum; Retirement Plans Investment Committee – Joseph Stunja.

Moving on, Mr. Parkhill presented information regarding item (7a). Ms. Rummell made a motion, seconded by Mr. Bleier and unanimously approved, to authorize the General Manager to execute Work Order No. 14 in the amount of \$31,800.00 with Freese and Nichols, Inc., for design and procurement phase services of a culvert at a Harris County Flood Control

District (HCFCD) Siphon Crossing in the Highlands. Mr. Parkhill presented information with regard to item (7b). Following discussion, Mr. Bleier made a motion, seconded by Mr. Eckstrum and unanimously approved, to authorize expenditure for removal, evaluation, and reinstallation of Pump No. 2 at the Lake Houston Pump Station in accordance with the existing contract with Weisinger Incorporated, in an amount not to exceed \$81,500.00. Moving forward to item (7c), Mr. Bleier made a motion, seconded by Ms. Rummell and unanimously approved, to authorize General Manager to execute Work Order No. 10 for \$15,000.00 with Freese and Nichols, Inc., for professional engineering services related to improvements to the service outlet pond at the Lake Conroe Dam. With regard to item (7d), Ms. Rummell made a motion, seconded by Mr. Eckstrum and unanimously approved, authorizing the General Manager to execute Work Order No. 2 in the amount of \$77,650.00 with Freese and Nichols, Inc., for Phase 2 of the environmental analysis of the Highlands. Moving on, Mr. Tisdale announced that items (7e) through (7h) would be considered together as they related to the East Canal Transfer Pump Station project. Mr. Parkhill discussed the necessity for improved infrastructure for increased capacity for future growth of an East Canal industrial customer. He stated that the customer and SJRA previously negotiated a customer contribution of \$6,000,000.00 for the design and construction of the pump station to allow for additional water supply to the customer. Mr. Parkhill then explained that SJRA was commissioning additional work at the same time in order to provide for future growth in the area and that SJRA would pay for the amount over the negotiated price. It was explained that the bids for the project were approximately three to four million dollars above the price established through the previously negotiated process. After further discussion, Mr. Eckstrum made a motion seconded by Mr. Alexander and

unanimously approved, to authorize the General Manager to execute a construction contract with Boyer, Inc., in an amount not to exceed \$9,604,012.00 for the East Canal Transfer Pump Station in the Highlands, and contract modifications up to \$75,000.00, contingent upon the issuance and execution of a work change directive in the minimum amount of \$850,000.00; (7f) to authorize the General Manager to execute Work Order No. 12 in an amount not to exceed \$216,805.00 with Freese and Nichols, Inc., for construction phase services during construction of the East Canal Transfer Pump Station in the Highlands; (7g) to authorize the General Manager to execute Work Order No. 13 in an amount not to exceed \$280,372.00 with Freese and Nichols, Inc., for construction inspection services of the East Canal Transfer Pump Station in the Highlands; and (7h) to authorize the General Manager to execute Professional Services Agreement and Work Order No. 1 in an amount not to exceed \$171,660.00 with Geotest Engineering, Inc., for construction materials testing for the East Canal Transfer Pump Station in the Highlands. Moving forward, Mr. Tisdale announced that items (7i) through (7o) would be considered together. Mr. Page presented information regarding the favorable ruling from the IRS with regard to Lake Conroe and the Highlands relative to the issuance of governmental bonds and private activity bonds, respectively. Further discussion ensued and Mr. Bleier made a motion, seconded by Mr. Eckstrum and unanimously approved, to (7i) designate Raymond James & Associates, Inc. the underwriter for the sale of the Series 2014 Highlands Bonds and approve the form of Bond Purchase Agreement presented for execution by the General Manager for the sale of the Series 2014 Highlands Bonds to such underwriter; (7j) to designate The Bank of New York Mellon Trust Company, N.A. as Paying Agent/Registrar for the Series 2014 Highlands Bonds and approve the execution by the General Manager of a Paying

Agent/Registrar Agreement in connection therewith; (7k) to approve the Preliminary Official Statement in substantially the form presented and authorize distribution of same in connection with the sale of the Series 2014 Highlands Bonds; (7l) to pass and adopt the Resolution authorizing the issuance, sale and delivery of the Series 2014 Highlands Bonds; (7m) to authorize the General Manager and the officers of the Board of Directors to take all other necessary actions to proceed with the sale, issuance and delivery of the Series 2014 Highlands Bonds; (7n) to pass and adopt the *Resolution authorizing applications to the Texas Bond Review Board for issuance of Series 2014 Highlands Bonds as qualified, private activity bonds ("PABs") and, further, authorize the General Manager to approve of necessary revisions to documents for the issuance, sale and delivery of the Series 2014 Bonds as PABs*, attached hereto as Exhibit "B"; and (7o) to authorize the General Manager to execute the engagement letter with Bracewell & Giuliani, LLP, Special Tax Counsel, relative to issuance of Series 2014 Highlands Bonds as PABs, as presented.

Ms. Staggs discussed item (8a) and a motion was made by Ms. Rummell, seconded by Mr. Eckstrum and unanimously approved, to authorize the General Manager to execute a contract for construction in the amount of \$1,288,000.00 with C.F. McDonald Electric, Inc., for electrical upgrades for Water Plant No. 3 and Water Well Nos. 23 and 24 in The Woodlands. Moving to item (8b), Mr. Eckstrum moved to authorize the General Manager to execute Amendment No. 1 to Work Order No. 11 to support easement acquisition for the fiber optic conduit from Research Forest Drive to Wastewater Treatment Plant No. 2 in The Woodlands. The motion was seconded by Ms. Rummell with all present voting aye.

Mr. Smith presented information regarding item (9a). Mr. Eckstrum made a motion to authorize the General Manager to execute a Supplemental Agreement with Southern Montgomery County MUD (SMCMUD) for System Improvements in the estimated amount of \$455,975.00. The motion was seconded by Mr. Bleir and carried with four yeases (Mr. Tisdale, Mr. Bleier, Mr. Alexander, and Mr. Eckstrum) and one abstention (Ms. Rummell). Moving on to items (9b) and (9c), Mr. Smith and Mr. Kelling explained that for both items, staff agrees with the consultants that the scope of work and level of effort required on these contracts is sufficient to meet the requirements of the San Jacinto River Authority and its Surface Water Program. After further discussion, Mr. Bleier made a motion to approve (9b) authorizing the General Manager to execute Work Order No. 2 in an amount not to exceed \$39,097.50 with LandTech Consultants, Inc., for establishment and survey of a geological monitoring system for the GRP Program; and (9c) authorizing the General Manager to execute professional services agreement and Work Order No. 1 in an amount not to exceed \$19,220.00 with Carl E. Norman, PhD., for the analysis of geological monitoring data for the GRP Program. The motion was seconded by Mr. Eckstrum and passed with all present voting aye. Moving on, Mr. Eckstrum made a motion, seconded by Ms. Rummell and unanimously approved, (9d) to authorize the General Manager to execute Work Order No. 5 for \$151,010.00 with IDS Engineering Group, Inc., for final design and procurement phase services for Surface Water Transmission Line, Segment W3C, for the GRP Program; (9e) to authorize the General Manager to execute Work Order No. 6 in an amount not to exceed \$26,000.00 with IDS Engineering Group, Inc., for land acquisition surveying of Surface Water Transmission Line, Segment W3C; (9f) to authorize the General Manager to execute professional services agreement and Work Order No. 1 in an

amount not to exceed \$99,800.00 with EMA, Inc., for design of fiber optic network communications system along Surface Water Transmission Line, Segment W3C, and at the Montgomery County MUD No. 99 Water Receiving Facility for the GRP Program; and (9g) to authorize the General Manager to execute Work Order No. 2 in an amount not to exceed \$20,756.00 with V&A Consulting Engineers, Inc., for final design and procurement services of corrosion protection system for Surface Water Transmission Line, Segment W3C, for the GRP Program. Moving on to item (9h), Ms. Rummell moved to authorize the General Manager to execute Work Order No. 16 in an amount not to exceed \$580,306.00 with AECOM Technical Services, Inc., for final transient analysis, transmission system start-up and commissioning plan, development of electronic operations manual (eOM), and population of CMMS for the GRP Program. The motion was seconded by Mr. Bleier and passed unanimously. Next, Mr. Eckstrum made a motion, seconded by Mr. Alexander and unanimously approved, to (9i) authorize the General Manager to execute Work Order No. 19 in an amount not to exceed \$358,351.00, with HDR Engineering, Inc., for Surface Water Facility startup and operation assistance for the GRP Program. Mr. Smith then presented information regarding item (9j). Mr. Eckstrum moved to authorize the General Manager to execute Amendment No. 1 to Work Order No. 9 for preliminary and final design, procurement, topographic survey, metes and bounds, and geotechnical investigation of communications conduit and ground boxes for the GRP Program. The motion was seconded by Mr. Bleier and carried unanimously. Mr. Smith moved on to item (9k), stating that Quadvest (McCall Sound/Sonoma Ridge) is requesting to adjust their current service area while Wood Trace Municipal Utility District No. 1 is a new development requesting to join the GRP. Mr. Eckstrum made a motion to authorize the

General Manager, or his designee, to execute letters of assurance for Quadvest (McCall Sound/Sonoma Ridge) and Wood Trace Municipal Utility District No. 1, to Lone Star Groundwater Conservation District, as requested, and approve the GRP Contract with Wood Trace Municipal Utility District No. 1, as presented and authorize the execution of same by the General Manager. The motion was seconded by Ms. Rummell and carried unanimously.

Mr. Tisdale then announced that the Board would recess into Executive Session. At 10:02 a.m., the Board recessed into Executive Session. With a quorum still present, the Board reconvened into open session at 10:23 a.m.

Mr. Tisdale announced the next Board meeting date of December 11, 2014, at 7:30 a.m. Without objection, the meeting was adjourned at 10:24 a.m.



Mary L. Rummell
Secretary
San Jacinto River Authority

Exhibit A

RESOLUTION

WHEREAS, on November 16, 1989, the Texas Water Development Board appointed R. Gary Montgomery, to serve as a member of the Board of Directors of the San Jacinto River Authority; and

WHEREAS, Mr. Montgomery brought to the Board a wealth of engineering, business, civic, and political experience, as well as his established relationships in Montgomery County and the Greater Houston business communities and his well-earned reputation and credibility as a business owner in the field of engineering; and

WHEREAS, on November 15, 1995, Mr. Montgomery was elected by the members of the Board of Directors to serve as President of the Board, a position he held until August 25, 2011; and

WHEREAS, during his distinguished tenure and, in no small measure, due to his leadership and guidance, the Authority has experienced one of the most productive and exciting periods in its operating history of more than seventy-five years, including the procurement of additional water rights that were critical to the Authority's regional water supply strategy; development of a groundwater reduction plan for the Authority's Montgomery County service area; the restaffing of several key positions within the Authority's senior management; the continued improvement and increased efficiency of the Authority's business operations and contracting, procurement, and financial practices; the continued education of the general public, customers, and political leaders regarding the services and resources of the San Jacinto River Authority; and a number of other equally significant accomplishments; and

WHEREAS, Mr. Montgomery's experience, business skills, professionalism, and advice will be long remembered and often missed; Now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY THAT the San Jacinto River Authority hereby expresses to R. Gary Montgomery, its best wishes for continued success in his future endeavors and its profound thanks and appreciation for his dedicated years of service and many valuable contributions to the Authority, for his leadership and advice, and for his efforts in ensuring a successful future for the Authority, its employees, customers, and constituents.

PASSED AND APPROVED this 30th day of October, 2014.



President, Board of Directors



Secretary, Board of Directors

Exhibit B

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF WATER REVENUE BONDS, SERIES 2014, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$6,000,000; PRESCRIBING THE TERMS AND PROVISIONS THEREOF; MAKING PROVISION FOR THE PAYMENT OF THE INTEREST THEREON AND THE PRINCIPAL THEREOF; APPROVING AND AUTHORIZING EXECUTION OF A BOND PURCHASE AGREEMENT AND PRICING CERTIFICATE; 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 of financing the purchase, acquisition and provision of improvements, betterments and additions to the existing systems and facilities of the Authority.

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 security for

repayment set forth and provided in this Resolution and in the Pricing Certificate (hereinafter defined);

- (c) the Authority is duly authorized and empowered to sell and deliver such bonds to the Underwriter (hereinafter defined) for the price and upon the terms hereinafter set forth and provided in this Resolution and in the Pricing Certificate;
- (d) the issuance by the Authority of its revenue bonds for such purposes 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 purchase, acquisition and provision of such improvements, betterments and additions;
- (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"), and its Water Revenue Bonds, Series 2013, in the aggregate, initial principal amount of \$6,730,000 (the "Series 2013 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, and \$6,555,000 in aggregate principal amount of the Series 2013 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 Article One 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 Article One 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 or governing body of the Authority, or any such successor municipal corporation, public body or public agency.

Authorized Investments.

The term "Authorized Investments" shall mean all investments which are authorized under the laws of the State of Texas for the investment of funds of the Authority.

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.

Bond Purchase Agreement.

The term "Bond Purchase Agreement" shall mean that certain Bond Purchase Agreement, dated as of the date of the Pricing Certificate, by and between the Authority and the Underwriter, together with all attachments, exhibits, amendments and additions thereto.

Bonds.

The term "Bond" or "Bonds" shall mean any Bond or Bonds, as the case may be, of the issue of Water Revenue Bonds, Series 2014, 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 allowed 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 7.05 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 7.06 hereof.

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.

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 7.04 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, the Person or Persons in whose name or names a 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 December 1, 2014.

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 and in the Pricing Certificate.

Letter of Representation.

The term "Letter of Representation" shall mean the Blanket Issuer Letter of Representations between the Authority, the Registrar 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 and in the Pricing Certificate, whether on a maturity date stated therein or on any Redemption Date fixed by the Authority.

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 Article One 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 12.05 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 hereof, 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.

Pricing Certificate.

The term "Pricing Certificate" shall mean a certificate to be executed by the General Manager of the Authority, as more fully described and set forth in Section 13.01 hereof.

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) designated and acting in such capacity from time to time, as provided in Section 12.04 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 permitted amendments hereof and supplements hereto.

Serial Bonds.

The term "Serial Bond" or "Serial Bonds" shall mean any one or more, as the case may be, of the Bonds issued hereunder as serial bonds, which have Maturity Dates as set forth in the Pricing Certificate and which are not subject to mandatory redemption.

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

The terms "Series 2010 Bonds", "Series 2010 Refunding Bonds", "Series 2012 Refunding Bonds", and "Series 2013 Bonds" are defined in Article One 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.

Term Bonds.

The term "Term Bond" or "Term Bonds" shall mean any one or more, as the case may be, of the Bonds issued hereunder as term bonds which have Maturity Dates as set forth in the Pricing Certificate and which are subject to mandatory redemption pursuant to Section 4.01(b) hereof.

Underwriter.

The term "Underwriter" shall mean Raymond James & Associates, Inc.

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.

(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 2014", shall be issued in an aggregate initial principal amount not to exceed \$6,000,000, for the purpose or purposes of financing the purchase, acquisition and provision of improvements, betterments and additions to the System and paying the costs of issuance, sale and delivery thereof, 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, the Act.

SECTION 3.02: FORM, INITIAL DATE, NUMBERS AND DENOMINATIONS. The Initial Bonds shall be issued and delivered in fully registered form, without interest coupons, and shall be dated as of the Initial Date. Thereafter, each Bond registered and delivered by the Registrar hereunder shall be similarly dated as of the Initial Date, but shall include thereon the date of its authentication by the Registrar. 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. Each Bond registered and delivered by the Registrar thereafter 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.

SECTION 3.03: INTEREST RATES AND MATURITY DATES. The Bonds shall be issued as Serial Bonds, as Term Bonds, or as Serial Bonds and Term Bonds, as set forth in the Pricing Certificate. The Bonds shall bear interest at the per annum rate or rates set forth in the Pricing Certificate, 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 Pricing Certificate. The Bonds shall mature and become payable not later than October 1, 2040.

SECTION 3.04: DATES, MANNER, AND PLACE OF PAYMENT. (a) Interest on the Bonds shall accrue from the later of the Initial 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 April 1 and October 1 of each year until the earlier of the Maturity Date or the Redemption Date, commencing on April 1, 2015. 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.

(b) The payments of interest on the Bonds, except interest payments due at any Maturity Date or Redemption Date, shall be made, at the option of the Authority, by check or draft mailed by the Paying Agent to the Holder, at the address shown on the Register, or by wire

transfer to such Holder, or by such other customary banking arrangements as may be acceptable to the Paying Agent and the Holder, at the risk and expense of such Holder. The interest so payable on any such 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.

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

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 authenticated by the Registrar.

SECTION 3.07: APPROVAL, REGISTRATION AND DELIVERY. The Initial Bonds shall consist of one Bond for each Maturity Date specified in the Pricing Certificate, representing the entire principal amount of the Bonds scheduled to mature on each of such Maturity Dates, and shall be made payable to Cede & Co., as nominee for DTC, the designee of the Underwriter. 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 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 registered on the Register in the name of Cede & Co., as nominee of DTC, and shall be delivered to the Underwriter or its designee, but only upon receipt of the full purchase price therefor and in accordance with the terms of the Bond Purchase Agreement.

At any time after delivery of the Initial Bonds, the Underwriter or any subsequent Holder 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) 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 Serial Bonds shall be exchangeable upon the presentation and surrender thereof at the office designated by the Registrar for a Serial Bond or Serial 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 Serial 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 Serial Bonds in accordance with the provisions of this Section 3.09. Except as provided in Section 3.12 hereof, a Term Bond is not exchangeable so long as it is registered as set forth in Section 3.11 hereof.

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 lost, apparently 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, interest rate, and principal

amount, bearing a number not contemporaneously outstanding, provided that the Holder thereof shall have:

- (a) furnished to the Registrar 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 the Paying Agent to save the Authority, the Registrar and the Paying Agent 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 Paying Agent and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the Authority, the Registrar and 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 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 the Paying Agent in connection therewith.

In the event that any such mutilated, lost, apparently 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 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; provided, however, that in such event, each Term Bond, if any Bonds are so designated in the Pricing Certificate, shall be exchangeable only for one or more Serial Bonds bearing the same rate of interest and corresponding in aggregate principal amounts and Maturity Dates to the unpaid mandatory redemption amounts and Redemption Dates applicable to such Term Bond pursuant to Section 4.01 hereof, with the particular Maturity Date applicable to any such exchange Serial Bond to be determined by the Registrar by lot or other customary method. 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 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 and delivered in accordance with Section 3.09 or Section 3.10 hereof, shall be cancelled 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 records retention schedules of the Authority. The Paying Agent and Registrar shall periodically furnish the Authority with certificates of cancellation of such Bonds, upon written request therefor.

(End of Article Three)

ARTICLE FOUR

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 4.01: REDEMPTION OF BONDS. (a) The Authority reserves the right, at its option, to redeem certain Bonds maturing on or after October 1, 2025, whether Serial Bonds or Term Bonds, prior to their scheduled maturities, in whole or, from time to time, in part, on October 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the Redemption Date. 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 Serial Bonds of the same maturity are to be redeemed, the particular Serial Bonds to be redeemed in whole or in part from within each such maturity shall be selected by the Registrar or DTC, as applicable, from the Serial Bonds which have not previously been called for redemption, by lot or other customary method; provided, however, that in the event that a Serial Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Serial 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, if different than the Registrar, in writing, of the Serial Bonds selected for redemption and, in the case of any Serial Bond selected for partial redemption, of the principal amount thereof to be redeemed. If less than the all of the entire outstanding principal amount of a Term Bond is to be redeemed, the Authority shall notify the Paying Agent at least forty-five (45) calendar days prior to the Redemption Date of the reductions in the remaining mandatory redemption amounts to result from such optional redemption.

(b) Bonds designated as Term Bonds in the Pricing Certificate, if any, are subject to scheduled mandatory sinking fund redemption and will be redeemed by the Authority in part, at a price equal to the principal amount thereof, plus accrued interest to the Redemption Date, on the dates and in the respective principal amounts as set forth in the Pricing Certificate, with the particular Term Bonds to be redeemed to be selected by the Registrar or DTC, as applicable, from the Term Bonds which have not previously been redeemed by the Authority, by lot or other customary method. Notwithstanding the foregoing, to the extent that Term Bonds of a particular maturity have been previously redeemed in part through the exercise of the Authority's reserved right of optional redemption, as provided in Section 4.01(a) above, each of the aforesaid scheduled mandatory redemption payments for the Term Bonds of such maturity shall be reduced in each such instance of prior redemption, such that the cumulative reductions in such mandatory redemption payments within each maturity equal the cumulative prior optional redemptions of Term Bonds from within such maturity.

(c) 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 aggregate principal amount equal to the unredeemed portion of the Bond so surrendered; provided, however, that this paragraph shall not apply to Bonds registered as set forth in Section 3.11 of this Resolution.

SECTION 4.02: NOTICE OF REDEMPTION. Notice of the exercise by the Authority of the reserved right of optional redemption of Bonds pursuant to Section 4.01(a) hereof 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) days prior to the Redemption Date. Such notice shall state the Redemption Date, the redemption price, the principal amounts of the Bonds to be redeemed and, if less than all of the then outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 4.02 shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Except as may otherwise be required by law, no notice of the scheduled mandatory redemption of Term Bonds need be given by the Authority to the Registrar or to the Holders of any such Term Bonds.

SECTION 4.03: PROVISION FOR PAYMENT. By the Redemption Date, due provision shall be made with the Paying Agent for the payment of the principal of the Bonds to be redeemed, plus accrued and unpaid interest thereon to the Redemption Date. When Bonds have been called for 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 portions thereof so called for redemption shall be terminated.

(End of Article Four)

ARTICLE FIVE

FORM OF BONDS; INSURANCE

SECTION 5.01: FORM OF BONDS. The Bonds authorized by this Resolution, including the registration certificate of the Comptroller of Public Accounts of the State of Texas or Registrar, as applicable, and form of assignment shall be in substantially the forms specified in Exhibit "A" and Exhibit "B" attached to the Pricing Certificate.

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 to the Pricing Certificate.

SECTION 5.03: CERTIFICATE OF REGISTRAR. The form of Certificate of Registrar specified in Exhibit "B" attached to the Pricing Certificate 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 to the Pricing Certificate shall be printed on 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 opinions of the Authority's Bond Counsel and Special Tax Counsel may be, but are 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.

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 to the Pricing Certificate shall not be issued except as set forth in Section 3.12 of this Order.

SECTION 5.08: BOND INSURANCE PROCEEDINGS. The officers and representatives of the Authority are hereby authorized (i) to make application for and to execute, attest and deliver any and all certificates, agreements or other instruments necessary to secure a commitment for municipal bond insurance policy with respect to the Bonds from one or more insurers having on the date of sale of the Bonds a rating on its outstanding insured indebtedness of at least "Aa" from Moody's Investor Service, Inc., or at least "AA" or higher from Standard & Poor's Rating Services, and (ii) to provide for the printing of a statement or legend relating to such insurance on the Bonds, all as may be deemed necessary by said officers and

representatives. If a municipal bond insurance policy on the Bonds is secured, the General Manager is hereby authorized and directed to approve and set forth any terms and conditions related to such insurance in an exhibit to the Pricing Certificate, which terms and conditions shall be deemed to amend and supplement this Order in all respects and shall control over any conflicting provision set forth herein.

(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 Funds of the Authority identified in Section 7.01 hereof, to the extent not insured by the Bank Insurance Fund, managed and maintained by the Federal Deposit Insurance Corporation, or a successor insurance fund, 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 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: DEPOSIT AND APPLICATION OF BOND PROCEEDS. Moneys received from the Underwriter representing accrued interest on the Bonds from the Initial Date to the date of their delivery to the Underwriter shall be deposited into the Debt Service Fund and used for the purposes described in Sections 7.01 and 7.05 hereof. The remaining proceeds from the sale and delivery of the Bonds, as received by the Authority, shall be deposited in the General Fund and shall be used for the purposes for which the Bonds are

issued, to pay certain costs incurred by the Authority in connection with the issuance of the Bonds, and for other purposes described in Section 7.01 and 7.04 hereof.

SECTION 7.04: 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 7.05: 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 7.06: 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 7.07 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 7.07: INVESTMENTS; EARNINGS. Moneys on deposit in any of such Funds may be invested or reinvested in Authorized Investments. Except to the extent otherwise required to maintain compliance with the covenants set forth in Article Eight hereof, 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

PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

SECTION 8.01: FEDERAL INCOME TAX EXCLUSION. The Authority intends that the interest on the Bonds will be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Code and the applicable Income Tax Regulations (the "Regulations"). The Authority covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would (i) cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes, or (ii) result in the violation of or failure to satisfy any provision of Section 103 and 141 through 150 of the Code and applicable Regulations. In particular, the Authority covenants and agrees to comply with each requirement of this Article Eight; provided, however, that the Authority will not be required to comply with any particular requirement of this Article Eight if the Authority has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that (a) such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (b) compliance with some other requirement set forth in this Article Eight will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article Eight.

SECTION 8.02: USE OF PROCEEDS. The Authority covenants and agrees that its use of the Net Proceeds of the Bonds (as hereinafter defined) will at all times satisfy the following requirements:

- (a) At least 95% of the Net Proceeds of the Bonds actually expended will be (i) expended for costs properly chargeable for federal income tax purposes, or that would be so chargeable with either a proper election or but for a proper election to deduct such amounts, to the capital account of the property financed with the Net Proceeds of the Bonds (for purposes of this Section 8.02 only, the "Project"), and (ii) used to provide "facilities for the furnishing of water." For purposes of this requirement, the term "facilities for the furnishing of water" means those components of a system for the distribution of water to customers that are necessary for the collection, treatment, and distribution of water to a service area and other functionally related and subordinate components of such facilities. For a component to come within this definition, it must be part of a system which, when viewed as a whole, is for the distribution of water to customers. A system or component does not come within this definition if it is a production facility that merely uses water in a production process. In addition, an "office" shall be considered a "facility for the furnishing of water" only if such office is located on the premises of a water facility and all but a de minimis amount of the functions to be performed at such office are directly related to the day-to-day operations at such water facility.

- (b) All of the Project will be operated by the Authority, a governmental unit within the meaning of Treas. Reg. §1.103-7(b)(2). For purposes of this requirement, a governmental unit is considered to operate a facility only if it has responsibility and control over the repairs and maintenance of the facility. In addition, no industrial user shall either control the maintenance and repair of the Project, or bear the cost associated with such maintenance and repair.
- (c) The Authority will operate the Project in order to make its water available to members of the general public. For purposes of this requirement, the general public includes electric utility, industrial, agricultural, and commercial users. In addition, the Authority will operate the facility so as to reserve at least 25% of the capacity of the Project in order to make water available to residential users within its service area, municipal water districts within its service area, or any combination thereof. For purposes of this requirement, a facility is not considered to make water available to the general public merely because it is available for swimming, water skiing, and recreational activities.
- (d) The Project will not include any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.
- (e) Not more than 25% of the Net Proceeds of the Bonds actually expended will be used, directly or indirectly, for the acquisition of land or an interest therein. Notwithstanding the immediately preceding sentence no portion of the Net Proceeds of the Bonds will be used, directly or indirectly, for the acquisition of land or an interest therein to be used for farming purposes.
- (f) No portion of the Net Proceeds of the Bonds will be used for the acquisition of any existing property or an interest therein unless (i) the first use of such property is pursuant to such acquisition or (ii) the rehabilitation expenditures with respect to any building and the equipment therefor equal or exceed 15% of the cost of acquiring such building financed with the proceeds of the Bonds (with respect to structures other than buildings, this clause shall be applied by substituting 100% for 15%). For purposes of the preceding sentence, the term "rehabilitation expenditures" shall have the meaning set forth in section 144(d)(3) of the Code.

When used in this Section 8.02, the term "Net Proceeds of the Bonds" means the proceeds from the sale of the Bonds, including investment earnings on such proceeds, less accrued interest.

SECTION 8.03: LIMITATION ON MATURITY. The Authority covenants and agrees that the average maturity of the Bonds, taking into account the issue price of the various maturities of the Bonds, will not exceed 120% of the reasonably expected economic life of the Project, taking into account the respective cost of each item composing the Project. For purposes of the preceding sentence, the reasonably expected economic life of the Project is determined as of the later of (i) the date on which the Bonds are issued or (ii) the date on which the Project is placed in service (or expected to be placed in service). In addition, land shall not be taken into

account in determining the reasonably expected economic life of the Project, except that in the event 25% or more of the proceeds of the Bonds is expended for land, such land shall be treated as having an economic life of 30 years and shall be taken in account for purposes of determining the reasonably expected economic life of the Project.

SECTION 8.04: COSTS OF ISSUANCE: The Authority covenants and agrees that the costs of issuance (within the meaning of section 147(g) of the Code and applicable regulations thereunder) financed with the proceeds of the Bonds shall not exceed 2% of the proceeds from the sale of the Bonds.

SECTION 8.05: PUBLIC HEARING. As required by section 147(f) of the Code and the applicable regulations thereunder, prior to the issuance of the Bonds, the Authority will (a) conduct a hearing that provides reasonable opportunity for persons with differing views on the issuance of the Bonds to be heard, and (b) the Authority will cause sufficient written notice of the date, hour, place and subject of the public hearing to be (i) published in newspapers of general circulation within the boundaries of the Authority no less than fourteen (14) days before the date of such hearing, and (ii) duly posted by, or furnished for posting to, the County Clerk of Montgomery County, Texas, and the Secretary of State of Texas, in accordance with requirements generally applicable to the posting of notice of a meeting of the Board of Directors of the Authority under the Open Meetings Law, Chapter 551, Texas Government Code, as amended.

SECTION 8.06: NO FEDERAL GUARANTEE. The Authority covenants and agrees not to take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

SECTION 8.07: NO HEDGE BONDS. The Authority covenants and agrees not to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

SECTION 8.08: NO ARBITRAGE. The Authority will certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the Authority covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

SECTION 8.09: ARBITRAGE REBATE. If the Authority does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the Authority will take all necessary steps to comply with the requirement that certain amounts earned by the Authority on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the Authority will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the Authority allocable to other bond issues of the Authority or moneys that do not represent gross proceeds of any bonds of the Authority, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds that is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the Authority will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

SECTION 8.10: DELIBERATE ACTIONS. The Authority will not take a deliberate action that causes the Bonds to fail to meet any requirement of the Code regarding the use of Bond proceeds after the issue date of the Bonds unless an appropriate remedial action is permitted by section 1.142-2 of the Regulations and a Counsel's Opinion is obtained that such remedial action cures any failure to meet the requirements with respect to the use of proceeds of the Bonds.

SECTION 8.11: INFORMATION REPORTING. The Authority covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

SECTION 8.12: RECORD RETENTION. The Authority will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Bonds until three years after the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the Authority to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

SECTION 8.13: REGISTRATION. The Bonds will be issued in registered form as provided in Article Three hereof.

SECTION 8.14: CONTINUING COMPLIANCE. The requirements stated in this Article Eight shall continue in effect until payment in full of the Bonds (or provision for the payment thereof having been made in accordance with the provisions hereof).

SECTION 8.15. BONDS NOT QUALIFIED TAX-EXEMPT OBLIGATIONS. The Bonds are not issued as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

(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 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 Section 9.02 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, no such 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 of all remaining outstanding portions of the Bonds.

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; or
- (d) the proposed Additional Parity Revenue Bonds receive a rating of at least "Aa" from Moody's Investors Service, Inc. or at least "AA" from Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or their respective successors, or a comparable rating from any other nationally recognized municipal bond rating service, which rating may be secured through the use of credit enhancement or municipal bond guaranty insurance.

SECTION 9.03: SUBORDINATE LIEN BONDS. The Authority further reserves the right to issue Additional 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 capacity charges, and to the due, proper and timely application of the Net Revenues to the intended purposes, 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 described in Exhibit "A" attached hereto and made a part hereof for all purposes. Any financial statements to be so provided shall be (i) prepared in accordance with the accounting principles described in Exhibit "A" hereto, 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 (ii) 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 identifying information as 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-exempt status of the Bonds, or other material events affecting the tax-exempt 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;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event 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 of the Authority, 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 the 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 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 of a majority 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 of the Bonds and any beneficial owners or holders 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: 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 12.04: 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 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 Treasurer 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 12.05: 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 Authority will maintain at least one (1) Paying Agent, who may be the State Treasurer 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 12.06: 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 12.07: 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 12.08: 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 12.09: 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 Paying Agent, the Registrar, the Underwriter, the municipal bond insurance company (if applicable), 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 Paying Agent, the Registrar, the Underwriter, the municipal bond insurance company (if applicable), and the Holders of the Bonds.

SECTION 12.10: 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 12.11: ACCOUNTING. 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 made available to any Holder upon request and payment by such Holder of the reasonable costs to the Authority of providing same.

SECTION 12.12: 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 12.13: 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. Without limiting the generality of the foregoing, (i) the Authority's General Manager, as joint custodian of the minutes and records of the Authority, shall be authorized to make, execute, furnish and deliver such certificates of authenticity, showings, projections, estimates and related materials as may be necessary or convenient in connection herewith; and (ii) the Authority's General Manager, or any Deputy General Manager, shall be authorized to conduct a public hearing concerning the issuance of the Bonds as required under section 147(f) of the Code and Section 8.05 hereof, and the prior conduct of any such hearing is hereby ratified in all respects.

(End of Article Twelve)

ARTICLE THIRTEEN

SALE AND DELIVERY OF BONDS

SECTION 13.01: SALE OF BONDS. (a) The Bonds shall be sold at private sale to the Underwriter in accordance with the terms of this Resolution. As authorized by Chapter 1371, Texas Government Code, as amended, the General Manager of the Authority, upon determining that the conditions set forth below can be satisfied, is authorized to act on behalf of the Authority in selling and delivering the Bonds and carrying out the other procedures specified in this Resolution, including determining the price at which each of the Bonds will be sold, the number and designation of series of Bonds to be issued, the form in which the Bonds shall be issued, the years in which the Bonds will mature, the principal amount to mature in each of such years, the rate of interest to be borne by each such maturity, the terms upon which any Term Bonds shall be subject to mandatory redemption prior to maturity, and all other matters relating to the issuance, sale and delivery of the Bonds, all of which shall be specified in the Pricing Certificate; provided that the following conditions can be satisfied:

- (i) the aggregate principal amount of the Bonds shall not exceed the maximum amount authorized in Section 3.01 hereof;
- (ii) the maturity schedule for the Bonds shall not extend beyond the date last specified in Section 3.03 hereof;
- (iii) the Bonds shall not bear interest at a rate that exceeds the lesser of (a) the maximum rate allowed by Chapter 1204, Texas Government Code, as amended, or (b) a Net Effective Interest Rate, as defined in Chapter 1204, Texas Government Code, as amended, of 5.00%; and
- (iv) the issuance of the Bonds meets the requirements of each resolution or order authorizing the issuance, sale and delivery of the Outstanding Bonds relating to the issuance of additional bonds secured and made payable, in whole or in part, from Net Revenues equal to and on a parity with the lien on and pledge of Net Revenues in favor of such Outstanding Bonds.

Satisfaction of the above conditions shall be determined by the General Manager of the Authority on the basis of prevailing bond market conditions and interest rates and prices offered for the Bonds on the date of the sale of the Bonds, all as set forth in the Pricing Certificate and the Bond Purchase Agreement.

To the extent, if any, that the Authority receives a commitment for issuance of a municipal bond insurance policy from one or more insurers meeting the eligibility requirements of Section 5.08 hereof, the General Manager is hereby further authorized: (i) to determine whether, based upon prevailing market conditions and the costs of such policy, the issuance of such a municipal bond insurance policy is in the best interest of the Authority, (ii) to select the insurer and policy most beneficial to the Authority, and (iii) in the event that all or portions of the terms and conditions of the commitment or policy of the selected insurer so require, to set forth

as an attachment to the Pricing Certificate such required terms and conditions, which shall be deemed to constitute a supplement to this Order with the effect therein stated.

The General Manager of the Authority is hereby authorized and directed to execute and deliver the Pricing Certificate, subject to satisfaction of the terms and conditions set forth above. The Bond Purchase Agreement is hereby accepted, approved and authorized in substantially the form submitted to the Authority. Upon completion of the terms of the Bond Purchase Agreement in accordance with the terms of the Pricing Certificate and the provisions of this Resolution, the General Manager of the Authority is hereby authorized and directed to execute the Bond Purchase Agreement on behalf of the Authority; and the General Manager of the Authority, the President and Vice President of the Board of Directors and all other officers, agents and representatives of the Authority are hereby authorized to do any and all things necessary or desirable to satisfy the conditions set out therein and to provide for the issuance and delivery of the Bonds.

(b) The authority granted to the General Manager of the Authority under this Section 13.01 shall expire on December 31, 2014, unless otherwise extended by the Board of Directors by separate action.

(c) The General Manager of the Authority, the President and Vice President of the Board of Directors and all other officers of the Authority are authorized to take such actions, to obtain such consents or approvals and to execute such documents, certificates and receipts as they may deem necessary and appropriate in order to consummate the delivery of the Bonds, to pay the costs of issuance of the Bonds, and to effectuate the terms and provisions of this Resolution.

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 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 endorsed on each Initial Bond. After the Initial Bonds have been registered and signed by the Comptroller, they shall be delivered to the Underwriter, but only upon receipt of the full purchase price therefor.

(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 o'clock, a.m., on October 30, 2014, and that a sufficient written notice of the date, hour, place and subject of this 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 that this meeting has been open to the public, as required by law, at all times during which this Resolution and the subject matter hereof has been 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.

PASSED AND ADOPTED this 30th day of October, 2014.



President, Board of Directors
San Jacinto River Authority

ATTEST:



Secretary, Board of Directors
San Jacinto River Authority



(End of Article Fourteen)

Exhibit "A"

(CONTINUING DISCLOSURE)

The information to be updated with respect to the Authority includes all quantitative financial information and operating data of the general type included in the Authority's final Official Statement prepared and distributed in connection with the Bonds under the headings therein entitled "SELECTED FINANCIAL INFORMATION," and in "APPENDIX A - ANNUAL FINANCIAL REPORT OF THE AUTHORITY FOR THE FISCAL YEAR ENDED AUGUST 31, 2013," and "APPENDIX B - HISTORICAL OPERATIONS OF THE SYSTEM." The accounting principles in any financial statements to be updated shall be as described in "APPENDIX A," or such other or modified accounting principles as may be required of the Authority by applicable laws, rules or regulatory requirements

Exhibit C

RESOLUTION AUTHORIZING APPLICATIONS TO THE TEXAS BOND REVIEW BOARD FOR ALLOCATION OF PRIVATE ACTIVITY BONDS; DESIGNATING AUTHORIZED REPRESENTATIVES FOR SUCH PURPOSE; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the San Jacinto River Authority (the "Authority") presently owns and, through its Highlands Division, operates certain water production, storage and distribution facilities for providing raw surface water supply services in eastern Harris County, Texas; and

WHEREAS, in connection therewith, the Authority has entered into a series of contracts for provision of raw surface water to various municipal and non-municipal users located in the east Harris County area; and

WHEREAS, the Authority has determined that it is necessary and appropriate to proceed with the permitting, design, and construction of certain improvements to such facilities (the "Project"), and the issuance of its proposed \$6,000,000 Water Revenue Bonds, Series 2014, as qualified, private activity bonds (the "Bonds") for purposes of Section 141(e) of the Internal Revenue Code of 1986, as amended, and other related sections of said Code and regulations promulgated thereunder, in order to finance the Project; and

WHEREAS, the Authority deems it necessary and appropriate to make an application, or several applications, to the Texas Bond Review Board (the "Board") for allocation of a portion of the State of Texas volume cap relative to the issuance of private activity bonds, such as the Bonds; and

WHEREAS, Section 190.3(a)(3) of Title 34, Texas Administrative Code, requires that applications to the Board for the allocation of state volume cap to an issuer include either (i) a certified copy of an inducement resolution or other official action taken by the issuer with respect to the bonds and the project which are the subject of the application, or (ii) a certified copy of a resolution of the issuer authorizing the filing of an application for a reservation of private activity bonds; Now, Therefore,

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

Section 1: The President or Vice President and Secretary or Assistant Secretary of the Board of Directors of the Authority are hereby authorized and directed to make an application, or several applications, to the Board pursuant to Section 1372.028, Texas Government Code, as amended, for a reservation of the State of Texas volume cap for private activity bonds for the 2014 and/or 2015 program year(s), in an aggregate amount not to exceed \$6,000,000, for the purpose of financing and constructing the Project by and through the issuance of the Bonds.

Section 2: The Officers and Directors of the Board of Directors of the Authority, the General Manager of the Authority and all other employees, agents, consultants and representatives of the Authority are hereby authorized, instructed and directed to take such actions, steps and proceedings as may be necessary and appropriate to make application(s) to the

Board for such reservation in connection with the Project and the Bonds in such other manner as may now or hereafter be necessary and appropriate for securing such reservation, and the Authority's President is hereby officially designated as the Authority's authorized representative for purpose of executing and filing such application(s).

Section 3: The Authority's General Manager, the Authority's professional financial advisors in connection with such application(s), RBC Capital Markets, LLC, Houston, Texas, and the Authority's bond counsel, Schwartz, Page & Harding, L.L.P., Houston, Texas, are each and all hereby authorized, instructed and directed to prepare and submit to the Board in connection with such application(s) such documents, records, reports, data and related correspondence as may be necessary and appropriate in support of such application(s). The Authority's General Manager is further designated as the Authority's authorized representative for appearing before the Board, providing documents, reports, materials and data to the Board and/or its staff in connection with such application(s), certifying and/or providing affidavits or other proof of the accuracy, completeness and sufficiency of such application(s) and any data, reports or materials included therein, and for all related purposes.

Section 4: The Officers and Directors of the Authority's Board of Directors, the Authority's General Manager, and the Authority's agents, representatives and consultants are each and all hereby authorized, instructed and directed to take such other actions, steps and proceedings as may be necessary and appropriate in connection with such application(s). All actions, steps and proceedings heretofore taken by or on behalf of the Authority in connection with the preparation, filing, submission and/or processing of such application(s) are hereby in all things ratified, confirmed, approved and adopted.

Section 5: A certified copy of this Resolution shall be presented to the Board and shall accompany the Authority's application(s) to the Board pursuant to the applicable rules, and the Authority's General Manager is hereby authorized, instructed and directed to prepare, execute and furnish to the Board in connection with the Authority's application(s): (i) written notification of any change in the Authority's application(s) or accompanying documentation occurring prior to the date a portion of the state volume cap is reserved for the Authority, and (ii) an affidavit stating that the facts and information contained in such application(s) and all necessary items accompanying said application(s), and all amendments thereto, if any, are true and correct to the best of his knowledge and belief, all in compliance with Section 190.5(h) of Title 34, Texas Administrative Code.

Section 6: This Resolution shall be and remain in full force and effect from and after the date of its passage and approval.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

PASSED AND APPROVED this 30th day of October, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors