

Control Number: 48801



Item Number: 17

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DOCKET NO. 48801

PETITION OF T.J. BRADSHAW	§	
CONSTRUCTION, LTD. TO AMEND	§	PUBLIC UTILITY COMMISSION
JONAH SPECIAL UTILITY	§	
DISTRICT'S CERTIFICATES OF	§	OF TEXAS
CONVENIENCE AND NECESSITY IN	§	
WILLIAMSON COUNTY BY	§	
EXPEDITED RELEASE	§	

**JONAH WATER SPECIAL UTILITY DISTRICT'S
MOTION TO DISMISS FOR LACK OF SUBJECT MATTER JURISDICTION AND
RESPONSE TO COMMISSION ORDER NO. 4**

COMES NOW Jonah Water Special Utility District ("Jonah"), and files this Motion to Dismiss for Lack of Subject Matter Jurisdiction and, in the alternative, Response to Public Utility Commission Order No. 4. In support thereof, Jonah respectfully shows as follows:

I. Procedural History

On October 18, 2018, T.J. Bradshaw Construction, Ltd. ("Bradshaw") filed a Petition to Amend Jonah's Certificate of Convenience and Necessity in Williamson County ("Petition"), requesting the expedited release, pursuant to Texas Water Code § 13.254(a-5), of 256.33 acres of land located within the boundaries of Jonah's certificate of convenience and necessity ("CCN") number 10970 and sewer CCN number 21053.¹ Jonah filed a Motion to Intervene on November 16, 2018, and the Public Utility Commission ("Commission") entered Order No. 2, finding the Petition administratively complete and notice sufficient, on November 26, 2018.² Order No. 2 also set forth a procedural schedule for Jonah's response to the administratively complete petition, the Commission Staff's recommendation on the final disposition, and

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¹ Tex. Water Code § 13.254(a-5) (2019); *Petition* (Oct. 18, 2018). Texas Water Code § 13.254(a-5) provides that an owner of a tract of land that is at least 25 acres, that is not receiving water or sewer service, may petition for expedited release of the area from a certificate of public convenience and necessity and is entitled to that release if the landowner's property is located in a county adjacent to a county with a population of at least one million. Tex. Water Code § 13.254(a-5).

² *Motion to Intervene* (Nov. 16, 2018); *Order No. 2* (Nov. 26, 2018).

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Bradshaw's reply to Jonah's response and the Commission Staff's recommendation.³ Finally, Order No. 2 indicated that the "60-day administrative approval" deadline for the Commission to grant the Petition for expedited release, pursuant to Texas Water Code §13.254(a-6), was January 25, 2019.⁴

On November 27, 2018, the Commission granted Jonah's Motion to Intervene, and Jonah filed a timely Response to the Petition, arguing that granting the Petition would violate the Supremacy Clause of the United States Constitution, because the United States District Court for the Western District of Texas recently found that Texas Water Code §13.254(a-5) is preempted by 7 U.S.C. §1926(b).⁵ Congress enacted 7 U.S.C. §1926 to protect a utility that receives federal loans from the curtailment of its service area or encroachment by municipalities or others, in order to ensure that those loan recipients are able to repay their federal loans. Jonah also maintained that Bradshaw is not the "owner of a tract of land at least 25 acres," as required by Texas Water Code §13.254(a-5).⁶ Finally, Jonah indicated that it currently provides water service to Bradshaw, and only property that is "not receiving water service" may be decertified under §13.254(a-5).⁷

³ *Order No. 2.*

⁴ *See* Tex. Water Code §13.254(a-6) (providing that the Commission shall grant a petition filed pursuant to §13.254(a-5) not later than the 60th day after the petition is filed); *id.*

⁵ *See North Alamo Water Supply Corp. v. City of San Juan*, 90 F.3d 910, 915 (5th Cir. 1996) (per curiam). The Fifth Circuit described the territory of utility that receives federal loans as "sacrosanct," and §1926 requires that the service provided by such a utility shall not be limited by the inclusion of the area within the boundaries of any municipal corporation or other public body, or by the granting of any private franchise for similar service within such area during the term of the federal loan. *See id.* at 915; 7 U.S.C. §1926. *See also* Tex. Water Code §13.254(a-5); *Crystal Clear Special Utility District v. Marquez et al.*, Case No. A-17-CV-00254-LY, at 4-6 (W.D. Tex. Nov. 29, 2018); *Order No. 3 Granting Motion to Intervene* (Nov. 27, 2018); *Response to Petition* at 2 (Dec. 7, 2018).

⁶ Tex. Water Code §13.254(a-5); *Response to Petition* at 2.

⁷ *Id.*

Commission Staff thereafter filed an Amended Recommendation on Final Disposition, and Bradshaw filed a Reply to Petitioner’s Response on Final Disposition.⁸ On May 24, 2019, the Commission entered Order No. 4, instructing that, in light of Jonah’s assertion that decertification is not allowable because Jonah is a federally indebted utility whose service area is protected by federal law, Jonah must provide documentation of the applicable federal loan agreements, bonds, and the Capital Improvement Project Plan relevant to its CCN.⁹

II. The Commission Lacks Subject Matter Jurisdiction Over this Proceeding

While Jonah maintains that Texas Water Code §13.254(a-6) violates the Supremacy Clause in this instance, the section provides that the “commission *shall* grant a petition received under Subsection (a-5) not later than the 60th day after the date the landowner files the petition.”¹⁰ The Commission now lacks subject matter jurisdiction over this proceeding because more than 60 days have passed since the Petition was declared administratively complete.¹¹

The Commission entered Order No. 2, declaring that Bradshaw’s Petition was administratively complete, on November 26, 2018.¹² The procedural schedule within Order No. 2 recognized the 60-day requirement of §13.254(a-6), indicating that the Commission would render its 60-day administrative approval of the Petition on January 25, 2019.¹³ The Commission did not render administrative approval on or before January 25, 2019. Indeed, no administrative approval has been rendered more than six months since the Commission declared the Petition

⁸ See *Amended Recommendation on Final Disposition* (Dec. 21, 2018); *Reply to Response on Final Disposition* (Jan. 7, 2019).

⁹ *Order No. 4* (May 24, 2019).

¹⁰ Tex. Water Code §13.254(a-6) (emphasis added).

¹¹ See Tex. Water Code § 13.254(a-6); *Texas Ass’n of Business v. Texas Air Control Bd.*, 852 S.W.2d 440, 445 (Tex. 1993) (noting that subject matter jurisdiction may not be waived by the parties); *Order No. 2*.

¹² See *Order No. 2*.

¹³ See *id.*; Tex. Water Code § 13.254(a-6).

administratively complete. As such, the Commission is without jurisdiction to grant Bradshaw's Petition.¹⁴

The Court of Appeals addressed a similar issue in *Comptroller v. Landsfeld*, which concluded that the trial court lacked subject matter jurisdiction to adjudicate a complaint filed 29 days beyond Texas Labor Code §21.202's 180-day deadline.¹⁵ After both sides rested in a jury trial where Landsfeld sued the Texas Comptroller for age discrimination, the Comptroller argued, for the first time, that the trial court lacked jurisdiction because Landsfeld filed his complaint beyond the 180-day deadline prescribed in Texas Labor Code §21.202.¹⁶ While the trial court concluded that the Comptroller waived its argument and entered judgment against the Comptroller, the appellate court vacated the trial court's judgment and dismissed the case.¹⁷

The court first recognized that subject matter jurisdiction may not be waived or estopped and may be raised for the first time on appeal.¹⁸ Looking to the language in Texas Labor Code §21.202, requiring that the "commission shall dismiss an untimely complaint," the court found that the 180-day filing requirement was mandatory and jurisdictional.¹⁹ Because Landsfeld's complaint was filed after the deadline delineated in §21.202, the appellate court concluded that the trial court had no jurisdiction to hear the case.²⁰

Like *Landsfeld*, the language of Texas Water Code §13.254(a-6) requires that the Commission shall grant a petition "not later than the 60th day after the date the landowner files the petition." Tex. Water Code §13.254(a-6). Because the statute provides no language

¹⁴ See Tex. Water Code §13.254(a-6).

¹⁵ Texas Labor Code §21.202 provides that a complaint: (a) "must be filed not later than the 180th day after the date the alleged unlawful employment practice occurred;" and that (b) the "commission shall dismiss an untimely complaint." Tex. Labor Code §21.202 (2019); *Comptroller v. Landsfeld*, 352 S.W.3d 171, 178 (Tex. App.—Fort Worth 2011, pet. denied).

¹⁶ *Landsfeld*, 352 S.W.3d at 173-74.

¹⁷ *Id.* at 174, 178.

¹⁸ *Id.* at 174.

¹⁹ *Id.* at 177.

²⁰ *Id.* at 178.

permitting the Commission to grant a petition at a time more than 60 days after the landowner files the petition, and the 60th day has passed, the Commission is without subject matter jurisdiction to grant Bradshaw's Petition.²¹


III. Response to Commission Order No. 4

In the alternative, if the Commission should determine that it currently has subject matter jurisdiction over Bradshaw's Petition, Jonah has attached all documentation requested in Order No. 4, specifically its applicable loan agreements are attached as **Exhibit "A"**, its bond documents are attached as **Exhibit "B"**, and its Capital Improvement Project Plan is attached as **Exhibit "C"**, and all documents attached as Exhibits are incorporated herein by reference.

WHEREFORE, Jonah Water Special Utility District asks that the Commission dismiss the Petition for lack of subject matter jurisdiction, dismiss the Petition because Texas Water Code §13.254(a-6) is preempted by federal law, and for such other and further relief, general or special, at law or in equity, to which Jonah may be justly entitled.

²¹ *Id.*

Respectfully submitted,


By: 

John J. Carlton
The Carlton Law Firm P.L.L.C.
4301 Westbank Drive, Suite B-130
Austin, Texas 78746
(512) 614-0901
Fax (512) 900-2855
State Bar No. 03817600

ATTORNEY FOR JONAH WATER SPECIAL
UTILITY DISTRICT

CERTIFICATE OF SERVICE

I hereby certify that I have served or will serve a true and correct copy of the foregoing document via hand delivery, facsimile, electronic mail, overnight mail, U.S. mail and/or Certified Mail Return Receipt Requested to all parties on this the 7th day of June, 2019.



John Carlton

PROMISSORY NOTE
(ASSOCIATION OR ORGANIZATION)

State Texas			
County Williamson			
Case No. 51-46-741773048			
FINANCE OFFICE USE ONLY			
F	LN	LC	IA

KIND OF LOAN.

- ASSOCIATION - ORGANIZATION
- HOUSING - ORGANIZATION
- PUBLIC BODY
- OTHER

Date April 9, 19 98

FOR VALUE RECEIVED, Jonah Water Special Utility District
(herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture, (herein called the "Government") at its office in _____
Georgetown, Texas, or at such other place as the Government may hereafter designate in writing, the principal amount of One million fifty-three thousand and no/100ths----- dollars (\$ 1,053,000.00), plus interest on the unpaid principal balance at the rate of four and three fourths (4.75 %) per annum. The said principal and interest shall be paid in the following installments on or before the following dates:

\$ 4,907.00 on May 9, 1998.
 \$ _____ on _____, 19 ____.
 \$ _____ on _____, 19 ____.
 \$ _____ on _____, 19 ____ and _____
 \$ 4,907.00 thereafter on the 9th of each month

until the principal and interest are fully paid except that the final installment of the entire indebtedness evidenced hereby.

if not sooner paid, shall be due and payable forty (40) years from the date of this note, and except that prepayments may be made as provided below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this note shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this note and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder. No assignment of this note shall be effective unless the Borrower is notified in writing of the name and address of the assignee. The Borrower shall thereupon duly note in its records the occurrence of such assignment, together with the name and address of the assignee.

While this note is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment of Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

EXHIBIT A

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security hereto, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

Default hereunder shall constitute default under any other instrument evidencing a debt or other obligation of Borrower to the Government or securing such a debt or other obligation and default under any such other instrument shall constitute default hereunder. Upon any such default, the Government at its option may declare all or any part of any such indebtedness immediately due and payable.

This note is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act if the box opposite "Association" is checked under the heading "KIND OF LOAN," or pursuant to Title V of the Housing Act of 1949 if the box opposite "HOUSING - ORGANIZATION" is checked. This note shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

The owner and holder hereof shall never have the right to demand payment of this obligation Presentment, protest, and notice are hereby waived. out of any funds raised or to be raised by taxation.

Jonah Water Special Utility District

(CORPORATE SEAL)

by: Douglas Gattis (Name of Borrower)
(Signature of Executive Official)

ATTEST.

Douglas Gattis, President
(Title of Executive Official)

Don Hilliard
(Signature of Attesting Official)

40 County Road 126
(Post Office Box No. or Street Address)

(Title of Attesting Official)

Georgetown, Texas 78626
(City, State, and Zip Code)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$ 65,000.00	4/9/98	(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	
TOTAL			

PAY TO THE ORDER OF _____

(11) 19,200.00 10-31-01
 (12) 45,000.00 2-14-02
 (13) 118,000.00 3-18-02
 (14) 50,446.00 4-10-02
 1,052,000.00

UNITED STATES OF AMERICA
 FARMERS HOME ADMINISTRATION

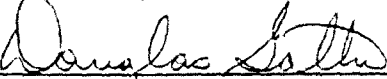
BY _____

As a result of the reorganization of the United States Department of Agriculture under the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (the "Act"), Pub. Law No. 103-354, 108 Stat. 3178 (October 13, 1994), the Farmers Home Administration and the Rural Development Administration were abolished. Pursuant to Sec. 232 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (the "Act"), Pub. Law No. 103-354, 108 Stat. 3178 (October 13, 1994) (7 U.S.C. S6942) the Secretary of Agriculture created a new agency, the Rural Utilities Service, to assume the water and waste programs and activities formerly administered by the Farmers Home Administration and Rural Development Administration. Therefore all references to the Farmers Home Administration or Rural Development Administration in the attached instrument shall be deemed to refer to the Rural Utilities Service, United States Department of Agriculture, or to its successor agency.

Signed for identification.

4/9/1998
date

Jonah Water Special Utility District

By 
Douglas Gattis, President

Attachment to Promissory Note dated April 9, 1998 from the Jonah Water Special Utility District.

Form FmHA 440-15
Rev. 2/88)

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

SECURITY AGREEMENT
(INSURED LOANS ~~TO INDIVIDUALS~~)

I. THIS SECURITY AGREEMENT is made between the United States of America acting through the Farmers Home Administration (called Secured Party) and Jonah Water Special Utility District and _____ (called Debtor), whose mailing address is

40 County Road 126, Georgetown, Texas 78626

II. BECAUSE, Debtor is justly indebted to Secured Party as evidenced by a certain promissory note, called the note, dated April 9, , 19 98 , for the principal sum of ONE MILLION FIFTY-THREE THOUSAND AND NO/100 dollars (\$ 1,053,000.00),

with interest at the rate of four and three-fourths percent (4.75 %) per annum, executed by Debtor and payable to the order of Secured Party; and

The note evidences a loan to Debtor in the principal amount specified in the note, and Secured Party, at any time, may assign the note and insure the payment of it pursuant to the Consolidated Farm and Rural Development Act, or any other act administered by the Farmers Home Administration; and

It is the purpose and intent of this instrument that, among other things, at all times when the note is held by Secured Party, or in the event Secured Party should assign this instrument without insurance of the note, this instrument shall secure payment of the note; but when the note is held by an insured holder, this instrument shall not secure payment of the note or attach to the debt evidenced by the note, but as to the note and such debt shall constitute an indemnity security agreement to secure Secured Party against loss under its insurance contract by reason of any default by Debtor; and

NOW, THEREFORE, in consideration of the loan and (a) at all times when the note is held by Secured Party, or in the event Secured Party should assign this instrument without insurance of the payment of the note, to secure prompt payment of the note and any renewals and extensions of it and any agreements contained in it, including any provision for the payment of an insurance or other charge, (b) at all times when the note is held by an insured holder, to secure performance of Debtor's agreement in this instrument to indemnify and save harmless Secured Party against loss under its insurance contract by reason of any default by Debtor, and (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by Secured Party, with interest, as described in this instrument, and the performance of every covenant and agreement of Debtor contained in this instrument or in any supplementary agreement:

DEBTOR GRANTS to Secured Party a security interest in Debtor's interest in the following collateral: ~~including the proceeds of this collateral~~

Special revenues, being all income or revenue derived from the ownership and operation of borrower's water supply works, plants, improvements, facilities, and equipment, whether now owned or hereafter acquired or constructed.

See attached Exhibit A
Page 1 of 1

~~Item 1. The following described livestock, including all replacements of or substitutions for such livestock:~~

Quantity	Kind sex	Breed	Color	Weight or average weight	Age or age Range	Brands or other identification
 						

~~Item 2. The following described equipment, including all replacements of or substitutions for such equipment:~~

Quantity	Kind	Manufacturer	Size and type	Condition	Year of manufacture	Serial or motor No.
 						

~~Any fixtures described above is affixed or is to be affixed to the real estate described as follows:~~

Farm(s) or Other Real Estate Owner	Approximate No. of Acres	County and State	Approximate Distance and Direction from a Named Town
---	---	---------------------------------	---

~~Item 3. All farm and other equipment which may be purchased after this instrument is signed by Debtor with the proceeds of the loan described in this instrument.~~

III. DEBTOR WARRANTS, COVENANTS, AND AGREES THAT:

A. Debtor is the absolute and exclusive owner of the above-described collateral, and any marks or brands used to describe livestock are the holding brands and carry the title, although the livestock may have other marks or brands, and such collateral is free from all liens, encumbrances, security and other interest except (1) any existing liens, encumbrances, security or other interests in favor of Secured Party which shall remain in full force and effect, and (2) other liens, encumbrances, security or other interests, as follows:

NONE

and Debtor will defend the collateral against the claims and demands of all other persons. Reference to the above liens, encumbrances, security and other interests is for warranty purposes only and does not indicate their priority.

B. Statements contained in Debtor's loan application(s) are true and correct; and Debtor will (1) use the loan funds for the purposes for which they were or are advanced, (2) comply with such farm and home management plans as may be agreed upon from time to time by Debtor and Secured Party, (3) care for and maintain the collateral in a good and husbandlike manner, (4) insure the collateral in such amounts and manner as may be required by Secured Party, and if Debtor fails to do so, Secured Party, at its option, may procure such insurance, (5) permit Secured Party to inspect the collateral at any reasonable time, (6) not abandon the collateral or encumber, conceal, remove, sell or otherwise dispose of it or of any interest in the collateral, or permit others to do so, without the prior written consent of Secured Party, and (7) not permit the collateral to be levied upon, injured or destroyed, or its value to be impaired.

C. Debtor will pay promptly when due all (1) indebtedness evidenced by the note and any indebtedness to Secured Party secured by this instrument, (2) rents, taxes, insurance premiums, levies, assessments, liens, and other encumbrances; and costs of lien searches and maintenance and other charges now or later attaching to, levied on, or otherwise pertaining to the collateral or this security interest, (3) filing or recording fees for instruments necessary to perfect, continue, service, or terminate this security interest, and (4) fees for and other charges now or later required by regulations of the Farmers Home Administration. At all times when the note is held by an insured holder, Debtor shall continue to make payments on the note to Secured Party, as collection agent for the holder of the note.

D. When the note is insured by Secured Party, Debtor will indemnify and save harmless Secured Party against any loss by reason of any default by Debtor.

E. At all times when the note is held by an insured holder, any amount due and unpaid under the terms of the note to which the holder is entitled may be paid by Secured Party to the holder of the note for the account of Debtor. Any amount due and unpaid under the terms of the note, whether it is held by Secured Party or by an insured holder, may be credited by Secured Party on the note and thereupon shall constitute an advance by Secured Party for the account of Debtor. Any advance by Secured Party as described in this paragraph shall bear interest at the note rate from the date on which the amount of the advance was due to the date of payment to Secured Party, provided that Borrower shall be required to pay interest on only the principal portion of such advance unless otherwise provided in the regulations of the Farmers Home Administration.

F. Whether or not the note is insured by Secured Party, Secured Party may at any time pay any other amounts required in this instrument to be paid by Debtor and not paid when due, including any costs and expenses for the preservation or protection of the collateral or this security interest, as advances for the account of Debtor. All such advances shall bear interest at the note rate until paid to Secured Party.

G. All advances by Secured Party as described in this instrument, with interest, shall be immediately due and payable by Debtor to Secured Party without demand at the place designated in the note and shall be secured by this instrument. No such advance by Secured Party shall relieve Debtor from breach of his covenant to pay. Any payment made by Debtor may be applied on the note or any indebtedness to Secured Party secured by this instrument, in any order Secured Party determines.

H. In order to secure or better secure the above-mentioned obligations or indebtedness, Debtor will execute and deliver to Secured Party at any time, upon demand, such additional security instruments on such real and personal property as Secured Party may require.

IV. IT IS FURTHER AGREED TH

A. Until default Debtor may retain possession of the collateral.

B. Default shall exist hereunder if Debtor fails to perform or discharge any obligation or to pay promptly any indebtedness hereby secured or to observe or perform any covenants or agreements herein or in any supplementary agreement contained, or if any of Debtor's representations or warranties herein prove false or misleading, or upon the death or incompetency of the parties named as Debtor, or upon the bankruptcy or insolvency of anyone of the parties named as Debtor. Default shall also exist if any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 CFR Part 1940, Subpart G, Exhibit M. Upon any such default:

1. Secured Party, at its option, with or without notice as permitted by law, may (a) declare the unpaid balance on the note and any indebtedness secured by this instrument immediately due and payable, (b) enter upon the premises and take possession of, repair, improve, use, and operate the collateral or make equipment unusable, for the purpose of protecting or preserving the collateral or this lien, or preparing or processing the collateral for sale, and (c) exercise any sale or other rights accorded by law.

2. Debtor (a) agrees to assemble the collateral and make it available to Secured Party at such time(s) and place(s) as designated by Secured Party, and (b) waives all notices, exemptions, compulsory disposition and redemption rights.

3. A default shall exist under any other security instrument held or insured by Secured Party and executed or assumed by Debtor on real or personal property. Likewise, default under any such other security instrument shall constitute default under this instrument.

C. Proceeds from disposition of collateral shall be applied first on expenses of retaking, holding, preparing for sale, selling and the like and for payment of reasonable attorney's fees and legal expenses incurred by Secured Party, second to the satisfaction of prior security interests or liens to the extent required by law and in accordance with current regulations of the Farmers Home Administration, third to the satisfaction of indebtedness secured by this instrument, fourth to the satisfaction of subordinate security interests to the extent required by law, fifth to any other obligations of Debtor owing to or insured by Secured Party, and sixth to Debtor. Any proceeds collected under insurance policies shall be applied first on advances and expenditures made by Secured Party, with interest, as provided above, second on the debt evidenced by the note, unless Secured Party consents in writing to their use by Debtor under Secured Party's direction for repair or replacement of the collateral, third on any other obligation of Debtor owing to or insured by Secured Party, and any balance shall be paid to Debtor unless otherwise provided in the insurance policy. Debtor will be liable for any deficiency owed to Secured Party after such disposition of proceeds of the collateral and insurance.

D. It is the intent of Debtor and Secured Party that to the extent permitted by law and for the purpose of this instrument, no collateral covered by this instrument is or shall become realty or accessioned to other goods.

E. This instrument is subject to the present regulations of the Secured Party, and to its future regulations not inconsistent with the express provisions of this instrument.

F. If any provision of this instrument is held invalid or unenforceable, it shall not affect any other provisions, but this instrument shall be construed as if it had never contained such invalid or unenforceable provision.

G. The rights and privileges of Secured Party under this instrument shall accrue to the benefit of its successors and assigns. All covenants, warranties, representations, and agreements of Debtor contained in this instrument are joint and several and shall bind personal representatives, heirs, successors, and assigns.

H. If at any time it shall appear to Secured Party that Debtor may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Debtor will, upon Secured Party's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured by this instrument and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

I. Secured Party shall have the sole and exclusive rights as the secured party under this instrument, including but not limited to the power to grant or issue any consent, release, subordination, continuation statement or termination statement, and no insured lender shall have any right, title, or interest in or to the security interest created by this instrument or any benefits of it.

J. SECURED PARTY HAS INFORMED DEBTOR THAT DISPOSAL OF PROPERTY COVERED BY THIS SECURITY AGREEMENT WITHOUT THE CONSENT OF SECURED PARTY, OR MAKING ANY FALSE STATEMENT IN THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT, MAY CONSTITUTE A VIOLATION OF FEDERAL CRIMINAL LAW.

K. Failure by the Secured Party to exercise any right—whether once or often—shall not be construed as a waiver of any covenant or condition or of the breach of such covenant or condition. Such failure shall also not affect the exercise of such right without notice upon any subsequent breach of the same or any other covenant or condition..

JONAH WATER SPECIAL UTILITY DISTRICT _____ (SEAL)

4/19/1998

(Date)

By ~~X226X27~~ _____ (SEAL)

(Debtor)

Douglas Gattis, President

As a result of the reorganization of the United States Department of Agriculture under the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (the "Act"), Pub. Law No. 103-354, 108 Stat. 3178 (October 13, 1994), the Farmers Home Administration and the Rural Development Administration were abolished. Pursuant to Sec. 232 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (the "Act"), Pub. Law No. 103-354, 108 Stat. 3178 (October 13, 1994) (7 U.S.C. § 6942) the Secretary of Agriculture created a new agency, the Rural Utilities Service, to assume the water and waste facility programs and activities formerly administered by the Farmers Home Administration and the Rural Development Administration. Therefore, all references to the Farmers Home Administration or to the Rural Development Administration in the attached instrument shall be deemed to refer to the Rural Utilities Service, United States Department of Agriculture, or to its successor agency.

Signed for identification:

JONAH WATER SPECIAL UTILITY
DISTRICT

4/9/1998
(date)

By 
Douglas Gattis, President

OFFICIAL STATEMENT

Dated August 2, 2018

Ratings:
S&P (Insured): "AA"/Stable outlook
S&P (Uninsured): "A"/Positive outlook
Insurance: BAM
See "BOND INSURANCE" and
"OTHER INFORMATION – Ratings" herein.

NEW ISSUE - Book-Entry-Only

In the opinion of Special Tax Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.



\$26,085,000
JONAH WATER SPECIAL UTILITY DISTRICT
(Williamson County, Texas)
REVENUE BONDS, SERIES 2018

Dated Date: August 1, 2018;
Interest to Accrue from the Date of Initial Delivery

Due: July 1, as shown on page 2

PAYMENT TERMS . . . Interest on the \$26,085,000 Jonah Water Special Utility District Revenue Bonds, Series 2018 (the "Bonds") will accrue from the date of initial delivery of the Bonds, will be payable July 1 and January 1 of each year commencing July 1, 2019, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System"). The initial Paying Agent/Registrar is UMB Bank, n.a., Austin, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article XI, Section 59 of the Texas Constitution and Chapters 49 and 65, Texas Water Code, as amended, and the order (the "Order") passed by the Board of Directors of the Jonah Water Special Utility District (the "District") on August 2, 2018. The Bonds, together with the District's outstanding parity revenue bonds and any additional parity obligations that may be issued from time to time in accordance with the Order (collectively, the "Prior Lien Obligations"), are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Pledged Revenues of the District's water system (the "System"). The Pledged Revenues consist of the net revenues of the System that remain after payment of all costs of operating and maintaining the System, plus any additional payment sources that may be pledged to secure the Prior Lien Obligations. **The District has no taxing powers and has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Authority for Issuance", "SECURITY FOR THE BONDS" and "SELECTED PROVISIONS OF THE ORDER").

PURPOSE . . . Proceeds of the Bonds will be used (i) to construct certain water line improvements to the District's water supply system; (ii) to fund a debt service reserve fund; and (iii) to pay certain other costs related to the issuance of the Bonds. See "THE BONDS - Purpose".



The scheduled payment of principal of and interest on the Bonds maturing on July 1, 2029 through 2043 (the "Insured Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by Build America Mutual Assurance Company. See "BOND INSURANCE" and "OTHER INFORMATION – Ratings."

CUSIP PREFIX: 47987Y
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser(s) (the "Purchaser" or "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion").

DELIVERY . . . The Bonds are expected to be available for delivery through DTC on August 30, 2018.

EXHIBIT B

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the District Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.

Neither the District nor the Purchasers make any representation regarding the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system, as such information has been provided by DTC. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau, and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Purchasers shall be responsible for the selection or correctness of the CUSIP numbers shown on the inside cover page.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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BOOK-ENTRY-ONLY

SYSTEM The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD The District has never defaulted in payment of its bonds.

For additional information regarding the District, please contact:

Jonah Water Special Utility District
William Brown
General Manager
4050 FM 1660
Hutto, Texas 78634
(512) 759-1286

or

Specialized Public Finance Inc.
Steven A. Adams, CFA
Paul N. Jasin
4925 Greenville, Suite 1350
Dallas, Texas 75206
(214) 373-3911

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**OFFICIAL STATEMENT
RELATING TO

\$26,085,000
JONAH WATER SPECIAL UTILITY DISTRICT
REVENUE BONDS, SERIES 2018**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$26,085,000 Jonah Water Special Utility District Revenue Bonds, Series 2018 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (as hereinafter defined), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE ORDER").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Jonah Water Special Utility District (the "District" or "Issuer") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas.

DESCRIPTION OF THE DISTRICT . . . The District is a special utility district and political subdivision of the State of Texas created on May 8, 1992. The District is a conversion of the former Jonah Water Supply Corporation and succeeded to all of its assets, liabilities and operations in August, 1992. The Jonah Water Supply Corporation was dissolved August 27, 1992. The District is governed by a nine member Board of Directors. Members of the Board are elected by registered voters residing within the District; have the authority to make decisions, appoint managers, and establish service policies and rates; and have the primary accountability for fiscal matters. The purpose of the District is to provide water utility services to an area located in eastern Williamson County, Texas.

THE BONDS

PURPOSE . . . Proceeds of the Bonds will be used (i) for constructing certain water line improvements to the District's water supply system; (ii) to fund a debt service reserve fund; and (iii) to pay certain other costs related to the issuance of the Bonds.

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 1, 2018, and mature on July 1 in each of the years and in the amounts shown on page two hereof. Interest will accrue from the date of initial delivery of the Bonds, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on January 1 and July 1, commencing July 1, 2019, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or upon prior redemption, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System" below.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 65, Texas Water Code, as amended, and the Order passed by the Board of Directors of the District on August 2, 2018.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after July 1, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on July 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities of the Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that the term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon defeasance, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon making such deposit in the manner described, such defeased Bonds shall no longer be deemed outstanding obligations secured by the Order, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, n.a., Austin, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds will be printed and delivered to the beneficial owners thereof and, thereafter, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or, with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date; provided, however, such limitation on transfer shall not be applicable to an exchange by the Registered Owner of an unredeemed balance of a Bond called for redemption in part.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . The Order establishes specific events of default with respect to the Bonds. If the District (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund or 2017 Reserve Fund, (iii) declares bankruptcy, or (iv) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Order, the Order and Chapter 65 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, and so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371 of the Texas Government Code, which pertains to the issuance of public securities by issuers such as the District, including the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity, as permitted by Chapter 1371. As a result, Bondholders may not be able to bring such a suit against the District for breach of the Bond or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Pledged Revenues, such provisions are subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that

BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”) for the Bonds maturing on July 1 of the years 2029 through 2043, inclusive (the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an APPENDIX to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY . . . BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM . . . BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$518.3 million, \$97.4 million and \$420.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

Additional Information Available from BAM . . . **Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at buildamerica.com/creditisights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of certificates that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profiles for those certificates. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes certificates insured by BAM, any pre-sale Credit Profiles will be updated and superseded by a final Credit Profiles to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM’s website at buildamerica.com/obligor/. BAM will produce a Credit Profiles for all certificates insured by BAM, whether or not a pre-sale Credit Profiles has been prepared for such certificates. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

SECURITY FOR THE BONDS

The following summary of the provisions of the Order that describe the security for the Bonds is qualified by reference to the Order, excerpts of which are included herein under the heading "SELECTED PROVISIONS OF THE ORDER."

PLEGGED REVENUES . . . In the Order, the Board has pledged the Pledged Revenues to secure the payment of the Bonds and has reserved the right, subject to certain conditions, to pledge the Pledged Revenues to secure additional parity obligations ("Additional Prior Lien Obligations," and, together with the Bonds, the "Prior Lien Obligations") from time to time in the future (see "Security for the Bonds - Issuance or Incurrence of Additional Prior Lien Obligations"). The Order defines "Pledged Revenues" as (1) the Net Revenues, plus (2) any additional revenues, received or to be received from other sources, which hereafter are pledged by the District to the payment of the Prior Lien Obligations pursuant to Section 65.503 of the Texas Water Code. The Order defines "Net Revenues" as "Gross Revenues" which are defined as all revenues, income and receipts of every nature derived or received by the District from the operation and ownership of the System; including (except with respect to investment of proceeds from outstanding debt of the District) the interest income from investment or deposit of money in any fund maintained by the District in connection with the System, but excluding any restricted revenues collected by the District under contract with others, which revenues are required to be administered on a fiduciary basis until paid over to such other entity; Gross Revenues includes any other revenues from any payment source hereafter pledged to the payment of all Prior Lien Obligations, remaining after deducting the "Maintenance and Operating Expenses," which are defined as the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to keep the System in operation and render adequate service or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Prior Lien Obligations), and all payments under contracts for materials and services provided to the District that are required to enable the District to render efficient service. The Order provides that depreciation shall never be considered as a Maintenance and Operating Expense of the District.

RESERVE FUND . . . In the Order, the District covenants to accumulate and maintain a reserve for the payment of the Bonds (the "Required Reserve") equal to the lesser of (i) the Average Annual Debt Service (calculated using the remaining days in the Fiscal Year at the time of such calculation, divided by 365 days) for the Bonds or (ii) the maximum amount in a reasonably required reserve fund for the Bonds from time to time that can be invested without restriction as to yield pursuant to section 148 of the Internal Revenue Code of 1986, as amended (the "Reserve Fund"), which Fund or account shall be maintained at an official depository of the District. All funds deposited into the Reserve Fund (excluding surplus funds which include earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund during such period as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds.

Upon issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be \$1,543,445.14, which is equal to not less than the Average Annual Debt Service for the Bonds, and on or before the 1st day of the month next following the month the Bonds are delivered to the Purchasers and on or before the 1st day of each following month, the District shall cause to be deposited to the Reserve Fund from the Pledged Revenues an amount equal to at least one-sixtieth (1/60th) of the Required Reserve. After the Required Reserve has been fully accumulated and while the total amount on deposit in the Reserve Fund is in excess of the Required Reserve, no monthly deposits shall be required to be made to the Reserve Fund.

As and when Additional Prior Lien Obligations are delivered or incurred, the District may create and establish a debt service reserve fund pursuant to the provisions of any order or other instrument authorizing the issuance of the Prior Lien Obligations for the purpose of securing that particular issue or series of Prior Lien Obligations or any specific group of issues or series of Prior Lien Obligations, and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Prior Lien Obligations for which such debt service reserve fund is established. Each debt service reserve fund shall receive a pro rata amount of the Pledged Revenues after the requirements of the Interest and Sinking Fund, which secures all Prior Lien Obligations, has first been met.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (other than as the result of the issuance of Additional Prior Lien Obligations as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve by resuming the monthly deposits to said Fund or account from the Pledged Revenues, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the 1st day of each month until the Required Reserve has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Interest and Sinking Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of the Order and any other order or Order pertaining to the issuance of Additional Prior Lien Obligations.

obligations then being issued will cure any such deficiency; (ii) a certificate or opinion of a certified public account, that based on the books and records of the District, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Prior Lien Obligations, the Net Earnings (as defined in the Order) at least equal to the sum of 1.25 times the Average Annual Debt Service (computed on a Fiscal Year basis), including Amortization Installments, of the Prior Lien Obligations and the Additional Prior Lien Obligations to be outstanding after the issuance of the then proposed Additional Prior Lien Obligations; and (iii) in making a determination of Net Earnings, such officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 30 days prior to the date the order authorizing the issuance of the Additional Prior Lien Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by the Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Designated Financial Officer's certificate or opinion.

Prior Lien Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be the best interest of the Issuer and its inhabitants, and if less than all such outstanding Prior Lien Obligations are refunded the proposed refunding bonds shall be considered as "Additional Prior Lien Obligations" under the provisions in the previous paragraph and the certificates required in the previous paragraph (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment). See "SELECTED PROVISIONS OF THE ORDER" for a more complete description of the terms and conditions for the issuance of Additional Prior Lien Obligations.

THE DISTRICT

The District is a special utility district and political subdivision of the State of Texas created on May 8, 1992, by order of the Texas Water Commission and operates under Chapters 49 and 65 of the Texas Water Code, as amended. The District is a conversion of the former Jonah Water Supply Corporation and succeeded to all of its assets, liabilities and operations on August 20, 1992. The aforementioned Corporation was dissolved on August 27, 1992. The purpose of the District is to provide water utility services to an area located in eastern Williamson County.

As a political subdivision of the State of Texas, the District is exempt from federal income taxes, state and local sales and use taxes, and local real and personal property taxes. The District has no taxing authority.

The District's territory consists of approximately 111,985 acres located in an unincorporated area of eastern Williamson County. The District borders the City of Georgetown, the City of Round Rock and the City of Hutto. There are over 12 single-family residential subdivisions within the District's service area. Many District residents commute to jobs in the Austin/Round Rock/Georgetown area. The District is also empowered to provide sanitary sewer service and facilities, solid waste facilities, and storm drainage facilities.

DESCRIPTION OF THE DISTRICT'S SYSTEM . . . The current system consists of 9 wells, 7 ground storage tanks, 6 elevated tanks, 4 pressure tanks, 1 stand pipe, 8 booster pump stations and approximately 474 miles of water mains. The original Jonah Water Supply Corporation water system was developed in accordance with USDA Farmers Home Administration policies. This policy resulted in construction of numerous water systems constructed across the country that were not designed to accommodate growth. The District currently serves approximately 7,520 customers.

The District entered into a 50-year treated water supply agreement with the Brazos River Authority (the "Authority") to take delivery of treated water made available from the Authority's East Williamson County Regional Water Distribution System ("EWCWDS"), effective February 21, 2006. This agreement initially called for the District to pay \$1.20 per thousand gallons of treated water delivered to the District. The current rate is \$1.88 per thousand gallons.

See APPENDIX B to this Official Statement for certain additional information concerning the District's financial condition and operating data.

DESCRIPTION OF PROJECT . . . The Bonds are being issued to finance: waterline replacement; plant no. 1 and Farm-to-Market Road 972 pump station elevated storage improvements; Chandler Road waterline improvements; and easements for Chandler Road improvements. The TCEQ has jurisdiction to consider this matter and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation.

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TABLE 2 – WATER RATES (AS OF DECEMBER 31, 2017)

The District’s monthly Base Rates for water service are as follows:

<u>Meter Size</u>	<u>Monthly Base</u>
5/8"	\$ 34.56
3/4"	34.56
1"	86.39
1/2"	172.77
2"	259.17
3"	345.56
4"	345.56
6"	863.89
8"	1,382.22
10"	1,900.00
12"	3,455.55

In addition to the Base Rate, customers shall be assessed a Gallonage Charge at the following rates for water usage during any one billing period:

<u>Rate Schedule</u>	
1 to 15,000 gallons	\$ 3.32 per 1,000 gallons
15,001 to 30,000 gallons	4.98 per 1,000 gallons
30,001 to 50,000 gallons	6.62 per 1,000 gallons
50,001 gallons and up	8.24 per 1,000 gallons

In accordance with TCEQ regulations, the District shall collect from each customer a regulatory assessment equal to 0.5 percent of the monthly charges for water and sewer service.

TABLE 3 – WATER CONSUMPTION

	<u>Fiscal Year Ended December 31, (rounded to nearest 1,000)</u>				
	<u>2017</u>	<u>2016</u>	<u>2015⁽¹⁾</u>	<u>2014</u>	<u>2013</u>
Annual Gallons Pumped	881,493,000	775,243,000	707,872,159	658,257,100	628,358,405
Annual Gallons Sold	638,027,639	500,043,030	498,455,415	430,172,295	438,808,655

(1) The District changed their fiscal year end from September 30 to December 31 in 2015.

TABLE 4 – TEN LARGEST WATER CUSTOMERS (AS OF DECEMBER 31, 2017)

<u>Customer</u>	<u>Type of Customer</u>	<u>Average Usage Total (Gallons)</u>	<u>% of Total Water Usage</u>
Georgetown ISD	School	12,351,000	1.40%
Georgetown ISD	School	8,252,200	0.94%
Alpha Ready Mix	Business	6,945,600	0.79%
Cash Construction	Business	6,718,500	0.65%
Joss Growers	Business	4,387,200	0.50%
Orenda Charter	School	3,833,200	0.43%
Siena Master Community	Residential	3,695,500	0.42%
Cash Construction	Business	2,969,400	0.34%
Cash Construction	Business	2,779,700	0.32%
Hutto Parke HOA	Residential	2,415,600	0.27%
		<u>54,347,900</u>	<u>6.05%</u>

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors of the District. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

SELECTED PROVISIONS OF THE ORDER

The following are excerpts of certain provisions of the Order to be adopted by the Board of Directors authorizing the issuance of the Bonds. Such excerpts do not purport to be complete and reference should be made to the Order for the entirety thereof. Copies of the Order are available upon request to the District or the District's Bond Counsel.

Section 5. CHARACTERISTICS OF THE BONDS. (a) **Registration Transfer and Exchange; Authentication.** The Issuer shall keep or cause to be kept at the principal corporate trust office of Regions Bank, Houston, Texas (the "Paying Agent/Registrar"), books or records for the registration of the transfer and exchange of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Holder of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each Holder to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Bond or Bonds. Registration of assignments, transfers and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Order. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

Except as provided in Section 4(c) of this Order, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign said Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for exchange. No additional orders or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be printed or typed on paper of customary weight and strength. Pursuant to Chapter 1201, Government Code, as amended, the duty of exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds that initially were issued and delivered pursuant to this Order, approved by the Attorney General and registered by the Comptroller of Public Accounts.

(b) **Payment of Bonds and Interest.** The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Order. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all exchanges of Bonds, and all replacements of Bonds, as provided in this Order. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the past due interest shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) **In General.** The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Holders thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 30 days prior to any such redemption date), (iii) may be exchanged for other Bonds, (iv) may be transferred and assigned, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Order. The Bond initially issued and delivered pursuant to this Order is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in exchange for any Bond or Bonds issued under this Order the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(d) The Issuer covenants with the Holders of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Bonds under this Order, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 30 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Order.

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Bonds and any Additional Prior Lien Obligations issued by the Issuer as the same become due and payable.

Third: pro rata (based on the relative required amounts to be funded to each debt service reserve fund pursuant to the terms of each order that authorizes the issuance of additional Prior Lien Obligations and the funding of a debt service reserve fund for Prior Lien Obligations) to the payment of the amounts required to be deposited and credited each debt service reserve fund created and established to fund and maintain a reserve in accordance with the provisions of the orders relating to the issuance of any Additional Prior Lien Obligations hereafter issued by the Issuer.

Fourth: to make payment, including payment of amounts required for reserve fund requirements, of Subordinate Lien Obligations.

(b) Any Pledged Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Issuer purpose now or hereafter permitted by law.

Section 11. INTEREST AND SINKING FUND. (a) For purposes of providing funds to pay the principal of, premium, if any, and interest on the Prior Lien Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the Issuer agrees that it shall maintain the Interest and Sinking Fund. The Issuer covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Prior Lien Obligations then coming due and payable.

(b) The required deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until (i) such time as the total amount on deposit in and credited to the Interest and Sinking Fund (and in any debt service reserve funds created in accordance with Section 11 hereof) is equal to the amount required to fully pay and discharge all Outstanding Prior Lien Obligations (principal, premium, if any, and interest) or (ii) the Prior Lien Obligations are no longer outstanding.

(c) Accrued interest and capitalized interest, if any, received from the purchaser of any Prior Lien Obligation shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required into the Interest and Sinking Fund.

Section 12. RESERVE FUND FOR THE BONDS AND RESERVE FUNDS FOR ADDITIONAL PRIOR LIEN OBLIGATIONS. (a) The Issuer hereby covenants and agrees with the holders of the Bonds that it will provide for the accumulation of, and when accumulated, will thereafter continuously maintain in the Reserve Fund an amount equal to the lesser of (i) the average annual principal and interest requirements of the Bonds (calculated using the remaining days in the Fiscal Year at the time of such calculation, divided by 365) or (ii) the maximum amount in a reasonably required reserve fund for the Bonds from time to time that can be invested without restriction as to yield pursuant to section 148 of the Internal Revenue Code of 1986, as amended. Immediately following the delivery of the Bonds, the appropriate Issuer officials shall calculate and determine the average annual principal and interest requirements for the Bonds then outstanding. Such amount shall be deposited in the Reserve Fund in sixty (60) substantially equal monthly payments on or before the 1st day of each month; the initial monthly deposit to be made on or before the 1st day of the month next following the month the Bonds are delivered. After the total amount required to be on deposit in the Reserve Fund has been accumulated, monthly payments to the Revenue Fund may be terminated; provided, however, should the amount on deposit therein be reduced below the sum required to be maintained in the Revenue Fund after the same has been accumulated, payments to the Revenue Fund in an amount equal to the deficiency shall be resumed and continued to be made on or before the 1st day of each month until the total amount then required to be on deposit in the Reserve Fund has been fully restored. In the event money in the Reserve Fund is used for an authorized purpose while monthly payments are being made to the Revenue Fund, the amount required to restore the sum then required to be on deposit therein shall be added to the payments then being made in the following month or months until the total amount then required to be on deposit in the Revenue Fund has been fully restored.

(b) Notwithstanding the requirements of subsection (a) above, the Issuer may provide a Reserve Fund Obligation issued in amounts equal to all or part of the amount required by the preceding paragraph for the Bonds in lieu of depositing cash into the Reserve Fund; provided, however, that no such Reserve Fund Obligation may be so substituted unless (i) the substitution of the Reserve Fund Obligation will not cause any ratings then assigned to the Bonds by either Moody's Investors Service or Standard & Poor's Ratings Service to be lowered and (ii) the ordinance authorizing the substitution of the Reserve Fund Obligation for all or part of the average annual principal and interest requirements of the Bonds contains (A) a finding that such substitution is cost effective and (B) a provision that the interest due on any repayment obligation of the Issuer by reason of payments made under such policy does not exceed the highest lawful rate on interest which may be paid by the Issuer at the time of the delivery of the Reserve Fund Obligation. The Issuer reserves the right to apply the proceeds of the Revenue Fund to payment of the subrogation obligation incurred by the Issuer (including interest) to the issuer of the Reserve Fund Obligation, the payment of which will result in the reinstatement of such Reserve Fund Obligation, prior to making payment required to be made to the Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund to the average annual principal and interest requirements of the Bonds.

(b) If the report by a certified public accountant required by Section 17 of this Order reflects that the Net Revenues of the System for the Fiscal Year covered thereby were less than the amount required by subsection (a) above, the Board of Directors within thirty (30) days after receipt of such report will review the operation of the System and the rates and charges for services rendered by the System and will make the necessary adjustments or revisions to the rates and charges in order that the Net Revenues will be sufficient to meet the requirement of subsection (a) above for the following Fiscal Years.

(c) If the System should become legally liable for any other obligations or indebtedness as permitted herein, the Issuer shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof

Section 17. GENERAL COVENANTS. The Issuer further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any order authorizing the issuance of Prior Lien Obligations, including this Order, and in each and every Prior Lien Obligation; it will promptly pay or cause to be paid the principal of and interest on every Prior Lien Obligation on the dates and in the places and manner prescribed in such orders and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund and to any debt service reserve fund created in accordance with Section 12 hereof

(b) Issuer's Legal Authority. It is a duly created and special utility district of the State, and is duly authorized under the laws of the State to issue the Bonds; that all action on its part for the issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) Title. It has or will obtain (i) lawful title to the lands, buildings, structures and facilities constituting the System or (ii) lawful contractual rights to lease or otherwise use all or a portion of the capacity of the lands, buildings, structures and facilities constituting the System; and that it warrants that it will defend the title to or contractual right to use, as the case may be, all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the Holders of the Prior Lien Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Prior Lien Obligations in the manner prescribed herein, and has lawfully exercised such rights.

(d) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Issuer.

(e) Operation of System; No Free Service. It will, while the Prior Lien Obligations are outstanding and unpaid, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the Issuer or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the Issuer out of funds from sources other than the Gross Revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 9.

(f) Further Encumbrance. While the Prior Lien Obligations are outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Order in connection with Additional Prior Lien Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Order; but the right of the Issuer to issue or incur obligations payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. While the Prior Lien Obligations are outstanding and unpaid, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or release without due consideration in whole or in part contractual rights constituting part of the System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary; and, provided further, that the Issuer retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of or release any significant or substantial part of the System if (i) the Board makes a finding and determination to the effect that, following such action by the Issuer, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Prior Lien Obligations are to be outstanding to comply with the obligations of the Issuer contained in this Order and in the orders authorizing the issuance of Additional Prior Lien Obligations; (ii) the Issuer obtains a certificate or opinion of an Accountant,

proceeds of sale of such obligations then being issued will cure any such deficiency.

(ii) The Designated Financial Officer signs and delivers to the Board a written certificate to the effect that based on the books and records of the Issuer, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Prior Lien Obligations, the Net Earnings at least equal to the sum of 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Prior Lien Obligations and the Additional Prior Lien Obligations to be outstanding after the issuance of the then proposed Additional Prior Lien Obligations.

(iii) In making a determination of Net Earnings for any of the purposes described in this Section, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 30 days prior to the date the order authorizing the issuance of the Additional Prior Lien Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by said Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Designated Financial Officer's certificate or opinion.

(d) Prior Lien Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be the best interest of the Issuer and its inhabitants, and if less than all such outstanding Prior Lien Obligations are refunded the proposed refunding bonds shall be considered as "Additional Prior Lien Obligations" under the provisions of this Section and the certificate required in subdivision (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment).

Section 20. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The Issuer hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Prior Lien Obligations, as may be authorized by the laws of the State.

Section 21. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Order shall be construed to deny the Issuer the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Section 22. LIMITED OBLIGATIONS OF THE ISSUER. The Prior Lien Obligations are limited, special obligations of the Issuer payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues. The Issuer has no tracing powers, and the Holders of the Prior Lien Obligations shall never have the right to demand payment of the principal or interest on the Prior Lien Obligations from any funds raised or to be raised through taxation by the Issuer.

Section 23. SECURITY FOR FUNDS. All money on deposit in the Funds for which this Order makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Order.

Section 24. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State, it is specifically covenanted and agreed particularly that in the event the Issuer (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, (iii) declares bankruptcy, or (iv) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Order, the following remedies shall be available:

(a) the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Issuer and other officers of the Issuer to observe and perform any covenant, condition or obligation prescribed in this Order; and

(b) no delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall 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. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

Section 31. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Order subject to the following terms and conditions, to-wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Order in order to (i) cure any ambiguity, defect or omission in this Order that does not

"Amortization Installment" means, with respect to any Term Bonds of any series of Prior Lien Obligations, the amount of money which is required to be deposited into a mandatory redemption account for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any) provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

"Annual Debt Service Requirements" means, as of the date of calculation, the principal of and interest on all Prior Lien Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Issuer on such debt, or be payable in respect of any required purchase of such debt by the Issuer) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Issuer:

(1) **Balloon Debt.** If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Issuer) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Order as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(2) **Consent Sinking Fund.** In the case of Balloon Debt, if a Designated Financial Officer shall deliver to the Issuer a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (2) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (2) shall not apply where the Issuer has elected to apply the rule set forth in clause (1) above;

(3) **Prepaid Debt.** Principal of and interest on Bonds and Additional Prior Lien Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such debt; and

(4) **Variable Rate.** As to any Prior Lien Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Issuer, either (A) an interest rate equal to the average rate borne by such Prior Lien Obligations (or by comparable debt in the event that such Prior Lien Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two series of Prior Lien Obligations which bear interest at variable interest rate, or one or more maturities within a series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Prior Lien Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Prior Lien Obligations);

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"Average Annual Debt Service Requirements" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Prior Lien Obligations. For the purposes of this definition, a fractional period of a Fiscal Year shall be calculated using the remaining days in the Fiscal Year at the time of such calculation, divided by 365 days. Capitalized interest payments provided from bond proceeds, accrued interest on any debt, and interest earnings thereon shall be excluded in making such computation.

"Board" means the board of directors of the Issuer, and references to "President," "Vice President" and "Secretary" means such of the directors of the Board as are elected by the members thereof to such offices.

(3) Prior Lien Obligations upon transfer of or in exchange for and in lieu of which other Prior Lien Obligations have been authenticated and delivered pursuant to this Order and any order authorizing Additional Prior Lien Obligations; and

(4) Prior Lien Obligations under which the obligations of the Issuer have been released, discharged or extinguished in accordance with the terms thereof.

"Paying Agent/Registrar" shall have the meaning set forth in Section 5 hereof.

"Pledged Revenues" means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Issuer to the payment of the Prior Lien Obligations.

"Prior Lien Obligations" means the Bonds and any Additional Prior Lien Obligations hereafter issued by the Issuer or obligations issued to refund any of the foregoing (as determined within the sole discretion of the Board in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues.

"Rating Agency" means any nationally recognized securities rating agency which has assigned, at the request of the Issuer, a rating to any of the Prior Lien Obligations.

"Special Project" means any drainage project, waterworks, sanitary sewer or wastewater reuse system property, improvement or facility or other public improvement declared by the Issuer not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

"State" means the State of Texas.

"Stated Maturity" means the scheduled principal payments of the Prior Lien Obligations payable on the respective dates set forth in the orders which authorized the issuance of such Prior Lien Obligations.

"Subordinate Lien Obligations" means (i) any bonds, notes, warrants, certificates of obligation, contractual obligations or other indebtedness issued by the Issuer that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of any Prior Lien Obligations issued by the Issuer, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues on a parity with the Subordinate Lien Obligations.

"System" means the Issuer's waterworks system, consisting of its (A) properties, facilities, plants, improvements, equipment, owned; operated and maintained by the Issuer for the supply, treatment, and transmission and distribution of treated potable water and (B) any other properties, facilities, plants, improvements, equipment or utility systems that may be incorporated into the System as evidenced by a future order of the Board to the extent permitted by the laws of the State at the time of adoption of such order. The System shall not include any Special Project.

"Term Bonds;" means those Prior Lien Obligations so designated in the orders authorizing such bonds which shall be subject to retirement by operation of a mandatory redemption account.

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The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a *de minimis* amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a Bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available via the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12 except as follows: the District's 2013 CAFR and Disclosure Report for Brazos River Authority were filed late on May 22, 2014. At that time, the District's fiscal year ended September 30, therefore the annual filing was due by the end of March each year. The District changed their fiscal year end from September 30 to December 31 in 2015.

LEGAL MATTERS

LEGAL OPINIONS . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable, together with the District's outstanding Bonds that may be issued from time to time in accordance with the Order, both as to principal and interest, solely from and secured by a lien on and pledge of the Pledged Revenues of the System. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described in the Order, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Special Tax Counsel's legal opinion will address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel and Special Tax Counsel have been engaged by, and only represents, the District. The legal fees to be paid Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO-LITIGATION CERTIFICATE . . . The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

OTHER INFORMATION

RATINGS . . . The Bonds have been rated "A+" (positive outlook) by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement. The Insured Bonds (as hereinafter defined) have been rated "AA" (stable outlook) by S&P by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . It is the opinion of the District staff that there is no pending litigation against the District that would have a material adverse financial impact upon the District or its operations.

CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION CERTIFICATE . . . The District, acting by and through its Board in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Purchaser.

APPROVAL OF OFFICIAL STATEMENT . . . The Order authorizing the issuance of the Bonds approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Purchaser.

Kenneth Jirasek
President
Jonah Water Special Utility District

ATTEST:

Jerry Tidwell
Secretary-Treasurer
Jonah Water Special Utility District

THE DISTRICT

GENERAL

Jonah Water Special Utility District (the "District") is in Hutto located in eastern Williamson County, Texas (the "County"). The County organized in 1848, is a Central Texas County and has an area of approximately 1,104 square miles. The City of Georgetown is the County seat. The economy is diversified by agribusiness, manufacturing and education. The different cities within the County offer many recreational, historical and cultural opportunities.

POPULATION - WILLIAMSON COUNTY

Census Population	
Year	Number
2017 Estimate	547,545
2010	422,679
2000	249,967
1990	139,551

Source: U.S. Census Bureau.

LABOR MARKET PROFILE

WILLIAMSON COUNTY

	May	Average Annual			
	2018	2017	2016	2015	2014
Total Civilian Labor Force	296,241	287,330	278,109	263,790	255,361
Total Employment	287,628	278,071	268,782	254,693	244,237
Total Unemployment	8,613	9,259	9,327	9,097	11,124
% Unemployed	2.9%	3.2%	3.4%	3.4%	4.4%

STATE OF TEXAS

	May	Average Annual			
	2018	2017	2016	2015	2014
Total Civilian Labor Force	13,836,477	13,538,385	13,317,176	13,074,570	13,024,701
Total Employment	13,321,229	12,960,595	12,702,122	12,493,197	12,360,368
Total Unemployment	515,248	577,790	615,054	581,373	664,333
% Unemployed	3.7%	4.3%	4.6%	4.4%	5.1%

Source: Texas Workforce Commission.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

CERTIFICATE FOR ORDER

**THE STATE OF TEXAS §
COUNTY OF WILLIAMSON §
JONAH WATER SPECIAL UTILITY DISTRICT §**

We, the undersigned officers of the Board of Directors of the Jonah Water Special Utility District, (the "District") hereby certify as follows:

1. The Board of Directors of the District convened in REGULAR MEETING ON THE 2ND DAY OF AUGUST, 2018, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the Board, to wit:

- | | |
|------------------------------------|------------------------------------|
| Kenneth Jirasek - President | Pete Correa - Director |
| Betty Zimmerhanel - Vice President | Grace Bulgerin - Director |
| Jerry Tidwell - Secretary | William "Black" Wehling - Director |
| Derek Shires - Director | Jeff Maurice - Director |
| Carol Fox - Director | |

and all of said persons were present, except the following absentees: none, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written


**ORDER AUTHORIZING THE ISSUANCE OF
JONAH WATER SPECIAL UTILITY DISTRICT
REVENUE BONDS, SERIES 2018**

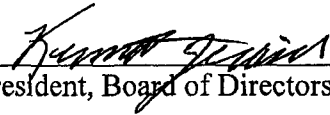
was duly introduced for the consideration of the Board. It was then duly moved and seconded that the Order be passed; and, after due discussion, the motion, carrying with it the passage of the Order, prevailed and carried by the following vote:

AYES: 9 NOES: 0

2. A true, full and correct copy of the aforesaid Order passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that the Order has been duly recorded in the Board's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the Board's minutes of the Meeting pertaining to the passage of the Order; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that the Order would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Government Code, as amended and Section 49.064, Texas Water Code, as amended.

SIGNED AND SEALED this 2nd day of August, 2018.


Secretary, Board of Directors


President, Board of Directors

(SEAL)



ORDER

AUTHORIZING THE ISSUANCE OF

JONAH WATER SPECIAL UTILITY DISTRICT

REVENUE BONDS,

SERIES 2018

August 2, 2018

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**ORDER AUTHORIZING THE ISSUANCE OF
JONAH WATER SPECIAL UTILITY DISTRICT
REVENUE BONDS, SERIES 2018**

WHEREAS, Jonah Water Special Utility District (the "Issuer") is a Special Utility District created pursuant to the provisions of Chapter 65, Texas Water Code; and

WHEREAS, Sections 65.501 and 65.505, Texas Water Code, as amended, authorize the Issuer by resolution or order of the Board of Directors to issue bonds for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending any Issuer works, improvements, facilities, plants, equipment, and appliances needed to accomplish the purposes for which the Issuer was created, including works, improvements, facilities, plants, equipment and appliances needed to provide a waterworks system; and

WHEREAS, pursuant to the foregoing authority, the Issuer has previously issued multiple series of bonds, and the Issuer currently has bonds outstanding from the following bond issues: \$1,325,000 in original principal amount of Jonah Water Special Utility District Waterworks System Revenue Refunding Bonds, Series 2011 (the "Series 2011 Bonds"); and

WHEREAS, the Issuer now desires to issue its \$26,085,000 Revenue Bonds, Series 2018 (the "Bonds") to construct certain water line improvements and elevated storage to the Issuer's water supply system (the "Bonds"); and

WHEREAS, the Bonds are to be issued and delivered pursuant to laws of the State, including, particularly, Chapters 49 and 65 of the Texas Water Code, and other applicable laws; and

WHEREAS, the Board of Directors of the Issuer deems it necessary and advisable at this time to issue \$26,085,000 of bonds pursuant to Chapters 49 and 65 of the Texas Water Code.

NOW THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF JONAH WATER SPECIAL UTILITY DISTRICT THAT:

Section 1. RECITALS, DEFINITIONS. (a) Recitals. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section.

(b) Definitions. The terms used in this Order and not otherwise defined shall have the meaning given in Exhibit A to this Order attached hereto and made a part hereof

Section 2. AMOUNT, NAME, PURPOSE, AND AUTHORIZATION. Each Bond issued pursuant to this Order shall be known and designated as "Jonah Water Special Utility District Revenue Bonds, Series 2018" (the "Bonds") and the Bonds shall be issued in the aggregate principal amount of \$26,085,000 for the purposes of the following: (i) for constructing certain water line

improvements and elevated storage to the Issuer's water supply system; (ii) to fund a debt service reserve fund; and (iii) to pay certain other costs related to the issuance of the Bonds.

Section 3. FORM, DATE, NUMBERS, AND DENOMINATION. The Bonds shall be issued and delivered in fully registered form without coupons, and may be transferred and exchanged after initial delivery as provided in Article Four of this Order. The Bonds shall be dated and have such other terms as provided in the Form of Bond in Section 6 of this Order. There shall be an Initial Bond delivered to the Attorney General and numbered T-1 as provided in the Form of Bond in Section 6 of this Order. Bonds registered and delivered by the Registrar subsequent to the Initial Bond shall be numbered by the Registrar R-1 upward and no two Bonds shall be given the same number. The Bonds registered and delivered subsequent to the Initial Bond shall be in principal denominations of \$5,000 or any integral multiple thereof.

Section 4. INTEREST RATES AND MATURITIES. The Bonds schedule to mature on July 1 during the years, respectively, set forth below shall bear interest from the dates in the Form of Bond set forth in Section 6 of this Bond Order to their respective dates of maturity at the following rates per annum:

<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate %</u>	<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate %</u>
2019	\$ 225,000	5.000%	2033	\$ 835,000	3.250%
2020	85,000	5.000	2034	940,000	3.375
2021	190,000	5.000	****	****	****
2022	265,000	5.000	2036	2,040,000	3.375
2023	280,000	5.000	2037	1,105,000	3.500
2024	290,000	4.000	2038	1,165,000	3.500
2025	300,000	4.000	2039	1,230,000	3.500
2026	315,000	4.000	****	****	****
2027	330,000	4.000	2041	2,670,000	3.625
2028	345,000	4.000	2042	1,445,000	3.625
2029	360,000	3.000	2043	1,525,000	3.625
2030	375,000	3.000	****	****	****
2031	390,000	3.125	2048	8,970,000	3.750
2032	410,000	3.125			

Section 5. CHARACTERISTICS OF THE BONDS. (a) Registration Transfer and Exchange; Authentication. The Issuer shall keep or cause to be kept at the principal corporate trust office of Regions Bank, Houston, Texas (the "Paying Agent/Registrar"), books or records for the registration of the transfer and exchange of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Holder of each Bond to which payments with respect to the Bonds shall be mailed, as herein

provided; but it shall be the duty of each Holder to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Bond or Bonds. Registration of assignments, transfers and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Order. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

Except as provided in Section 4(c) of this Order, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign said Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for exchange. No additional orders or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be printed or typed on paper of customary weight and strength. Pursuant to Chapter 1201, Government Code, as amended, the duty of exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds that initially were issued and delivered pursuant to this Order, approved by the Attorney General and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Order. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all exchanges of Bonds, and all replacements of Bonds, as provided in this Order. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the past due interest shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Holders thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 30 days prior to any such redemption date), (iii) may be exchanged for other Bonds, (iv) may be transferred and assigned, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and

interest on the Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Order. The Bond initially issued and delivered pursuant to this Order is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in exchange for any Bond or Bonds issued under this Order the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(d) The Issuer covenants with the Holders of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Bonds under this Order, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 30 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Order. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Holder of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Order, and a certified copy of this Order shall be delivered to each Paying Agent/Registrar.

(e) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Order unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided in this Order, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered on the closing date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Order, manually executed by the Comptroller of Public Accounts of the State or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State and that it is a valid and binding obligation of the Issuer, and has been registered by the Comptroller.

Section 6. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State to be attached to the

Bonds initially issued and delivered pursuant to this Order, shall be, respectively, substantially as set forth in Exhibit B, with such appropriate variations, omissions or insertions as are permitted or required by this Order.

Section 7. PLEDGE OF PLEDGED REVENUES. (a) The Issuer hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Prior Lien Obligations including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Prior Lien Obligations, and the interest thereon, shall constitute a first lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the Issuer, and the lien created hereby on the Pledged Revenues for the payment and security of the Prior Lien Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of the Pledged Revenues securing payment of Subordinate Lien Obligations, if any, heretofore or hereafter issued by the Issuer.

(b) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should State law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the Holders of the Bonds a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

Section 8. SPECIAL FUNDS. To provide for the payment of the Bonds and Additional Prior Lien Obligations there are hereby created and established, and shall be maintained so long as Prior Lien Obligations are Outstanding, the following limited special funds:

(a) Jonah Water Special Utility District Utility System Revenue Bonds Revenue Fund, hereinafter called the "Revenue Fund."

(b) Jonah Water Special Utility District Utility System Revenue Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund."

(c) Jonah Water Special Utility District Utility System Revenue Bonds Series 2018 Reserve Fund, called the "Reserve Fund."

(d) Though all of such funds may be subaccounts of the Issuer's General Fund held by the Issuer's Depository, and, as such, not held in separate bank accounts, such treatment shall not constitute a commingling of the monies in such funds or of such funds and the Issuer shall keep full and complete records indicating the monies and investments credited to each of such funds.

Section 9. REVENUE FUND. The Issuer hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the Revenue Fund immediately as collected and received. *All* Maintenance and Operating Expenses are and shall be paid from such Gross Revenues as a first charge against same.

Section 10. FLOW OF FUNDS. (a) All Gross Revenues deposited and credited to the Revenue Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

First: to the payment of all necessary and reasonable Maintenance and Operating Expenses, and the payment of such Maintenance and Operating Expenses shall be a first charge on and claim against the Gross Revenues.

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Bonds and any Additional Prior Lien Obligations issued by the Issuer as the same become due and payable.

Third: pro rata (based on the relative required amounts to be funded to each debt service reserve fund pursuant to the terms of each order that authorizes the issuance of additional Prior Lien Obligations and the funding of a debt service reserve fund for Prior Lien Obligations) to the payment of the amounts required to be deposited and credited each debt service reserve fund created and established to fund and maintain a reserve in accordance with the provisions of the orders relating to the issuance of any Additional Prior Lien Obligations hereafter issued by the Issuer.

Fourth: to make payment, including payment of amounts required for reserve fund requirements, of Subordinate Lien Obligations.

(b) Any Pledged Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Issuer purpose now or hereafter permitted by law.

Section 11. INTEREST AND SINKING FUND. (a) For purposes of providing funds to pay the principal of, premium, if any, and interest on the Prior Lien Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the Issuer agrees that it shall maintain the Interest and Sinking Fund. The Issuer covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Prior Lien Obligations then coming due and payable.

(b) The required deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until (i) such time as the total amount on deposit in and credited to the Interest and Sinking Fund (and in any debt service reserve funds created in accordance with Section 11 hereof) is equal to the amount required to fully pay and discharge all Outstanding

Prior Lien Obligations (principal, premium, if any, and interest) or (ii) the Prior Lien Obligations are no longer outstanding.

(c) Accrued interest and capitalized interest, if any, received from the purchaser of any Prior Lien Obligation shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required into the Interest and Sinking Fund.

Section 12. RESERVE FUND FOR THE BONDS AND RESERVE FUNDS FOR ADDITIONAL PRIOR LIEN OBLIGATIONS. (a) The Issuer hereby covenants and agrees with the holders of the Bonds that it will provide for the accumulation of, and when accumulated, will thereafter continuously maintain in the Reserve Fund an amount equal to the lesser of (i) the average annual principal and interest requirements of the Bonds (calculated using the remaining days in the Fiscal Year at the time of such calculation, divided by 365) or (ii) the maximum amount in a reasonably required reserve fund for the Bonds from time to time that can be invested without restriction as to yield pursuant to section 148 of the Internal Revenue Code of 1986, as amended. Immediately following the delivery of the Bonds, the appropriate Issuer officials shall calculate and determine the average annual principal and interest requirements for the Bonds then outstanding. Such amount shall be deposited in the Reserve Fund in sixty (60) substantially equal monthly payments on or before the 1st day of each month; the initial monthly deposit to be made on or before the 1st day of the month next following the month the Bonds are delivered. After the total amount required to be on deposit in the Reserve Fund has been accumulated, monthly payments to the Revenue Fund may be terminated; provided, however, should the amount on deposit therein be reduced below the sum required to be maintained in the Revenue Fund after the same has been accumulated, payments to the Revenue Fund in an amount equal to the deficiency shall be resumed and continued to be made on or before the 1st day of each month until the total amount then required to be on deposit in the Reserve Fund has been fully restored. In the event money in the Reserve Fund is used for an authorized purpose while monthly payments are being made to the Revenue Fund, the amount required to restore the sum then required to be on deposit therein shall be added to the payments then being made in the following month or months until the total amount then required to be on deposit in the Revenue Fund has been fully restored.

(b) Notwithstanding the requirements of subsection (a) above, the Issuer may provide a Reserve Fund Obligation issued in amounts equal to all or part of the amount required by the preceding paragraph for the Bonds in lieu of depositing cash into the Reserve Fund; provided, however, that no such Reserve Fund Obligation may be so substituted unless (i) the substitution of the Reserve Fund Obligation will not cause any ratings then assigned to the Bonds by either Moody's Investors Service or Standard & Poor's Ratings Service to be lowered and (ii) the ordinance authorizing the substitution of the Reserve Fund Obligation for all or part of the average annual principal and interest requirements of the Bonds contains (A) a finding that such substitution is cost effective and (B) a provision that the interest due on any repayment obligation of the Issuer by reason of payments made under such policy does not exceed the highest lawful rate on interest which may be paid by the Issuer at the time of the delivery of the Reserve Fund Obligation. The Issuer reserves the right to apply the proceeds of the Revenue Fund to payment of the subrogation obligation incurred by the Issuer (including interest) to the issuer of the Reserve Fund Obligation, the payment of which will result in the reinstatement of such Reserve Fund Obligation, prior to making payment required to be made to the Reserve Fund pursuant to the provisions of this Section

to restore the balance in such fund to the average annual principal and interest requirements of the Bonds.

(c) In the event a Reserve Fund Obligation issued to satisfy all or part of the Issuer's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the amount required by paragraph (a) above, the Issuer, may transfer such excess amount to any fund or funds established for the payment of or security for the Bonds (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law.

(d) Notwithstanding anything to the contrary contained herein but to the extent permitted by law or as may be prohibited by the Texas Commission on Environmental Quality, beginning with the Fiscal Year ending in or after 2018, the requirement set forth in subsection (a) above to maintain the Reserve Fund shall be suspended for such time as the "net revenues" of the System for each Fiscal Year are equal to at least 1.35 times the combined average annual principal and interest requirements of all outstanding Prior Lien Obligations. In the event that the "net revenues" for any Fiscal Year are less than 1.35 times the combined average annual principal and interest requirements of all outstanding Prior Lien Obligations, the Issuer will be required to commence maintaining the Reserve Fund as provided in this Section 12, and to continue maintaining such Reserve Fund until the earlier of (i) such time as the Reserve Fund is fully funded or (ii) the "net revenues" in each of two consecutive years have been equal to not less than 1.35 times the combined average annual principal and interest requirements of all outstanding Prior Lien Obligations. Notwithstanding the provisions of subsection (a) above, if the Issuer commences deposits in the Reserve Fund and later is authorized to suspend payments into the fund under this section any funds so accumulated may, at the discretion of the Issuer: (i) remain in the Reserve Fund or (ii) be used for any lawful purpose including additional projects or to pay debt service on the Bonds. The term "net revenues" as used in this Section shall mean the gross revenues of the System after deduction of maintenance and operating expenses, but not deducting depreciation or expenditures which, under standard accounting practices, are classed as capital expenditures.

(e) The Issuer may create and establish a debt service reserve fund pursuant to the provisions of any order or other instrument authorizing the issuance of Additional Prior Lien Obligations for the purpose of securing that particular issue or series of Additional Prior Lien Obligations or any specific group of issues or series of Prior Lien Obligations, and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Prior Lien Obligations for which such debt service reserve fund was established. Each debt service reserve fund shall receive a pro rata amount of the Pledged Revenues (based on the required reserve fund amount established by the order authorizing the Additional Prior Lien Obligations) after the requirements of the Interest and Sinking Fund, which secures all Prior Lien Obligations, have first been met. Each such debt service reserve fund shall be designated in such manner as is necessary to identify the Prior Lien Obligations it secures and to distinguish such debt service reserve fund from the debt service reserve funds created for the benefit of other Additional Prior Lien Obligations. Each order authorizing the issuance of Additional Prior Lien Obligations that are to be secured by a debt service reserve fund shall specify the amount or a manner of

calculating the amount to be held and maintained on deposit therein. In connection with the issuance of the Bonds, the Issuer has created a debt service reserve fund.

Section 13. DEFICIENCIES; EXCESS PLEDGED OR NET REVENUES. (a) Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues (after making all payments pertaining to all Prior Lien Obligations) to make the required deposits and credits to the Interest and Sinking Fund and in any debt service reserve funds created in accordance with Section 11 hereof, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to these funds.

(b) Excess Pledged or Net Revenues. Subject to making the deposits and credits required by this Order, or any orders authorizing the issuance of Additional Prior Lien Obligations, or the payments and credits required by the provisions of the orders authorizing the issuance of Subordinate Lien Obligations hereafter issued by the Issuer, the excess Pledged Revenues may be used for any lawful purpose.

Section 14. INVESTMENT OF FUNDS; VALUATION; TRANSFER OF INVESTMENT INCOME. (a) Money in the Revenue Fund, the Interest and Sinking Fund and any debt service reserve fund that may be created in accordance with Section 11 may, at the option of the Issuer, be invested in Permitted Investments; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. All such investments shall be valued in terms of current market value no less frequently than the last business day of the Issuer's Fiscal Year, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held at the Depository, except as otherwise permitted by the laws applicable to the Issuer. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the Issuer, in common investments of the kind described above, or in a common pool of such investments held by the Issuer or its designated agent, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such fund. If necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to the Interest and Sinking Fund or any debt service reserve fund created in accordance with Section 11 hereof, if such debt service reserve fund does not contain the required reserve amount) shall be credited to the Revenue Fund semi-annually and shall constitute Gross Revenues.

Section 15. PAYMENT OF PRIOR LIEN OBLIGATIONS. While any of the Prior Lien Obligations are outstanding, the Issuer shall transfer to the respective paying agent/registrars therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if

necessary, in the applicable debt service reserve fund, if any, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Prior Lien Obligations as shall become due on each interest or principal payment date, or date of redemption of the Prior Lien Obligations; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrars for the Prior Lien Obligations not later than the business day next preceding the date such payment is due on the Prior Lien Obligations. The Paying Agent/Registrar shall destroy all paid Prior Lien Obligations and furnish the Issuer with an appropriate certificate of cancellation or destruction.

Section 16. RATES AND CHARGES. The Issuer covenants and agrees with the owners of the Prior Lien Obligations as follows:

(a) That it will at all times fix, maintain, charge, and collect for services rendered by the System, rates and charges which will produce Net Revenues not less than 110% of the amount required to pay all principal and interest requirements and to make all other deposits now or hereafter required to be made into the Funds in connection with the Bonds.

(b) If the report by a certified public accountant required by Section 17 of this Order reflects that the Net Revenues of the System for the Fiscal Year covered thereby were less than the amount required by subsection (a) above, the Board of Directors within thirty (30) days after receipt of such report will review the operation of the System and the rates and charges for services rendered by the System and will make the necessary adjustments or revisions to the rates and charges in order that the Net Revenues will be sufficient to meet the requirement of subsection (a) above for the following Fiscal Years.

(c) If the System should become legally liable for any other obligations or indebtedness as permitted herein, the Issuer shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof

Section 17. GENERAL COVENANTS. The Issuer further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any order authorizing the issuance of Prior Lien Obligations, including this Order, and in each and every Prior Lien Obligation; it will promptly pay or cause to be paid the principal of and interest on every Prior Lien Obligation on the dates and in the places and manner prescribed in such orders and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund and to any debt service reserve fund created in accordance with Section 12 hereof

(b) Issuer's Legal Authority. It is a duly created and special utility district of the State, and is duly authorized under the laws of the State to issue the Bonds; that all action on its part for the issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands

of the Holders thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) Title. It has or will obtain (i) lawful title to the lands, buildings, structures and facilities constituting the System or (ii) lawful contractual rights to lease or otherwise use all or a portion of the capacity of the lands, buildings, structures and facilities constituting the System; and that it warrants that it will defend the title to or contractual right to use, as the case may be, all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the Holders of the Prior Lien Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Prior Lien Obligations in the manner prescribed herein, and has lawfully exercised such rights.

(d) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Issuer.

(e) Operation of System; No Free Service. It will, while the Prior Lien Obligations are outstanding and unpaid, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the Issuer or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the Issuer out of funds from sources other than the Gross Revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 9.

(f) Further Encumbrance. While the Prior Lien Obligations are outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Order in connection with Additional Prior Lien Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Order; but the right of the Issuer to issue or incur obligations payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. While the Prior Lien Obligations are outstanding and unpaid, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or release without due consideration in whole or in part contractual rights constituting part of the System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made

arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary; and, provided further, that the Issuer retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of or release any significant or substantial part of the System if (i) the Board makes a finding and determination to the effect that, following such action by the Issuer, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Prior Lien Obligations are to be outstanding to comply with the obligations of the Issuer contained in this Order and in the orders authorizing the issuance of Additional Prior Lien Obligations; (ii) the Issuer obtains a certificate or opinion of an Accountant, an Independent Engineer or a certified financial analyst to the effect that, or certificates or opinions of a combination of the foregoing that together are to the effect that, following such action by the Issuer, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Prior Lien Obligations are to be outstanding to comply with the obligations of the Issuer contained in this Order and in the orders authorizing the issuance of Additional Prior Lien Obligations; and (iii) each Rating Agency then maintaining a rating on any Prior Lien Obligation delivers a letter to the Issuer confirming that it will not withdraw or lower the rating then in effect after it has been informed by the Issuer of such sale, conveyance, mortgage, encumbrance, lease or other disposition. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the System or to purchase or redeem Prior Lien Obligations.

(h) Insurance. So long as any of the Prior Lien Obligations are outstanding, the Issuer agrees to maintain casualty and other insurance on the System of a kind and in an amount customarily carried by political subdivisions owning and/or operating similar properties. Nothing in this Order shall be construed as requiring the Issuer to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the Issuer from doing so.

(i) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the Issuer has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

(g) No Competition. That so far as it legally may, the Issuer covenants and agrees, for the protection and security of the Prior Lien Obligations and the holders thereof from time to time and until all Prior Lien Obligations shall have been retired, that it will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities and, to the extent that it legally may, the Issuer will prohibit any such competing facilities.

Section 18. RECORDS AND ACCOUNTS; ANNUAL AUDIT. (a) The Issuer hereby covenants and agrees that so long as any of the Prior Lien Obligations or any interest thereon remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System and its component parts separate

and apart from all other records and accounts of the Issuer in accordance with accepted accounting practices prescribed for special utility districts, and complete and correct entries shall be made of all transactions relating to said System, as provided by Subchapter C of Chapter 49, Texas Water Code, as amended, or other applicable law. The Holder of the Bond or any duly authorized agent or agents of such Holder shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the System and all properties comprising same.

(b) The Issuer further agrees that, following the close of each Fiscal Year, the Issuer will cause an audit report of such records and accounts to be made by an independent Accountant. Copies of each annual audit shall be made available for public inspection during normal business hours at the Issuer's principal office and may be furnished to, upon written request, any Holder upon payment of the reasonable copying and mailing charges. Expenses incurred in making the annual audit of the operations of the System shall be considered as Maintenance and Operating Expenses.

Section 19. ADDITIONAL PRIOR LIEN OBLIGATIONS. (a) The Issuer shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds or other obligations (herein called "Additional Prior Lien Obligations"), in accordance with Law, in any amounts, for any purpose permitted by law. Such Additional Prior Lien Obligations, if and when authorized, issued and delivered in accordance with this Order, shall be secured by and made payable equally and ratably on a parity with all other Outstanding Prior Lien Obligations, from the lien on and pledge of the Pledged Revenues herein granted.

(b) The Interest and Sinking Fund shall secure and be used to pay all Prior Lien Obligations. Each order under which Additional Prior Lien Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of this Order and the provisions of any other order or orders authorizing Additional Prior Lien Obligations to be deposited to the credit of the Interest and Sinking Fund, the Issuer shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Prior Lien Obligations then being issued, as the same come due.

(c) Additional Prior Lien Obligations shall be issued only in accordance with this Order, but notwithstanding any provisions of this Order to the contrary, no installment, series or issue of Additional Prior Lien Obligations shall be issued or delivered unless:

(i) The Designated Financial Officer shall have executed a certificate stating (A) that, to the best of such person's knowledge and belief, the Issuer is not then in default as to any covenant or requirement contained in any order authorizing the issuance of outstanding Prior Lien Obligations, and (B) either (1) payments into all special funds or accounts created and established for the payment and security of all outstanding Prior Lien Obligations have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (2) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(ii) The Designated Financial Officer signs and delivers to the Board a written certificate to the effect that based on the books and records of the Issuer, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Prior Lien Obligations, the Net Earnings at least equal to the sum of 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Prior Lien Obligations and the Additional Prior Lien Obligations to be outstanding after the issuance of the then proposed Additional Prior Lien Obligations.

(iii) In making a determination of Net Earnings for any of the purposes described in this Section, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 30 days prior to the date the order authorizing the issuance of the Additional Prior Lien Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by said Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Designated Financial Officer's certificate or opinion.

(d) Prior Lien Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the Issuer and its inhabitants, and if less than all such outstanding Prior Lien Obligations are refunded the proposed refunding bonds shall be considered as "Additional Prior Lien Obligations" under the provisions of this Section and the certificate required in subdivision (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment).

Section 20. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The Issuer hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Prior Lien Obligations, as may be authorized by the laws of the State.

Section 21. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Order shall be construed to deny the Issuer the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Section 22. LIMITED OBLIGATIONS OF THE ISSUER. The Prior Lien Obligations are limited, special obligations of the Issuer payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues. The Issuer has no truncing powers, and the Holders of the Prior Lien Obligations shall never have the right to demand payment of the principal or interest on the Prior Lien Obligations from any funds raised or to be raised through taxation by the Issuer.

Section 23. SECURITY FOR FUNDS. All money on deposit in the Funds for which this Order makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Order.

Section 24. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State, it is specifically covenanted and agreed particularly that in the event the Issuer (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, (iii) declares bankruptcy, or (iv) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Order, the following remedies shall be available:

(a) the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Issuer and other officers of the Issuer to observe and perform any covenant, condition or obligation prescribed in this Order; and

(b) no delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall 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. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

Section 25. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Order, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues herein pledged as provided in this Order, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Defeasance Securities, maturing in the amounts and times as

hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 24(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Bonds.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Order.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

Section 26. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new Bond of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen or destroyed Bonds shall be made by the Holder thereof to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Bond, the Holder applying for a replacement Bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Bond, the Holder shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the Holder shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred that is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the

Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement Bond, the Paying Agent/Registrar shall charge the Holder of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement Bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Order equally and proportionately with any and all other Bonds duly issued under this Order.

(e) Authority for Issuing Replacement Bonds. In accordance with Sec. 1206.022, Government Code, this Section of this Order shall constitute authority for the issuance of any such replacement Bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 4(a) of this Order for Bonds issued in exchange for other Bonds.

Section 27. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; ENGAGEMENT OF BOND COUNSEL AND BOND COUNSEL'S OPINION; ENGAGEMENT OF FINANCIAL ADVISOR; ATTORNEY GENERAL FILING FEE. (a) The President of the Issuer is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State, and their registration by the Comptroller of Public Accounts of the State. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Bond.

(b) The obligation of the Purchaser (as defined in Section 28) to accept delivery of the Bonds is subject to the Purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Initial Bond to the Purchaser. The engagement of such firm as bond counsel to the Issuer in connection with issuance, sale and delivery of the Bonds is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the President of the Board and the President of the Board is hereby authorized to execute such engagement letter. In addition, the execution and delivery of a professional services agreement between the Issuer and Specialized Public Finance, Inc., with respect to services as Financial Advisor to the Issuer, is hereby authorized in such form as may be approved by the President of the Board of Directors and the President of the Board of Directors is hereby authorized to execute such agreement.

(c) In accordance with the provisions of Section 1202.004, Tex. Gov't Code Ann., in connection with the submission of the Initial Bond by the Attorney General of Texas for review and approval, a statutory fee (an amount equal to 0.1% principal amount of the Bonds, subject to a minimum of \$750 and a maximum of \$9,500) is required to be paid to the Attorney General upon the submission of the transcript of proceedings for the Bonds. The Issuer hereby authorizes and directs that a check in the amount of the Attorney General filing fee for the Bonds, made payable to the "Texas Attorney General," be promptly furnished to the Issuer's Bond Counsel, for payment to the Attorney General in connection with his review of the Bonds.

Section 28. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS. (a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects refinanced therewith (the "Project") (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the Project are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Order or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(t) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(t) of the Code.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Proceeds. The Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the Refunded Bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the President of the Board or the General Manager of the Issuer to execute any documents, certificates or reports required by the Code and to make such

elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) Disposition of Project. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Allocation Of, and Limitation On, Expenditures for the Project. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the Project on its books and records in accordance with the requirements of the Internal Revenue Code. The Issuer recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Disposition of Project. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 29. SALE OF BONDS; FURTHER PROCEDURES. (a) The Bonds are hereby sold to the bidder whose bid produced the lowest net effective interest rate, pursuant to the taking of public bids therefor, on this date, and shall be delivered to a syndicate of the purchaser represented by Citigroup Global Markets Inc. (the "Purchaser") at a price of \$25,426,050.56, representing the par amount of the Bonds, less a reoffering premium of \$281,182.95, less an underwriter's discount of \$327,374.00, less bond insurance premium paid by Underwriter. The Bonds shall initially be registered in the name of Citigroup Global Markets Inc.

(b) The President and Vice President, the Board Secretary, the General Manager of the Issuer and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar, and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Order, the Bonds and the sale of the Bonds. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 30. CONTINUING DISCLOSURE UNDERTAKING. (a) Annual Reports. The Issuer shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of any fiscal year, financial information and operating data with respect to the Issuer of the general type included in the final Official Statement authorized by Section 15 of this Order, being the information described in Exhibit "B" hereto. Any financial statements to be so provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "B" hereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer shall file unaudited financial statements within such 12-month period, and file audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

If the Issuer changes its fiscal year, it 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 Issuer otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section 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 web site or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) Event Notice. The Issuer shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, 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, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
- G. Modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws;
- H. Bond calls, if material within the meaning of the federal securities laws and tender offers;
- I. Defeasances;
- 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 Issuer;
- M. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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.

The Issuer shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Limitations, Disclaimers, and Amendments. The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that

the Issuer in any event will give notice of any deposit made in accordance with Section 13.01 of this Order that causes the Bonds no longer to be outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under this Order for purposes of any other provision of this Order.

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

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

The provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consents to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this Section an explanation, in narrative form, of the reason for the amendment and

of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

(d) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

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

Section 31. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Order subject to the following terms and conditions, to-wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Order in order to (i) cure any ambiguity, defect or omission in this Order that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Order and that shall not materially adversely affect the interests of the holders, (iv) qualify this Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Order as shall not be inconsistent with the provisions of this Order and that shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Bonds aggregating in principal amount 51% of the aggregate principal amount of then outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Bonds, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Order or in any of the Bonds so as to:

- (1) Make any change in the maturity of any of the outstanding Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds;

(4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; or

(5) Change the minimum percentage of the principal amount of any series of Bonds necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Order under Subsection (b) of this Section, the Issuer shall send by U.S. mail to each Holder of the affected Bonds a copy of the proposed amendment.

(d) Whenever at any time within one year from the date of giving of such notice the Issuer shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all of the Bonds then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Order pursuant to the provisions of this Section, this Order shall be deemed to be modified and amended in accordance with such amendatory Order, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Bond during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the affected Bonds then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(g) For the purposes of establishing ownership of the Bonds, the Issuer shall rely solely upon the registration of the ownership of such Bonds on the Registration Books kept by the Paying Agent/Registrar.

Section 32. DISPOSITION OF BOND PROCEEDS. The proceeds of the Bonds shall be used for the purposes described in Section 2(a) hereof.

Section 33. NO RECOURSE AGAINST ISSUER OFFICIALS. No recourse shall be had for the payment of principal or of interest on any Bonds or for any claim based thereon or on this Order against any official of the Issuer or any person executing any Bonds.

Section 34. EFFECTIVE DATE. This Order shall be effective immediately upon its adoption by the Board.

Section 35. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Order, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Order, despite such invalidity, which remaining portions shall remain in full force and effect.

EXHIBIT A DEFINITIONS

As used in this Order, the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Accountant" means an independent certified public accountant or accountants or a firm of an independent certified public accountants, in either case, with demonstrated expertise and competence in public accountancy.

"Additional Prior Lien Obligations" means bonds, notes, warrants, certificates of obligation, contractual obligations or other indebtedness which the Issuer reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 18 of this Order and which obligations are equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues on a parity with the Bonds.

"Amortization Installment" means, with respect to any Term Bonds of any series of Prior Lien Obligations, the amount of money which is required to be deposited into a mandatory redemption account for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any) provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

"Annual Debt Service Requirements " means, as of the date of calculation, the principal of and interest on all Prior Lien Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Issuer on such debt, or be payable in respect of any required purchase of such debt by the Issuer) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Issuer:

(1) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Issuer) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Order as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(2) Consent Sinking Fund. In the case of Balloon Debt, if a Designated Financial Officer shall deliver to the Issuer a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation

of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (2) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (2) shall not apply where the Issuer has elected to apply the rule set forth in clause (1) above;

(3) Prepaid Debt. Principal of and interest on Bonds and Additional Prior Lien Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such debt; and

(4) Variable Rate. As to any Prior Lien Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Issuer, either (A) an interest rate equal to the average rate borne by such Prior Lien Obligations (or by comparable debt in the event that such Prior Lien Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two series of Prior Lien Obligations which bear interest at variable interest rate, or one or more maturities within a series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Prior Lien Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Prior Lien Obligations);

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"Average Annual Debt Service Requirements" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Prior Lien Obligations. For the purposes of this definition, a fractional period of a Fiscal Year shall be calculated using the remaining days in the Fiscal Year at the time of such calculation, divided by 365 days. Capitalized interest payments provided from bond proceeds, accrued interest on any debt, and interest earnings thereon shall be excluded in making such computation.

"Board" means the board of directors of the Issuer, and references to "President," "Vice President" and "Secretary" means such of the directors of the Board as are elected by the members thereof to such offices.

"Bonds" means, the Jonah Water Special Utility District Revenue Refunding Bonds, Series 2018 authorized by this Order.

"Depository" means one or more official depository banks of the Issuer.

"Designated Financial Officer" means the General Manager of the Issuer or the chief financial officer of the Issuer, if such an office has been created, or such other financial or accounting official of the Issuer so designated by the Board.

"Fiscal Year" means the twelve-month accounting period used by the Issuer in connection with the operation of the System, currently ending on September 30 of each year, which may be any twelve consecutive month period established by the Issuer, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

"Funded Debt" means all Prior Lien Obligations created or assumed by the Issuer that mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the Issuer to a date, more than one year after the original creation or assumption of such debt by the Issuer.

"Gross Revenues " mean all revenues, income and receipts of every nature derived or received by the Issuer from the operation and ownership of the System; including (except with respect to proceeds of any Prior Lien Obligations or Subordinate Lien Obligations to the extent provided by this Order or any order authorizing the issuance of Additional Prior Lien Obligations or Subordinate Lien Obligations) the interest income from investment or deposit of money in any fund maintained by the Issuer in connection with the System, but excluding any restricted revenues collected by the Issuer under contract with others, which revenues are required to be administered on a fiduciary basis until paid over to such other entity; Gross Revenues includes any other revenues from any payment source hereafter pledged to the payment of all Prior Lien Obligations.

"Holder" or *"Holders "* means the registered owner, whose name appears in the bond registration books, for any Prior Lien Obligation.

"Independent Engineer" means an individual, firm or corporation engaged in the engineering profession, being a registered professional engineer under the laws of the State, having specific experience with respect to water, wastewater, reuse water and/or storm water drainage systems similar to the System.

"Interest and Sinking Fund" means the special Fund maintained by the provisions of Sections 7 and 10 of this Order.

"Issuer" mean the Jonah Water Special Utility District, and where appropriate, the Board.

"Maintenance and Operating Expenses " means the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to keep the System in operation and render adequate service or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Prior Lien Obligations), and all payments under contracts for materials and services provided to the Issuer that are required to enable the Issuer to render efficient service. Depreciation shall never be considered as a Maintenance and Operating Expense.

"Maturity" means, when used with respect to any indebtedness, the date on which the principal of such indebtedness or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"Net Earnings" means the Gross Revenues of the System after deducting the Maintenance and Operating Expenses of the System but not depreciation or other expenditures which, under standard accounting practice, should be charged to capital expenditures.

"Net Revenues " means all Gross Revenues remaining after deducting the Maintenance and Operating Expenses.

"Order" means this order finally adopted by the Board on August 2, 2018

"Outstanding", when used with respect to Prior Lien Obligations, means, as of the date of determination, all Prior Lien Obligations theretofore delivered under this Order and any order authorizing Additional Prior Lien Obligations, except:

- (1) Prior Lien Obligations theretofore cancelled and delivered to the Issuer or delivered to the Paying Agent/Registrar for cancellation;
- (2) Prior Lien Obligations deemed paid pursuant to the provisions of Section 31 of this Order or any comparable section of any order authorizing Additional Prior Lien Obligations;
- (3) Prior Lien Obligations upon transfer of or in exchange for and in lieu of which other Prior Lien Obligations have been authenticated and delivered pursuant to this Order and any order authorizing Additional Prior Lien Obligations; and
- (4) Prior Lien Obligations under which the obligations of the Issuer have been released, discharged or extinguished in accordance with the terms thereof.

"Paying Agent/Registrar" shall have the meaning set forth in Section 4(a) hereof

"Permitted Investments" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended or other applicable law.

"Pledged Revenues" means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Issuer to the payment of the Prior Lien Obligations.

"Prior Lien Obligations" means the Bonds and any Additional Prior Lien Obligations hereafter issued by the Issuer or obligations issued to refund any of the foregoing (as determined within the sole discretion of the Board in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues.

"Project" has the meaning set forth in Section 28 hereof.

"Rating Agency" means any nationally recognized securities rating agency which has assigned, at the request of the Issuer, a rating to any of the Prior Lien Obligations.

"Record Date" means Record Date as defined in the Form of Bonds in Exhibit B to this Order.

"Special Project" means any drainage project, waterworks, sanitary sewer or wastewater reuse system property, improvement or facility or other public improvement declared by the Issuer not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

"State" means the State of Texas.

"Stated Maturity" means the scheduled principal payments of the Prior Lien Obligations payable on the respective dates set forth in the orders which authorized the issuance of such Prior Lien Obligations.

"Subordinate Lien Obligations" means (i) any bonds, notes, warrants, certificates of obligation, contractual obligations or other indebtedness issued by the Issuer that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of any Prior Lien Obligations issued by the Issuer, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues on a parity with the Subordinate Lien Obligations.

"System" means the Issuer's waterworks system, consisting of its (A) properties, facilities, plants, improvements, equipment, owned; operated and maintained by the Issuer for the supply, treatment, and transmission and distribution of treated potable water and (B) any other properties, facilities, plants, improvements, equipment or utility systems that may be incorporated into the System as evidenced by a future order of the Board to the extent permitted by the laws of the State at the time of adoption of such order. The System shall not include any Special Project.

"Term Bonds; means those Prior Lien Obligations so designated in the orders authorizing such bonds which shall be subject to retirement by operation of a mandatory redemption account.

"Term of Issue" means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five years.

EXHIBIT B

(a) Form of Bond

**UNITED STATES OF AMERICA
STATE OF TEXAS**

**JONAH WATER SPECIAL UTILITY DISTRICT
REVENUE BONDS
SERIES 2018**

NO. R-

**PRINCIPAL
AMOUNT**
\$ _____

INTEREST RATE DATE OF BONDS MATURITY DATE CUSIP NO.

August 1, 2018

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THE JONAH WATER SPECIAL UTILITY DISTRICT (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360 day year of twelve 30 day months, from September 11, 2018, on July 1, 2019, and semiannually on each January 1 and July 1 thereafter (an "Interest Payment Date") to the maturity date specified above, or the date of redemption prior to maturity, annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the Interest Payment Date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following Interest Payment Date, in which case such principal amount shall bear interest from such next following Interest Payment Date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the Issuer and the securities depository.

THE PRINCIPAL OF AND INTEREST ON THIS BOND are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this

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Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at UMB Bank, N.A., which is the "Registrar" or "Paying Agent/Registrar" for this Bond at its designated office for payment in Austin, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each Interest Payment Date by check or draft, dated as of such Interest Payment Date, drawn by the Registrar on, and payable solely from, funds of the Issuer required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Registrar by United States mail, first-class postage prepaid, on or before each such Interest Payment Date, to the Registered Owner hereof, at its address as it appeared on the fifteenth (15th) calendar day of the month (whether or not a business day) next preceding each such date (the "Record Date") on the Register kept by the Registrar listing the names and addresses of the Registered Owners (the "Register"). In addition, interest may be paid by such other method, acceptable to the Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

DURING ANY PERIOD in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for payment at the designated office for payment of the Paying Agent/Registrar. The Issuer covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date, and any redemption date for this Bond it will make available to the Registrar, from the "Debt Service Fund" the creation of which is affirmed by the Bond Order, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a series of Bonds dated as of August 1, 2018, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$26,085,000 for the public purposes of (i) constructing certain water line improvements to the Issuer's water supply system; (ii) to fund a debt service reserve fund; and (iii) to pay certain other costs related to the issuance of the Bonds.

ON JULY 1, 2028, OR ON ANY DATE THEREAFTER, the Bonds maturing on and after July 1, 2029 may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer, and if less than all of a maturity is to be redeemed the Registrar shall determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 of principal amount).

THE BONDS MATURING ON JULY 1, 2036, 2041 and 2048 are subject to mandatory sinking fund redemption by lot prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date (collectively, the "Term Bonds").

Term Bonds Maturing on July 1, 2036*

Redemption Date	Principal Amount
July 1, 2035	\$ 995,000
July 1, 2036	\$1,045,000

*Final Maturity

Term Bonds Maturing on July 1, 2041*

Redemption Date	Principal Amount
July 1, 2040	\$1,300,000
July 1, 2041	\$1,370,000

*Final Maturity

Term Bonds Maturing on July 1, 2048*

Redemption Date	Principal Amount
July 1, 2044	\$1,605,000
July 1, 2045	\$1,695,000
July 1, 2046	\$1,790,000
July 1, 2047	\$1,890,000
July 1, 2048	\$1,990,000

*Final Maturity

THE PRINCIPAL AMOUNT of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.]

IN THE EVENT any Paying Agent/Registrar for this Bond is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Order that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owner of the Bond.

THIS BOND shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Order until the Certificate of Authentication shall have been executed by the Paying Agent/Registrar or the Comptroller's Registration Certificate hereon shall have been executed by the Texas Comptroller of Public Accounts.

IT IS HEREBY certified, recited and covenanted that this Bond has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Bond have been performed, existed and been done in accordance with law; that this Bond and all of the bonds of the series of which it is a part constitute special obligations of the Issuer, and are payable as to both principal and interest solely from and equally secured by a first lien on and pledge of the Pledged Revenues (as defined in the Bond Order) of the Issuer's System, all as provided in the Bond Order. Reference is hereby made to the Bond Order for a more complete statement of the covenants and provisions securing the payment of this Bond and the series of which it is one. The Issuer has reserved the right to establish one or more debt service reserve funds in connection with the issuance of Additional Prior Lien Obligations (as defined in the Bond Order), but the Issuer has not provided for a debt service reserve fund to be funded for the series of bonds of which this Bond is issued.

THE ISSUER EXPRESSLY RESERVES the right to issue Additional Prior Lien Obligations that are equally secured by a lien on and pledge of the Pledged Revenues of the Issuer's System on a parity with the Bonds of this issue; provided, however, that any and all such Additional Prior Lien Obligations may be issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Bond Order, to which reference is hereby made for more complete and full particulars. The Issuer has further reserved the right to issue Subordinate Lien Obligations (as defined in the Bond Order) and to finance Special Projects (as defined in the Bond Order) that are not part of the System and not payable from Pledged Revenues or Net Revenues (as defined in the Bond Order) and for which all maintenance and operation expenses are payable from sources other than Pledged Revenues or Net Revenues.

THE HOLDER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation. The Issuer has no taxing powers.

THE ISSUER HAS RESERVED THE RIGHT to amend the Bond Order as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds.

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Bond Order, agrees to be bound by such terms and provisions, acknowledges that the Bond Order is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Order constitute a contract between each Registered Owner hereof and the Issuer.

INWITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Issuer and countersigned with the manual or facsimile signature of the Secretary of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

(signature)
Secretary

(signature)
President

(SEAL)

INSERTIONS FOR THE INITIAL BOND

The Initial Bond shall be in the form set forth in this Section, except that:

A. immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO." shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"ON THE MATURITY DATE SPECIFIED BELOW, Jonah Water Special Utility Issuer (the "Issuer"), being a political subdivision, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on July 1 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Year of</u> <u>Maturity</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Year of</u> <u>Maturity</u>	<u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>
-----------------------------------	----------------------------------	--------------------------------	-----------------------------------	----------------------------------	--------------------------------

(Information from Section 3 to be inserted)

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from September 11, 2018 at the respective Interest Rate per annum specified above. Interest is payable on July 1, 2019 and semiannually on each January 1 and July 1 thereafter to the date of payment of the principal installment specified above; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

C. The Initial Bond shall be numbered "T-1."

(b) REGISTRATION OF INITIAL BOND BY STATE COMPTROLLER AND CERTIFICATE. The Initial Bond 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 on the face of the Initial Bond and shall be in substantially the following form:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this _____.

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

(c) FORM OF AUTHENTICATION CERTIFICATE. The following form of authentication certificate shall be printed on the face of each of the Bonds other than the Initial Bond:

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE
(To be executed if this Bond is not accompanied by an
executed Registration Certificate of the Comptroller
of Public Accounts of the State of Texas)**

It is hereby certified that this Bond has been issued under the provisions of the Bond Order described in the text of this Bond; and that this Bond has been issued in conversion or replacement

of, or in exchange for, a Bond, Bonds, or a portion of a Bond or Bonds of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: UMB Bank, N.A.
Registrar

By _____
Authorized Representative

(d) **FORM OF ASSIGNMENT.** A form of assignment shall be printed on the back of each of the Bonds and shall be in substantially the following form:

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

Please insert Social Security or Taxpayer
Identification Number of Transferee

(Please print or typewrite name and address,
including zip code of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

REVISION	DESCRIPTION	DATE	BY	EKD

**JONAH WATER SPECIAL UTILITY DISTRICT
WILLIAMSON COUNTY, TEXAS**



**2015 - CAPITAL IMPROVEMENTS
PROJECT PLAN**

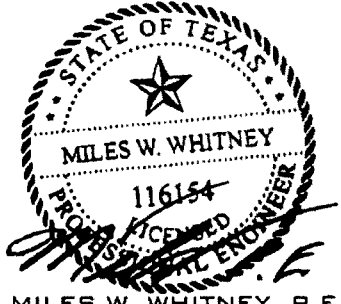
REVISED JUNE 20, 2018

BOARD MEMBERS:

KENNETH JIRASEK; PRESIDENT
 BETTY ZIMMERHANZEL; VICE-PRESIDENT
 JERRY TIDWELL; SECRETARY/TREASURER
 CAROL FOX; DIRECTOR
 MAHLON ARNETT; DIRECTOR
 PETE CORREA; DIRECTOR
 WILLIAM WEHLING; DIRECTOR
 DEREK SHIRES; DIRECTOR

WILLIAM BROWN; GENERAL MANAGER
 VICENTE CARRIZALES; ASSISTANT GENERAL MANAGER

PREPARED BY:



MILES W. WHITNEY, P.E.

DESIGN: [Signature]
 DRAWN: [Signature]
 CKD: [Signature]
AYOTE CONSULTING, LLC
 T.B.P.E. F-16387
 P.O. BOX 4248 WACO, TX 76708 PH: 254-744-3430

EXHIBIT C

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EXECUTIVE SUMMARY

JONAH WATER SPECIAL UTILITY DISTRICT (JONAH) HAS SEEN AND IS EXPERIENCING EXTENSIVE GROWTH OVER THE LAST DECADE. WITH GROWTH COMES THE NEED TO HAVE SUFFICIENT FORESIGHT TO CONSTRUCT THE SUPPLY AND STORAGE INFRASTRUCTURE TO PROVIDE FOR THIS GROWTH.

THIS CAPITAL IMPROVEMENTS PROJECT PLAN (CIPP) LAYS FORTH A STRATEGY OF RECOMMENDED SYSTEM IMPROVEMENTS TO IMPROVE SERVICE TO EXISTING CUSTOMERS AND ALSO PROVIDE FOR JONAH'S ESTIMATED NEEDS. THIS CIPP PROJECTS LIST IS BASED UPON AN OVERALL SYSTEM GROWTH RATE OF 2% PLUS THE KNOWN GROWTH FROM DEVELOPMENTS OVER THE NEXT 20 YEARS, RESULTING IN AN INCREASE FROM TODAY'S CUSTOMERS (MID-2015) COUNT OF 5,632 TO MORE THAN 15,646 CUSTOMERS BY 2035.

THE INTENT OF THIS CIPP IS TO DESCRIBE A SEQUENCE OF CONSTRUCTION FOR THE CONCEIVED PROJECTS TO KEEP JONAH WITHIN COMPLIANCE WITH THE GOVERNING BODIES AND ALSO BRING ADDITIONAL CAPACITY ON LINE TO MEET THE KNOWN AND ANTICIPATED NEEDS AS THE SYSTEM CONTINUES TO GROW.

THE BENEFITS FOR EACH OF THE CIPPs ARE LISTED WITHIN THEIR PROJECT DESCRIPTIONS FOUND LATER ON IN THIS REPORT.

SCOPE

JONAH WATER SPECIAL UTILITY DISTRICT'S (JONAH) REQUEST WAS TO COMPILE CAPITAL IMPROVEMENTS PROJECT PLAN TO DEFINE A LIST OF SYSTEM IMPROVEMENTS TO MEET THE ANTICIPATED NEEDS OF THE SYSTEM USING THE PROJECTED 20 YEAR GROWTH OF THE SYSTEM. THIS REPORT DOES NOT INCLUDE ANY SORT OF FINANCIAL MODEL TO DETERMINE THE REQUIRED RATE AND CONNECTION FEE ADJUSTMENTS THAT MAY BE NEEDED TO FUND THE PROPOSED IMPROVEMENTS.

DESIGN REQUIREMENTS

THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ) IS CHARGED WITH REGULATING AND INSPECTING PUBLIC WATER SYSTEMS WITHIN THE STATE OF TEXAS. TEXAS ADMINISTRATIVE CODE (TAC) CHAPTER 290 DEFINES THE MINIMUM WATER SYSTEM CAPACITY REQUIREMENTS. THESE RULES REQUIRE THAT JONAH HAVE A MINIMUM 0.6 GPM PER CONNECTION OF WATER SUPPLY, 200 GALLONS OF STORAGE PER CONNECTION, AND MAINTAIN A 35 PSI DISTRIBUTION PRESSURE (UNDER NORMAL OPERATIONS) OR 20 PSI DISTRIBUTION PRESSURE (UNDER FIRE FLOW CONDITIONS).

DESIGN APPROACH

IN CREATING THIS CIPP, TACTICS WERE DEVELOPED FOR EACH PROJECT TO DETERMINE THE MOST ADVANTAGES PLAN FOR JONAH TO BOTH HANDLE TODAY'S NEEDS AND THE NEEDS REQUIRED BY TYPICAL ANNUAL GROWTH. THE CHALLENGE COMES FROM; DOES JONAH PLAN FOR UNFORESEEN DEVELOPMENTS AS WELL AS KNOWN DEVELOPMENTS OR DOES JONAH JUST PLAN FOR THE KNOWN AND ADDRESS THE UNFORESEEN AS THEY COME. BUT THEN AGAIN, PLANNING TO CONSERVATIVELY CAN PUT JONAH IN A POSITION WHERE ADDITIONAL IMPROVEMENTS ARE REQUIRED SOON AFTER THE DESCRIBED IMPROVEMENTS ARE MADE. WITH THAT BEING SAID, THIS CIPP TAKES INTO ACCOUNT THE POSSIBLE METER SERVICES OF ALL KNOWN DEVELOPMENTS, AS OF TODAY, AND ALSO ALLOWING FOR THE TYPICAL 2% ANNUAL GROWTH RATE. (NOTE; THE ANNUAL GROWTH RATE DOES NOT INCLUDE GROWTH SEEN FROM DEVELOPMENTS I.E. SIENA, WOODHULL, HUTTO HIGHLANDS, ETC... BUT INSTEAD JUST ACCOUNTS FOR THE DAY TO DAY METER REQUESTS OF INDIVIDUAL METER CONNECTIONS). PLEASE KEEP IN MIND THAT THIS CIPP MERELY SETS GENERAL LOCATIONS OF THE PROPOSED IMPROVEMENTS, JONAH WILL BE REQUIRED TO REVISE THIS CIPP AS DEVELOPMENTS MATERIALIZE.

OPINIONS OF PROBABLE CONSTRUCTION COST AND OTHER COSTS

ENGINEER'S OPINIONS OF PROBABLE CONSTRUCTION COST AND OTHER COSTS ARE MADE ON THE BASIS OF ENGINEER'S EXPERIENCE AND QUALIFICATIONS AND REPRESENT ENGINEER'S BEST JUDGMENT AS AN EXPERIENCED AND QUALIFIED PROFESSIONAL, GENERALLY FAMILIAR WITH THE CONSTRUCTION INDUSTRY. HOWEVER, SINCE THE ENGINEER HAS NO CONTROL OVER THE COST OF LABOR, MATERIALS, EQUIPMENT, OR SERVICES FURNISHED BY OTHERS, OR OVER CONTRACTORS' METHODS OF DETERMINING PRICES, OR OVER COMPETITIVE BIDDING OR MARKET CONDITIONS, THE ENGINEER CANNOT AND DOES NOT GUARANTEE THAT PROPOSALS, BIDS, OR ACTUAL

CONSTRUCTION COST AND OTHER COSTS WILL NOT VARY FROM OPINIONS OF PROBABLE CONSTRUCTION COST AND OTHER COSTS PREPARED BY ENGINEER. THE COST AMOUNTS SHOWN WITHIN THIS REPORT ARE BASED ON 2015 AVERAGE UNIT COSTS. FINANCING COSTS ARE NOT INCLUDED AND WOULD NEED TO BE ADDED TO THE OVERALL PROJECT COSTS.

COMPARISON OF THIS STUDY TO PREVIOUS SYSTEM STUDIES

THE JANUARY, 2007 STEGER BIZZELL CAPITAL IMPROVEMENTS PLAN CALLED FOR THE DEVELOPMENT OF THE WELLS AT PLANT NO. 8, THE DEVELOPMENT OF TWO WELLS IN THE BERRY CREEK AREA AND THE UTILIZATION OF THE LAKE GRANGER – BRAZOS RIVER AUTHORITY (BRA) SURFACE WATER SOURCE BETWEEN 2006 AND 2015. THE PLAN ALSO CALLED FOR THE DEVELOPMENT OF A SURFACE WATER TREATMENT PLANT NORTH OF GEORGETOWN, WHERE CR-148 INTERSECTS THE SOUTHBOUND ACCESS ROAD OF I-35, TO UTILIZE JONAH'S 2,500 ACRE FEET PER YEAR STILLHOUSE HOLLOW LAKE WATER. PHASE 1 OF THE STILLHOUSE HOLLOW SURFACE WATER TREATMENT PLANT WAS TO GO ON LINE IN 2015, WITH A SECOND PHASE GOING ON LINE IN 2021. THE STILLHOUSE HOLLOW SURFACE WATER TREATMENT PLANT DEVELOPMENT WAS BASED UPON THE PRESUMPTION THAT JONAH WOULD BE ABLE TO NEGOTIATE WITH BRA TO TAP THE 48" RAW WATERLINE, RUNNING FROM STILLHOUSE LAKE TO GEORGETOWN, AND OPERATE THE RAW WATER PUMPS AT STILLHOUSE TO DELIVER WATER TO THE PROPOSED JONAH SURFACE WATER TREATMENT PLANT. (SEE STEGER BIZZELL'S PLAN, PAGES 16 AND 66.)

HOWEVER, EARLY DISCUSSIONS WITH BRA MADE IT VERY CLEAR THAT JONAH WOULD NOT BE ABLE TO CONTROL THE RAW WATER PUMPS IN STILLHOUSE, THOSE PUMPS WERE AND WOULD CONTINUE TO BE CONTROLLED BY THE LEVEL IN LAKE GEORGETOWN AND THE ONLY POSSIBLE WAY THAT JONAH WOULD BE ABLE TO TAP THE 48" LINE AND USE THE RAW WATER BETWEEN STILLHOUSE LAKE AND LAKE GEORGETOWN WAS TO EITHER CONSTRUCT AN OFF PIPELINE RESERVOIR TO RECEIVE WATER WHEN NEEDED, WHEN WATER WAS BEING PUMPED TO LAKE GEORGETOWN, AND TAKE WATER FROM THAT RESERVOIR FOR TREATMENT; OR TAKE WATER FROM LAKE GEORGETOWN AND TREAT IT, IF POSSIBLE. DUE TO THE COST OF DEVELOPMENT OF EITHER OF THESE OPTIONS, IT BECAME APPARENT THAT JONAH COULD NOT COST EFFECTIVELY USE THEIR STILLHOUSE HOLLOW WATER AND SHARE OF THE 48" PIPELINE, THEREFORE THAT WATER AND SHARE OF PIPELINE CAPACITY HAS BEEN SOLD.

AT THE TIME OF THIS STUDY, THE MOST DEPENDABLE AND ECONOMICAL SOURCES OF WATER SUPPLY ARE THE EXPANSION OF THE EXISTING TREATED WATER SUPPLY FROM BRA – LAKE GRANGER AND USE OF EXISTING JONAH WELLS.

EXISTING SYSTEM

THIS CIPP UTILIZED THE EXISTING SYSTEM HYDRAULIC MODEL OF THE EXISTING FACILITIES AND INFRASTRUCTURE.

EXISTING FACILITIES

TABLE 1 DETAILS JONAH'S EXISTING PLANT FACILITIES.

TABLE 1
JONAH WATER S.U.D. EXISTING FACILITIES

LOCATION	PUMPS (GPM)	WELL (GPM)	REFILL (GPM)	GROUND STORAGE (GAL)	ELEVATED STORAGE (GAL)	PRESSURE TANK (GAL)	STANDPIPE (GAL)
PLANT No. 1	-	975	650	1,000,000	500,000	-	-
ELEVATED No. 2	-	-	540	-	500,000	-	-
PLANT No. 3	-	225	-	-	250,000	-	-
PLANT No. 4	220	-	137	25,000	-	4,000	-
PLANT No. 7	-	300	-	-	-	-	-
PLANT No. 8	-	-	625	-	500,000	-	-
PLANT No. 9	400	600	740	200,000	-	10,000	-
PLANT No. 10	-	240	-	-	-	-	140,000
PLANT No. 11	500	250	-	200,000	-	10,000	-
PLANT No. 12	-	540	-	-	-	-	-
CIRCLEVILLE PUMP STATION	1,500	-	3,000	500,000	-	-	-
MUSTANG GREEN PUMP STATION	1,500	-	2,100	-	500,000	-	-
ELEVATED No. 3	-	-	950	-	1,000,000	-	-
CHANDLER RD. PUMP STATION	750	-	-	-	-	-	-

* INDICATES THAT NOT ALL OF THE SHOWN STORAGE CAN COUNT TOWARDS THE STORAGE REQUIREMENTS AS PER THE T.A.C. CHAPTER 29D.

DEFICIENCIES; EXISTING AND FUTURE

JONAH HAS DESIRED TO MOVE LARGE AMOUNTS OF WATER THROUGH THE ENTIRE SYSTEM TO BOTH ALLOW NEIGHBORING PRESSURE PLANES TO HELP OUT WHEN WELL/PLANT MAINTENANCE MUST OCCUR, LEAK REPAIRS TAKE PLACE, OR WHEN EMERGENCY CONDITIONS OCCUR. TO DATE, A MAJORITY OF THE PLANTS ARE INTERCONNECTED IN ONE WAY OR ANOTHER, HOWEVER A MAJORITY OF THESE INTERCONNECTIONS ARE THROUGH SMALLER DIAMETER PIPES THAT ARE UNABLE TO KEEP UP WITH NORMAL SYSTEM DEMANDS. IN ADDITION, JONAH HAS WORKED WITH AND IS WORKING WITH DEVELOPERS TO PROVIDE THE REQUESTED NEEDS OF DEVELOPMENTS, BUT IN DOING SO JONAH WILL BEGIN TO PUSH SOME OF ITS EXISTING FACILITIES TO THEIR UPPER LIMITS AS MORE AND MORE DEVELOPMENT OCCURS.

PROPOSED SYSTEM IMPROVEMENTS

GROWTH PROJECTIONS

JONAH'S HISTORICAL GROWTH HAS VARIED SIGNIFICANTLY OVER THE YEARS. THE CULPRIT FOR THIS VARIATION IS DEVELOPMENT GROWTH. AS MENTIONED EARLIER IN THE REPORT, THIS STUDY BREAKS OUT DEVELOPMENT GROWTH FROM THE TYPICAL ANNUAL GROWTH RATE. THE DEVELOPMENT GROWTH RATE IS ADDRESSED IN THIS STUDY AS A SEPARATE VARIABLE, SINCE DEVELOPMENTAL GROWTH IS NOT ALWAYS CONSTANT, MEANING THAT SOME YEARS JONAH MAY SEE A LARGE NUMBER OF SERVICE REQUESTS AND IN OTHER YEARS THE SYSTEM MAY SEE LITTLE TO NO DEVELOPMENTAL GROWTH. SEE TABLE NO. 2 AND 3 FOR HISTORICAL AND PROJECTED CUSTOMER CONNECTIONS.

TABLE NO. 2
JONAH WATER S.U.D. END OF YEAR HISTORICAL CUSTOMER CONNECTIONS

YEAR	# OF CONNECTIONS	ANNUAL GROWTH
1992	1638	
1993	1759	7.4%
1994	1771	4.2%
1995	1895	7.2%
1996	2129	12.2%
1997	2273	6.8%
1998	2425	6.7%
1999	2643	9.0%
2000	3023	14.4%
2001	3222	6.6%
2002	3310	2.7%
2003	3530	6.6%
2004	3815	8.1%
2005	4145	8.8%
2006	4464	7.6%
2007	4722	5.8%
2008	4843	2.5%
2009	4920	1.6%
2010*	4565	-7.2%
2011	4835	5.9%
2012	4702	1.4%
2013	4975	5.8%
2014	5217	4.9%
2015*	5632	8.0%

*JONAH RELINQUISHED 462 METERS TO THE CITY OF HUTTO.

**NUMBER OF CONNECTIONS AS OF 10/13/15.

TABLE NO. 3
JONAH WATER S.U.D. END OF YEAR PROJECTED CUSTOMER CONNECTIONS

YEAR	DEVELOPMENT GROWTH	TOTAL PROJECTED CUSTOMERS
2015		7159
2016	270	7574
2017	270	8127
2018	470	8956
2019	470	9537
2020	545	10196
2021	545	10855
2022	659	11633
2023	659	12248
2024	659	12595
2025	659	12638
2026	205	13170
2027	75	13373
2028	75	13578
2029	75	13787
2030	0	13923
2031	0	14069
2032	0	14204
2033	0	14348
2034	0	14496
2035	0	15646

*THE 2015 TOTAL NUMBER OF PROJECTED CUSTOMERS DIFFERS FROM THE TOTAL AMOUNT LISTED WITHIN TABLE NO. 2, DUE TO THE FACT THAT JONAH'S HYDRAULIC MODEL INCLUDES METERS WITHIN EXISTING SUBDIVISIONS THAT HAVE YET TO BE CONSTRUCTED BUT HAVE BEEN PAID FOR SO THE MODEL HOLDS THEIR PLACE.

WE HAVE DISCUSSED THE SCHEDULES OF DEVELOPMENT WITH ALL KNOWN PROPOSED AND EXISTING DEVELOPMENTS IN ORDER TO PROVIDE JONAH A CALCULATED TIMELINE FOR PROJECTS TO BE EXECUTED, IN ORDER TO STAY AHEAD OF ANTICIPATED CUSTOMER DEMANDS.

AS WE BEGAN TO COMPARE THE PROJECTED DEMANDS OF THE SYSTEM TO THE EXISTING CAPABILITIES OF THE SYSTEM WE WERE ABLE TO BEGIN ESTABLISHING AREAS WHERE IMPROVEMENTS WOULD BE REQUIRED. HOWEVER, WE DID NOT WANT TO (IN SOME AREAS) JUST GO IN AND REPLACE OR PARALLEL EXISTING INFRASTRUCTURE BUT INSTEAD TRIED TO PLACE THE PROPOSED IMPROVEMENTS ALONG OTHER PROJECTED HIGH GROWTH AREAS OR ALONG AREAS THAT WOULD PROVIDE A SECONDARY SUPPLY ROUTE IF ANOTHER ROUTE WAS TEMPORARILY INACTIVE.

WITH THAT BEING SAID, THE LIST OF THE CIPPS ARE AS FOLLOWS.

- CIP PROJECT NO. 1

- COUNTY ROAD 105 & 100 UTILITY IMPROVEMENTS
- CIP PROJECT NO. 2
 - PLANT NO. 3, REFILL
- CIP PROJECT NO. 3
 - PLANT NO. 8 REFILL
- CIP PROJECT NO. 4A, 4B, & 4C
 - SURFACE WATER TO PLANT NO. 12 & ADDITIONAL WELL UTILIZATION
- CIP PROJECT NO. 5
 - COUNTY ROAD 133, 132, AND LIMMER LOOP DISTRIBUTION LOOP CLOSURE
- CIP PROJECT NO. 6A, 6B, & 6C
 - PLANT IMPROVEMENTS TO INCREASE SUPPLY
- CIP PROJECT NO. 7A, 7B, 7C, & 7D
 - IMPROVEMENTS TO INCREASE/PROVIDE SUPPLY TO ELEVATED NO. 3 AND FUTURE ELEVATED NO. 7
- CIP PROJECT NO. 8
 - CHANDLER ROAD PUMP STATION IMPROVEMENTS
- CIP PROJECT NO. 9A, 9B, 9C, 9D, & 9E
 - IMPROVEMENTS TO PROVIDE SURFACE WATER TO NORTHERN PART OF THE SYSTEM.
- CIP PROJECT NO. 10A, 10B, 10C, & 10D
 - NEW ELEVATED STORAGE AT PLANT NO. 1 AND RELOCATE EXISTING ELEVATED STORAGE TO THE PROPOSED ELEVATED NO. 8 SITE.

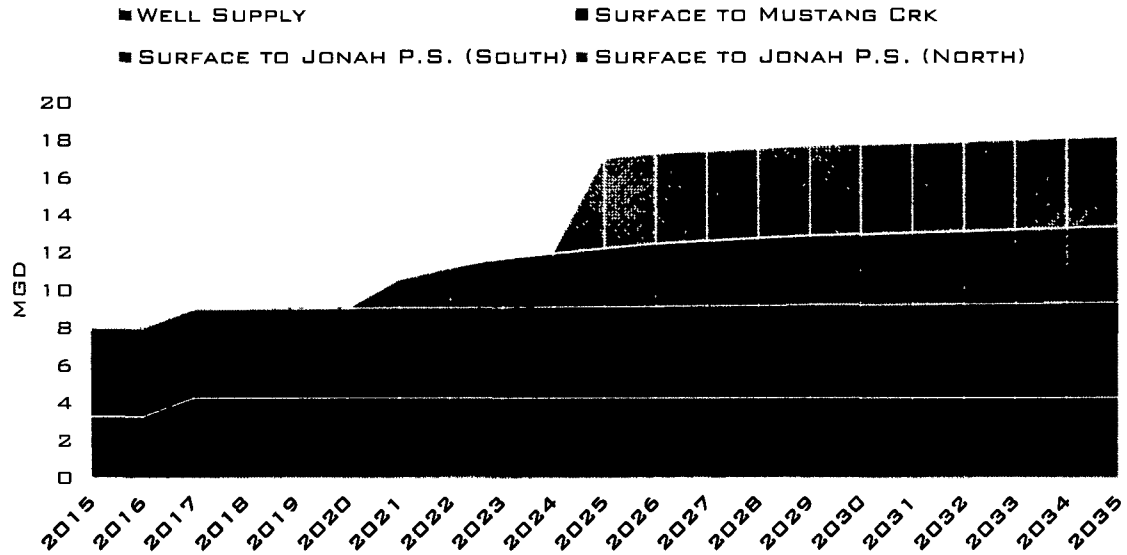
PLEASE REFER TO THE PROJECT DESCRIPTIONS; LOCATED AT THE BACK OF THIS REPORT; FOR MAPS, SUGGESTED TIME FRAMES, TRIGGERS, BENEFITS, AND PRELIMINARY OPINIONS OF PROBABLE COSTS FOR EACH OF THE ABOVE MENTIONED PROJECT SUGGESTIONS.

ANTICIPATED SUPPLY DEMANDS

ONE ELEMENT INCLUDED WITHIN THIS STUDY IS TWO MILLION GALLONS A DAY (2 MGD) SUPPLY FOR POTENTIAL FUTURE WHOLESALE AGREEMENTS TO THE NORTHERN PART OF THE SYSTEM. THEY CAN BE SEEN IN THE FOLLOWING CHART UNDER "SURFACE TO JONAH P.S. (NORTH)". AS STATED IN THE DESIGN REQUIREMENTS SECTION, THIS STUDY TOOK THE ANTICIPATED NUMBER OF CUSTOMERS AS SHOWN IN "TABLE NO. 3" AND SIMPLY MULTIPLIED IT BY THE SUPPLY REQUIREMENTS AS SET FORTH BY T.C.E.Q. THEN ADDED THE 2 MGD FOR WHOLESALE.

TABLE NO. 4

SUPPLY TO BE PROVIDED AFTER PROPOSED IMPROVEMENTS



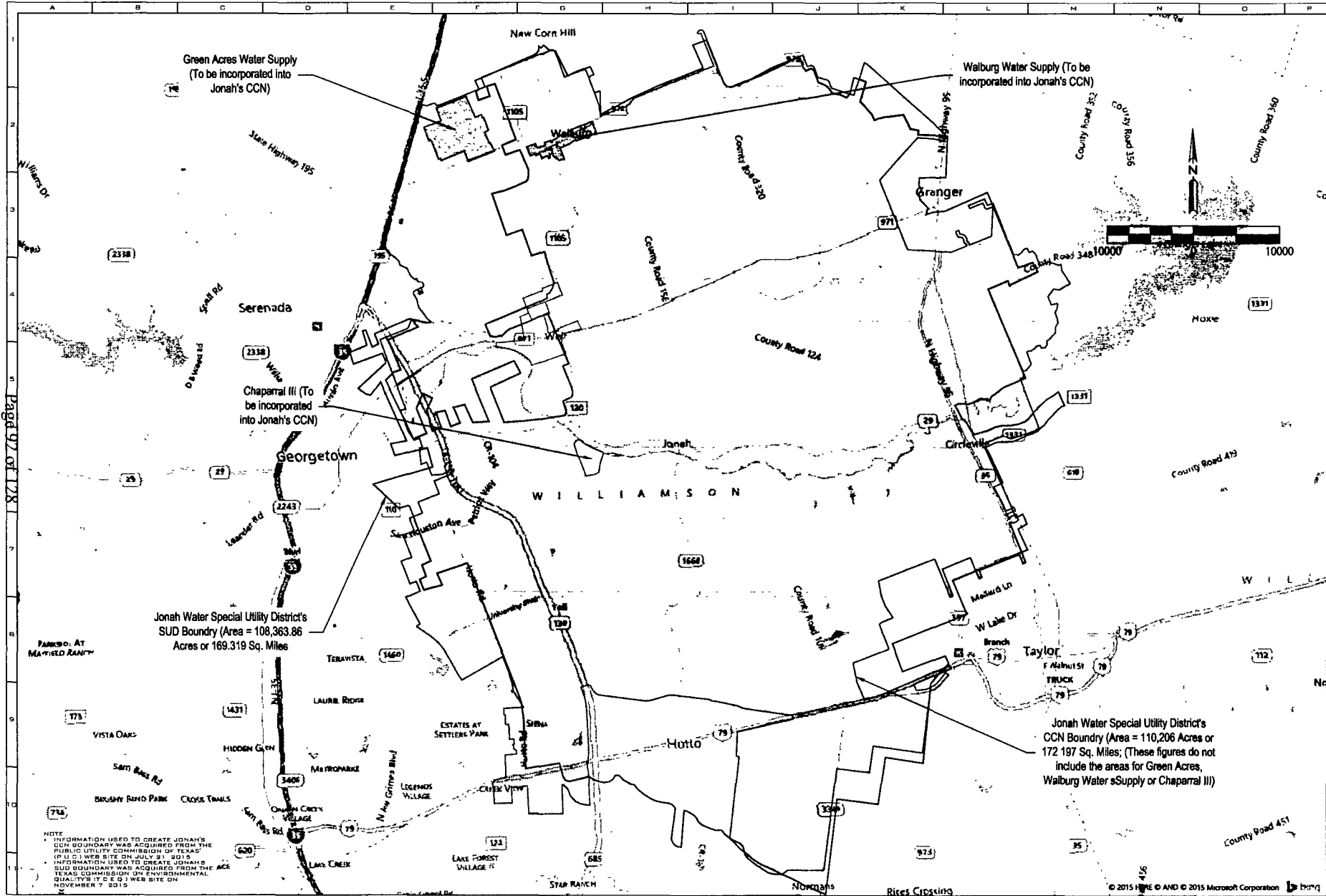
FURTHER RECOMMENDATIONS

IT IS OUR SUGGESTION THAT JONAH'S BOARD ACQUIRE FURTHER SERVICES FROM A RATE ANALYSIS PROFESSIONAL TO PROVIDE THE SYSTEM WITH SUGGESTED RATE AND CONNECTION FEE ADJUSTMENTS TO BE IMPLEMENTED AS MAY BE REQUIRED TO FUND THE PROJECTS.

CONCLUSION

IN SUMMARY, THIS CIPP PROVIDES JONAH A GENERAL PLAN ON HOW TO PROGRESS WITH SYSTEM IMPROVEMENTS TO MEET THE NEEDS OF THE KNOWN DEVELOPMENTS AND TYPICAL NON-SUBDIVISION ANNUAL GROWTH. THIS PLAN WILL HAVE TO BE UPDATED ON A REGULAR BASIS AS FUTURE DEVELOPMENTS COME TO REQUEST SERVICE.

CCN/SUD VICINITY MAP



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REVISION	DESCRIPTION	DATE	BY

JONAH WATER S.U.D.
 WILLIAMSON COUNTY, TEXAS
 2015 - C.I.P. REPORT
 WATER CCN/SUD VICINITY MAP

DESIGN DRAWN: [Signature]
 CHECKED: [Signature]
 SCALE: [Signature]

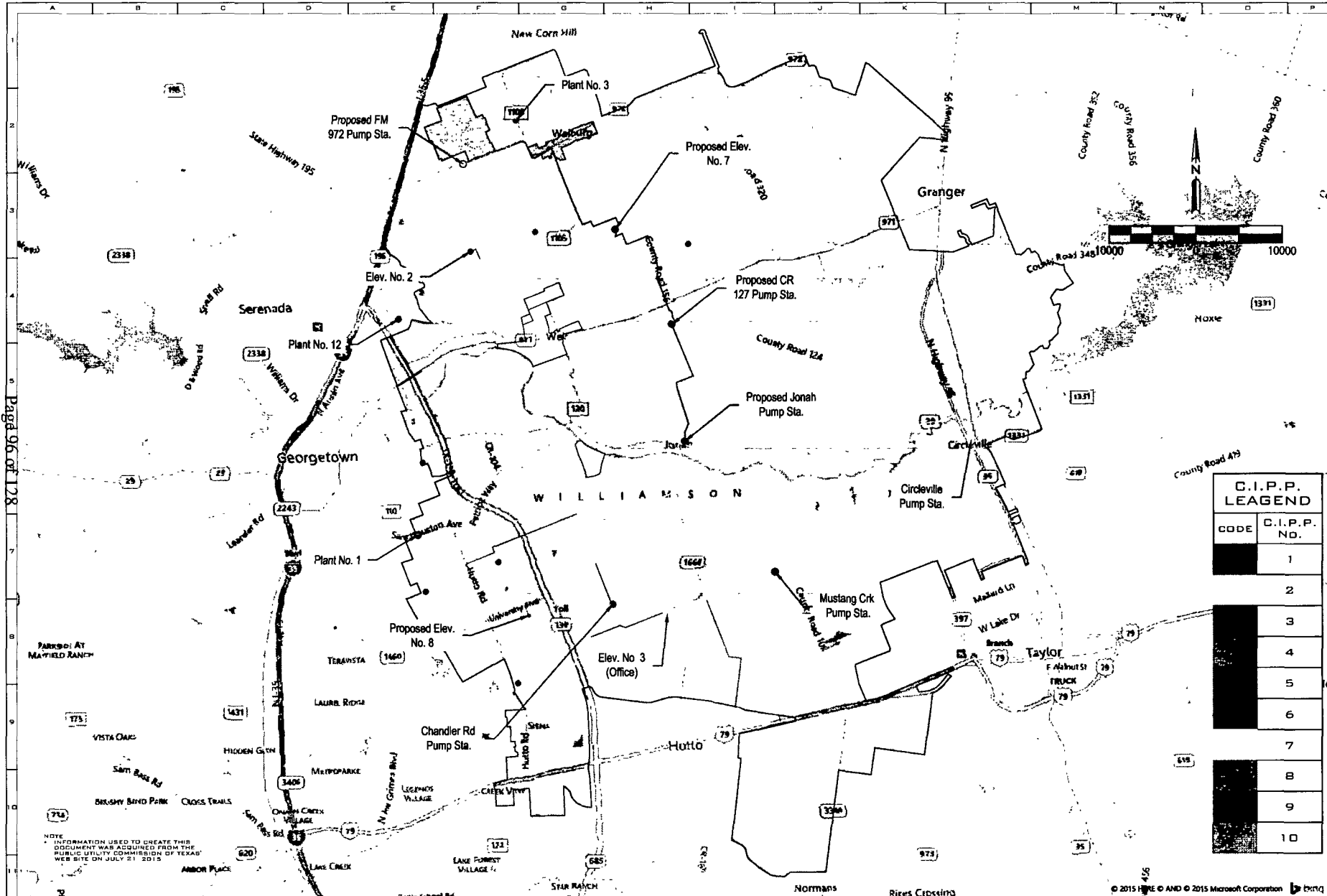
 APPROVED: [Signature]
 DATE: 11/7/2015

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 WACO, TX 76708 PH: 281.744.6339
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 * INFORMATION USED TO CREATE JONAH'S SUD BOUNDARY WAS ACQUIRED FROM THE ACE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY'S (ACEQ) WEB SITE ON NOVEMBER 7, 2015.

EXISTING FACILITY VICINITY MAP

PROPOSED CIPP PROJECT VICINITY MAP



Page 96 of 128

REVISION	DESCRIPTION	DATE	BY	CHKD

JONAH WATER S.U.D.
 WILLIAMSON COUNTY, TEXAS
 2015 C.I.P.P. REPORT
PROPOSED CIPP PROJECT VICINITY MAP

C.I.P.P. LEGEND	
CODE	C.I.P.P. NO.
	1
	2
	3
	4
	5
	6
	7
	8
	9
	10

DESIGN
 DRAWN
 CKD
 SEAL



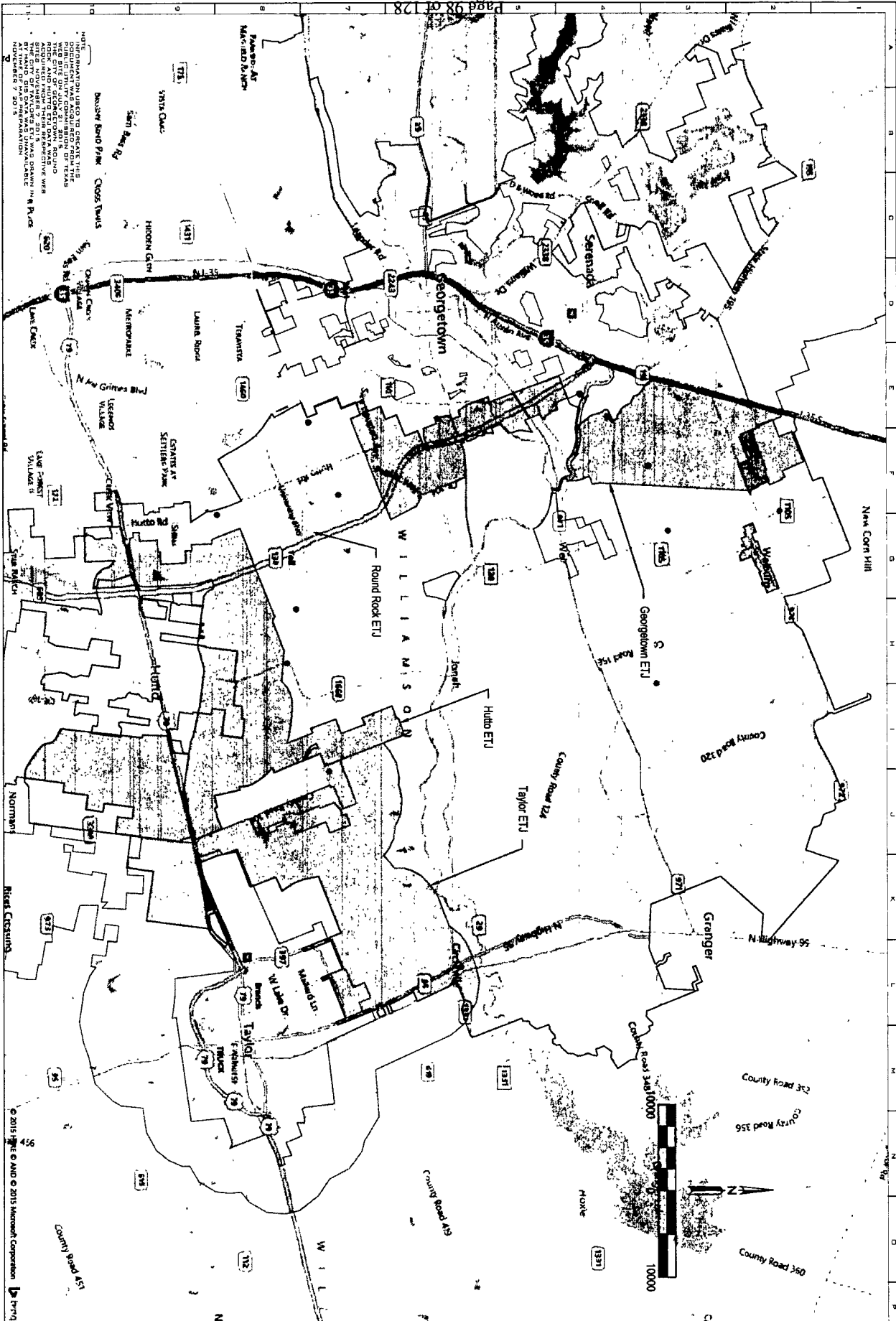
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PROPOSED CIPP SCHEMATICS



NOTE:
 INFORMATION USED TO GENERATE THE CITY LIMITS AND ETJ VICINITY MAP WAS OBTAINED FROM THE CITY OF GEORGETOWN, TEXAS. THE CITY OF GEORGETOWN, TEXAS, HAS PROVIDED THE CITY OF TAYLOR, TEXAS, WITH A COPY OF THE CITY OF TAYLOR, TEXAS, CITY LIMITS AND ETJ VICINITY MAP. THE CITY OF TAYLOR, TEXAS, HAS OBTAINED THE CITY OF TAYLOR, TEXAS, CITY LIMITS AND ETJ VICINITY MAP FROM THE CITY OF TAYLOR, TEXAS, CITY ENGINEER, DATE 11/7/2015.

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JONAH WATER S.U.D.
 WILLIAMSON COUNTY, TEXAS
 2015 C.I.P.P. REPORT
 SURROUNDING CITY'S LIMITS AND ETJ VICINITY MAP

REVISION	DESCRIPTION	DATE	BY	RKS

**SURROUNDING CITY'S
LIMITS AND ETJ VICINITY
MAP**