



Control Number: 49863



Item Number: 12

Addendum StartPage: 0

PUC DOCKET NO. 49863

PETITION OF ALAMO MISSION LLC	§	PUBLIC UTILITY COMMISSION
TO AMEND ROCKETT SPECIAL	§	
UTILITY DISTRICT'S WATER	§	OF TEXAS
CERTIFICATE OF CONVENIENCE	§	
AND NECESSITY IN ELLIS COUNTY	§	
BY EXPEDITED RELEASE	§	

ROCKETT SPECIAL UTILITY DISTRICT'S
SUPPLEMENTAL FILING

COMES NOW, ROCKETT SPECIAL UTILITY DISTRICT ("Rockett") and files this Supplement to its Response and Objection to the Petition for Expedited Release previously filed herein, providing that Rockett enjoys 7 U.S.C. § 1926(b) protection and that the Petition filed in this Docket must be dismissed in accordance with the United States District Court, W.D. Texas, Austin Division (Fifth Circuit).

1. The Petition filed by Alamo Mission LLC ("Petitioner") for expedited release in this Docket on August 16, 2019 ("Petition"), seeks to decertify approximately 167 contiguous acres of real property in Ellis County within Rockett's CCN pursuant to Texas Water Code (TWC) § 13.254(a-5).

2. **Rockett has received federal funding.** On September 26, 2019, Rockett received federal funding under 7 U.S.C. § 1926 ("Section 1926"), establishing Rockett's indebtedness to the federal government. The supporting affidavit of Kay Phillips, General Manager of Rockett Special Utility District is attached hereto as Exhibit A, attesting to the federal funding. See also the attached Exhibit B, providing Rockett's receipt of the federal funding.

3. **Rockett is eligible for 7 U.S.C. § 1926 (Section 1926) Protection.** A rural water association seeking the protections of Section 1926 must establish that (1) it is an association as defined in Section 1926; (2) the association has an outstanding

qualifying federal loan, and (3) the utility provided or made water service available.¹

Rockett satisfies these requirements, as determined but not limited by the following:

a. Rockett Special Utility District, a political subdivision of the State of Texas, is a retail public utility operating under Chapter 65 of the Texas Water Code furnishing water to rural areas in Ellis and Dallas Counties; therefore, Rockett is considered a rural water association under Section 1926.

b. Rockett has an outstanding qualifying federal loan. In the *Crystal Clear* case, the court concluded that an affidavit of Crystal Clear Special Utility District's general manager and attached ancillary documents that confirmed a USDA loan remained outstanding were sufficient to establish Crystal Clear was indebted to the government.² The attached Exhibit C provides the true and correct copies of the following documents:

i. the Conditional Commitment for Guarantee of the USDA dated July 25, 2019, where CoBank, ACB is the lender, and Rockett Special Utility District is the borrower;

ii. the Acceptance of Conditions, executed by authorized representatives of CoBank, ACB and Rockett; and

iii. the Request for Obligation of Funds Guaranteed Loans and the Certification Approval of the funds dated August 7, 2019 and signed by the authorized representative of the USDA.

Moreover, the Fifth Circuit has found the fact that a district did not receive federal funding until after the petition for decertification was filed, but before the PUC had

¹ See *Crystal Clear Special Utility District v. Marquez, et. al.*, 316 F.Supp.3d 965, 969 (5th Cir. 2018).

² See *id.*

rendered a decision, did not preclude the district from protection under Section 1926.³ The attached Exhibit D is a true and correct copy of the minutes of Rockett's Board of Directors (the "Board") meeting on October 17, 2017, where Rockett received authorization from its Board to pursue the federal loan and file an application. A true and correct copy of Rockett's USDA Application for Loan and Guarantee is also attached in Exhibit D. A true and correct copy of the minutes of Rockett's Board of Directors meeting on August 20, 2019, reflecting the Board's authorization of the issuance and sale of Rockett revenue bonds and adoption of the resolution for such issuance (the "Resolution"), can be found in the attached Exhibit E. A true and correct copy of the adopted Resolution is also found in the attached Exhibit E. As evidenced in those documentations, Rockett was in the process to receive federal funding well before Petitioner filed its petition to decertify.

c. Rockett has provided or made service available as the Property is within Rockett's certificated service area. The Fifth Circuit held that "[w]here a certificate of convenience and necessity imposes a duty on a utility to provide a service, that utility has 'provided or made available' that service under § 1926."⁴ Rockett possesses a certificate of convenience and necessity (CCN) and the Property is within its CCN. Therefore, Rockett has made service available to the Property as required for purposes of § 1926.

Furthermore, Rockett provided water service to the Property through a 5/8" x 3/4" water meter and a 12" waterline located on the south portion of the Property,

³ See *Crystal Clear Special Utility District v. Marquez, et. al.*, 316 F.Supp.3d 965, 970 (5th Cir. 2018).

⁴ See *N. Alamo Water Supply Corp. v. City of San Juan*, 90 F.3d 910, 915-6 (5th Cir. 1996).

and has made service available to the Property through its facilities and network of 6", 8", and 12" waterlines installed on adjacent and nearby properties, as shown in Rockett's *Response and Objection to the Petition*, filed as Item 8 in this Docket on September 24, 2019 (the "Response"). *Exhibit A* and *Exhibit B* of the Response provided the location of such meter and waterlines, and included the supporting affidavit of Kay Phillips, General Manager of Rockett, and records of accounts established by previous owners receiving and paying for water service on the Property.

For the reasons stated above, Rockett has satisfied the requirements of eligibility for protection under 7 U.S.C. § 1926 and thus afforded such protection.

4. **7 U.S.C. § 1926 preempts and voids Tex. Water Code § 13.254(a-6).**

Although TWC § 13.254(a-6) provides that the Public Utility Commission of Texas (PUC) may not deny the Petition based on the fact that a certificate holder is a borrower under the federal loan program, the Fifth Circuit ordered and declared that:

*7 U.S.C. § 1926 preempts and voids the following section of Tex. Water Code § 13.254(a-6): "The utility commission may not deny a petition received under Subsection (a-5) based on the fact that a certificate holder is a borrower under a federal loan program To the extent that Tex. Water Code § 13.254(a-5) directs PUC Officials to grant a petition for decertification that meets the requirements of that provision without regard to whether the utility holding the certification is federally indebted and otherwise entitled to the protections of 7 U.S.C. § 1926(b), the statute is preempted and is void. (emphasis added)"*⁵

Because Rockett is eligible for Section 1926 Protection, TWC § 13.254(a-6) is void as it relates to the Petition and this Docket. If the Petition is granted, such order by the PUC would be entered in violation of 7 U.S.C. 1926(b) and be void.

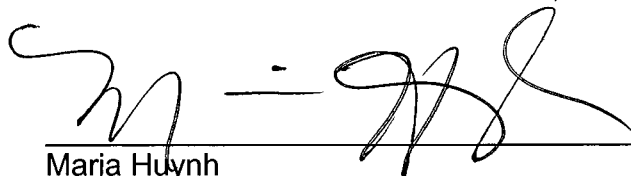
⁵ See *Crystal Clear Special Utility District v. Walker, et. al.* No. 1:17-CV-254-LY, 2019 WL 2453777, at *2 (W.D. Tex. Mar. 27, 2019).

Conclusion

The Property is not eligible for expedited decertification as Rockett is eligible for Section 1926 Protection and the Fifth Circuit has ordered TWC § 13.254(a-6) is preempted by 7 U.S.C. § 1926 and is void. The Petition must be denied and immediately dismissed in light of the *Crystal Clear* decision. Otherwise, Rockett will be compelled to bring a federal action to enjoin the PUC from acting on the pending petition (seeking identical relief granted by U.S. District Judge Yeakel in March 2019 against the commissioners where the District Court held: "IT IS FURTHER ORDERED that the PUC, its officers, employees, and agents are permanently enjoined from enforcing in any manner the order of September 28, 2016, in the manner titled Tex. Pub. Util. Comm'n, Petition of Las Colinas San Marcos Phase I LLC, Docket No. 46148 (Final Order))."⁶ Rockett hereby submits its "England Reservation", reserving all its federal rights and remedies and its entitlement to have such rights and remedies resolved/adjudicated in a federal forum in accord with *England v. Louisiana State Board of Medical Examiners*, 375 U.S. 411, 421 (1964).

Respectfully submitted,

JAMES W. WILSON & ASSOCIATES, PLLC

A handwritten signature in black ink, appearing to read 'M - JH', is written over a horizontal line.

Maria Huynh
State Bar No. 24086968
James W. Wilson
State Bar No. 00791944
103 W. Main Street, Allen, Texas 75013
Tel: (972) 727-9904; Fax: (972) 755-0904
mhuynh@jww-law.com
jwilson@jww-law.com

ATTORNEYS FOR ROCKETT SPECIAL
UTILITY DISTRICT

⁶ See *Crystal Clear Special Utility District v. Walker, et. al.* No. 1:17-CV-254-LY, 2019 WL 2453777, at *2 (W.D. Tex. Mar. 27, 2019).

CERTIFICATE OF SERVICE

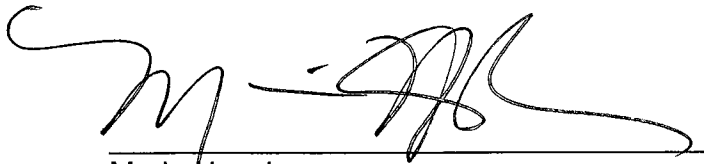
I certify that a true and correct copy of this document was served on the following parties of record on September 27, 2019, in accordance with 16 TAC § 22.74.

via e-mail: steven.gonzalez@puc.texas.gov

Steven Gonzalez
Attorney-Legal Division
Public Utility Commission
1701 N. Congress
P.O. Box 13326
Austin, Texas 78711-3326
Attorney for the Commission

via e-mail: ldougal@jw.com

Leonard Dougal
Jackson Walker L.L.P.
100 Congress, Suite 110
Austin, Texas 78701
Attorney for Petitioner



Maria Huynh

EXHIBIT A

SUPPORTING AFFIDAVIT OF KAY PHILLIPS

STATE OF TEXAS

§

§

COUNTY OF ELLIS

§

BEFORE ME, the undersigned authority, on said date personally appeared Kay Phillips, who being first duly sworn states as follows:

"My name is Kay Phillips. I am over the age of 18 years of age and I am of sound mind and qualified to make this affidavit. I have personal knowledge of all facts stated herein.

Since 2007, I have been the duly appointed general manager of Rockett Special Utility District ("Rockett") and I am custodian of the records of Rockett.

I have read Rockett's Supplement to its Response and Objection to the Petition for Expedited Release in PUC Docket No. 49863 (the "Supplement") and each and every factual statement contained therein is true and correct.

Rockett has an outstanding federal loan qualifying Rockett for 7 U.S.C. § 1926 Protection. Exhibit B attached to the Supplement is a true and correct copy of a wire receipt reflecting federal funds received by Rockett on September 26, 2019, in the amount of \$1,640,765.23.

Exhibit C attached to the Supplement is a true and correct copy of the executed Conditional Commitment for Guarantee of the USDA dated July 25, 2019, reflecting CoBank, ACB as the Lender and Rockett Special Utility District as the Borrower; a true and correct copy of the Acceptance of Conditions executed by the authorized representatives of the Lender and Borrower; and a true and correct copy of the Request for Obligation of Funds Guaranteed Loans and Certification Approval executed by the authorized representative of the USDA dated August 7, 2019.

Exhibit D attached to the Supplement is a true and correct copy of the minutes of Rockett's Board of Directors meeting on October 17, 2017, where the Board authorized the pursuit of the federal loan and filing of the related application to the USDA. Also attached in Exhibit D is a true and correct copy of Rockett's Application for Loan and Guarantee dated November 21, 2018.

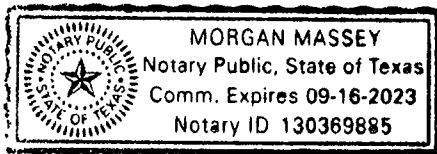
Exhibit E attached to the Supplement is a true and correct copy of the minutes of Rockett's Board of Directors meeting on August 20, 2019, reflecting the Board's authorization of the issuance and sale of revenue bonds and adoption of the resolution for such issuance (the "Resolution"). Also attached in Exhibit E is a true and correct copy of the Resolution.

The documents stated as Exhibits to the Supplement are records that were made at or near the time of each act, event or condition set forth. These records were kept in the course of regularly conducted business activity of the District. It is the regular practice of the District activity to make such records."



Kay Phillips, General Manager
Rockett Special Utility District

27th SUBSCRIBED AND SWORN TO before me, the undersigned authority, on the day of September, 2019, by Kay Phillips, General Manager of Rockett Special Utility District, a political subdivision of the State of Texas.





Notary Public, State of Texas

EXHIBIT B

From: Kay Phillips
To: Maria Huynh
Subject: FW: [Customer Incoming Wire Advice - eMail] Message ID:190926153338F100 Advice Code:INCSADEM
Date: Friday, September 27, 2019 10:56:08 AM

Kay Phillips
General Manager
Rockett Special Utility District
PO Box 40, Red Oak, Texas 75154
126 Alton Adams Dr, Waxahachie, Tx 75165
(972) 617-3524 X 112
(469) 517-0989 Fax

-----Original Message-----

From: Teresa Hollingsworth <thollingsworth@fsbrice-tx.com>
Sent: Friday, September 27, 2019 10:55 AM
To: Angela Castillo <acastillo@rockettwater.com>
Cc: Karen Graves <kgraves@rockettwater.com>; Kay Phillips <kphillips@rockettwater.com>
Subject: FW: [Customer Incoming Wire Advice - eMail] Message ID:190926153338F100 Advice Code:INCSADEM

-----Original Message-----

From: Payplus3@mybankersbank.com <Payplus3@mybankersbank.com>
Sent: Thursday, September 26, 2019 3:51 PM
To: Wires <Wires@fsbrice-tx.com>
Subject: [Customer Incoming Wire Advice - eMail] Message ID:190926153338F100 Advice Code:INCSADEM

This funds transfer was received on 2019-09-26, for \$1,640,765.23.
The funds have been CREDITED to account 1006*****.

Sender:

Name : COBANK, ACB
ABA : 307088754
Reference : 2019092600000800
Received from : COBANK
By Order Of : COBANK ACB

OMAD Reference : 20190926K1QJ1N3C00098709261633FT03

Additional Funds Transfer Information:

Beneficiary: FIRST STATE BANK

Beneficiary Bank: FIRST STATE BANK

Bank to Bank Info:

Reference for Beneficiary :

* * *

Originator Info: COBANK ACB

Originator Bank: COBANK

Originator Bank Info: REF: ROCKETT SPECIAL UTILITY DISTRICTDEP: 2019 BOND CONST ACCT DEPT
SERVICE FUND ACCT

This message and any files transmitted with it are proprietary and confidential. They are intended solely for the use of the individual or entity to whom they are addressed. If the reader of this message is not the intended recipient, please notify the sender immediately and delete this message. Distribution or copying of this message is prohibited.

EXHIBIT C

ACCEPTANCE OF
CONDITIONS

To: USDA Rural Development

(Insert name of USDA Agency from which a guarantee is requested).

101 South Main Suite 102
Temple, Texas 76501

The conditions of this Conditional Commitment for Guarantee including attachments are acceptable and the undersigned intends to proceed with the loan transaction and request issuance of a Loan Note Guarantee within 521 days.

CoBank ACB

By:

John Decker (Name of Lender)
8/19/19
(Signature for Lender)

Don Werner

(Signature for Borrower)

1. Insert name of agency executing Conditional Commitment for Guarantee.
2. Insert fixed interest rate or, if authorized by regulations, variable interest rate followed by a "V" and the appropriate loan rate.
3. Insert the period prescribed in the applicable RD regulation. For CP loans "annually" will be inserted in this space.
4. Insert any additional conditions or requirements in this space or on an attachment referred to in this space; otherwise insert "NONE".
5. The Government will determine the expiration date of this contract. Consideration will be given to the date indicated by the lender in the acceptance of conditions. If construction is involved the expiration date will correspond with the projected completion of the project.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
FARM SERVICE AGENCY

**REQUEST FOR OBLIGATION OF FUNDS
GUARANTEED LOANS**

INSTRUCTIONS: Complete Items 1 through 25 and applicable Items 26 through 35. See FMI.			
1. CASE NUMBER ST CO BORROWER ID 49-070-*****5375		2. LOAN NUMBER 40	3. FISCAL YEAR 19
4. SOURCE OF FUNDS 1 (See FMI)			
5. BORROWER NAME Rockett Special Utility District			
6. NUMBER NAME FIELDS (1, 2, or 3 from Item 5)			
7. STATE NAME Texas		8. COUNTY NAME Ellis	
9. RACE CODE 1 - WHITE 2 - BLACK 3 - A/IN 4 - HISPANIC 5 - A/PI	10. EMPLOYEE RELATIONSHIP CODE (See FMI)	11. SEX CODE 1 - MALE 2 - FEMALE 3 - FAMILY UNIT 4 - ORGANIZATION MALE OWNED 5 - ORGANIZATION FEMALE OWNED 6 - PUBLIC BODY 7 - NONPROFIT-SECULAR 8 - NONPROFIT-FAITH BASED	12. MARITAL STATUS 1 - MARRIED 2 - SEPARATED 3 - UNMARRIED (INCLUDES WIDOWED OR DIVORCED)
13. VETERAN CODE 1 - YES 2 - NO	14. TYPE OF PAYMENT 3 - 1 - MONTHLY 2 - ANNUALLY 3 - SEMI-ANNUALLY 4 - QUARTERLY	15. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH ONLY) 2 - OVER 10,000	
16. TYPE OF ASSISTANCE 061 (See FMI)	17. PURPOSE CODE	18. GUARANTEE PERCENT OF LOAN 1 %	
19. TERM OF INTEREST ASSISTANCE	20. SUBMISSION CODE 1 - 1 - INITIAL 2 - SUBSEQUENT	21. AMOUNT OF LOAN 1,720,000.0	
22. APPROVAL DATE MO DA YR AUG 07 2019	23. NOTE INTEREST RATE 5.2500 %	24. BORROWER EFFECTIVE INTEREST RATE %	
25. REPAYMENT PERIOD 30	26. INCOME CATEGORY 1 - VERY LOW 2 - LOW 3 - MODERATE	27. ADJUSTED FAMILY INCOME	
28. TYPE OF UNIT 1 - FARM TRACT 2 - NON-FARM TRACT	29. DWELLING TYPE USE OF FUNDS CODE (See FMI)	30. INTEREST ASSISTANCE CODE 1 - ELIGIBLE FOR INTEREST ASSIST PROGRAM 2 - INELIGIBLE FOR INTEREST ASSIST PROGRAM	
31. PERCENT OF INTEREST ASSISTANCE %	32. HIGH COST AREA Y = YES N = NO	33. BORROWER HISTORY CODE (See FMI)	
34. AMOUNT AGENCY DIRECT DEBT REFINANCE		35. OBLIGATION DATE (Finance Office use only) MO DA YR AUG 07 2019	
36. BEGINNING FARMER/RANCHER (See FMI)			

ORIGINAL - Borrower's Case Folder

COPY 1 - Applicant

COPY 2 - Lender

COPY 3 - State Office

CERTIFICATION APPROVAL

APPROVAL CONDITIONS:


(1) (Farm Loan Programs Only) This loan guarantee is approved subject to the availability of funds. If this loan guarantee is not issued for any reason within 90 calendar days from the date of approval on this document, the approval official may request updated information concerning the lender and the loan applicant. The approval official will have 14 working days to review any updated information and decide whether to submit this document for obligation of funds.

(2) This loan guarantee is approved subject to the conditions on the Conditional Commitment.

37. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICIAL

38. I HEREBY CERTIFY that all determinations and certifications required by the respective United States Department of Agriculture (USDA) Agency regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, subject to the availability of funds, and subject to conditions prescribed by Agency regulations applicable to this type of assistance.

I further certify that USDA has complied with the applicable provisions of Title XI, Public Law 95-630, seeking financial information regarding the applicant.

 (Signature of Approval Official)

Typed or Printed Name: Edd Hargett

Date Approved AUG 07 2019

Title: State Director

39. TO THE APPLICANT/LENDER: As of this date AUG 07 2019, this is notice that your application for the above loan guarantee/Interest Assistance from USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the respective USDA Agency. If you have any questions contact the Approval Official.

EXHIBIT D

**ROCKETT SPECIAL UTILITY DISTRICT
OF ELLIS AND DALLAS COUNTIES, TEXAS
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OCTOBER 17, 2017**

The Regular Meeting of the Board of Directors of Rockett Special Utility District was held Tuesday, October 17, 2017, at the District's office located at 126 Alton Adams Dr. Waxahachie, Texas 75165

Board Present: Don Werner, Allan Beutler, Dennis Lord, David Risinger, Milton Slovak, Judy McRight, Carol Anders and Ronald Session

Board Absent: Matthew Craig

Staff Present: Kay Phillips, Robert Woodall, Morgan Massey, Rhonda Carter, Deedra Trammell, Maria Huynh, and Greer Yeldell

Visitors Present: None

Don Werner, President, called the Regular Meeting of the Board of Directors for October 17, 2017, to order at 7:01 pm.

Invocation was given by Don Werner.

Pledge of Allegiance.

No visitor comments.

The Minutes of the September 19, 2017, Regular Meeting were discussed. Allan Beutler made a motion to approve the minutes of the September 19, 2017, Regular Meeting. Ronald Session seconded. Motion carried 8-0.

The Financial Statements for September 2017 were discussed. Carol Anders made a motion to approve the Financial Statements. Judy McRight seconded. The Board of Directors approved the Financial Statements for September 2017. Motion carried 8-0.

Maria Huynh presented the Non-Standard Contract by and between Rockett Special Utility District, and North Farm Partners, LLC. Ronald Session made a motion to approve the Non-Standard Contract by and between Rockett Special Utility District and North Farm Partners, LLC. Carol Anders seconded. Motion carried 8-0.

No action was taken on the Non-Standard Contract by and between Rockett Special Utility District and Countryview of Red Oak, LLC.

Maria Huynh presented the Non-Standard Contract by and between Rockett Special Utility District and Prosperity Bank. David Risinger made a motion to approve the Non-Standard Contract by and between Rockett Special Utility District and Prosperity Bank. Ronald Session seconded. Motion carried 8-0.

Providing water service to a property on Palmyra Road was discussed. No action taken.

Proceeding forward with the bank loan guaranteed by USDA application process was discussed. Judy McRight made a motion to approve proceeding forward with the application process. Ronald Session seconded. Motion carried 8-0.

Robert Woodall presented the Engineer Report as follows:

1. Bond Projects:

Phase 10 — Kristen Elevated Storage Tank — This project consists of replacing the 0.5 MG Elevated Storage Tank at Plant #8 with a new composite 2 MG Elevated Storage Tank at Kristen Pump Station Circle H Contractors reported that the pipe and valves have been delivered and they will start the yard piping soon to complete the tank project. The contract time ends on January 5, 2018.

2. 2017 Projects: None under design or construction.

3. 2018 Projects:

Sokoll and Kristen Pump Improvements- This project consists of replacing the high service pumps at Kristen Pump Station and installing some higher lift pumps at the Sokoll Transfer Pump Station. The project is in the planning stages with updated cost estimates and a USDA secured bank loan that is being applied for. Ring & Buchanan Road Improvements This project consists of replacing approximately 6,800 linear feet of 2" water main with 8" and 4" water mains to improve service to customers on Ring and Buchanan Roads. This project is ready to bid and it has been scheduled on the CIP to receive bids in January 2018.

Other than routine hydraulic analysis requests, no other issues are being addressed at this time.

Kay Phillips, General Manager, presented the General Manager Report:

- Total active connections as of September 2017 – **12,141**
(decrease of 8 connections)

- Water purchased for September 2017

Midlothian:	34,940,000
Waxahachie:	0
Sokoll WTP:	<u>146,636,000</u>
Total:	<u><u>181,576,000</u></u>
Daily Average:	6,052,000

- Developer Inquiries:
Legacy Oaks of Red Oak
Ovilla Corner – Starbucks
- Update on the City of Red Oak
- Update on the City of Ferris
- Sokoll Budget / True up
- New Gen has kicked off Rockett's commercial rate study
- TRWA PAC / Pass the Hat
- Update on District 3 meeting
- EyeOnWater update, current users **1,145**
- Staff Update

Don Werner, Board President, adjourned the meeting at 7:44 pm.



Don Werner, President



Allan Beutler, Secretary

APPLICATION FOR LOAN AND GUARANTEE

☐ Community Facilities Program

☒ Water and Waste Disposal Programs

PART A - Guarantee Request:

Loan Amount \$ 2,000,000 Percent of Guarantee Requested 90 % Repayment Term 30 Yrs.
Proposed Interest Rate 5.2500 % Variable or Fixed? Fixed If Rate is Variable, Provide Index and
Frequency of Adjustments
Rate is subject to change until credit approval, customer approval and fixed
date. RD will be notified if the rate fixed is different.

PART B - Lender Information:

Name: CoBank Tax ID Number: 984-1286750
Address: 6340 S. Fiddlers Green Circle Date organized: 10-10-1933
Greenwood Vill, CO Zip 80111 Phone: (303) 694-5958
Fax: _____
Contact Person: John DeLuca Contact's Extension: _____

PART C - Organization Information:

Name: Rockett SUD, Texas Tax ID Number: 75-2305375
Address: 126 Alton Adam Dr Date organized: 1/65
Waxahachie, TX Zip 75165 Phone: (972) 617-3524
Fax: _____
Contact Person: Kay Phillips Contact's Extension: x112

Part D - Facility Information:

Name: Rockett SUD, Texas NAICS CODE (RHS only): _____
Address: 126 Alton Adam Dr County: Ellis
Waxahachie, TX Zip 75165 Date Established: 1/65
Phone: (972) 617-3524
Fax: _____
Contact Person: Kay Phillips Contact's Extension: x112
Population of city, town, etc. _____ Population Served: _____

PART E - Project Purpose & Funding	Project Budget	Guaranteed Loan	Owner Funds	Other Funding
Purchase Land				
Real Estate Improvements				
Furnishings				
Equipment	\$1,338,600	\$1,338,600		
Debt Restructuring				
Initial O&M	\$173,357	\$173,357		
Professional Fees	\$287,246	\$287,246		
Lender & Guarantee Fees				
Working Capital				
Other Contingencies	\$200,797	\$200,797		
TOTAL PROJECT	\$2,000,000	\$2,000,000	\$0	\$0

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0137. The time required to complete this information collection is estimated to average 10 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PART F - Attachments

-2-

The Lender must attach the following supporting documentation:

1. Current and previous year's financial and income statement.
2. Operating budget for current operating cycle.
3. Narrative statement describing organization's services, scope of operation, and geographical area served, including any proposed management agreements or leases.
4. Financial feasibility analysis and projected budgets.
5. Preliminary construction plans and cost estimates (including contingency fund).
6. Intergovernmental review and State clearinghouse comments or recommendations (when available).
7. For Community Programs loans - Form RD 1940-20, "Request for Environmental Information," with attachments. When applicable, FEMA Form 81-93, "Standard Flood Hazard Determination."
8. For Water and Waste Disposal Programs - Submit an environmental report consistent with 7 CFR part 1794 and RUS Bulletin 1794A-602. If applicable, attach FEMA Form 81-93.
9. Record of any pending litigation or regulatory action.
10. Provide a "Certificate of Need" for facilities when required by State law.
11. Lender's credit evaluation.
12. Proposed loan agreement.
13. Security available for loan.
14. Copies of organizational documents (nonprofit organizations).
15. Evidence of community support.
16. Other documents used by lender that are material to making a credit decision.

PART G - Signatures

LENDER'S CERTIFICATION AND AGREEMENT

Lender hereby certifies that it has reviewed the Lender Agreement and Certification contained in this application. Lender further certifies that it has completed a comprehensive analysis of the proposal and has determined its loan applicant is eligible, the loan is for authorized purposes, and there is reasonable assurance of repayment based on its loan applicant's history, projections, and community support for the facility. Lender also certifies that it has no undisclosed conflicts of interest.

The signature of lender's representative is the lending institution's agreement to comply with the terms, agreements, and limitations outlined in the Lender Agreement and Certification and the applicable regulations.

11/21/18
(Date)

Name

John DeLuca

By

[Signature]

Title

Vice President

ORGANIZATION'S CERTIFICATION AND AGREEMENT

The organization certifies that its representative has read the Organization Agreement contained in this application. The organization, by its representative's signature, agrees to comply with conditions and requirements outlined in the Organization Agreement and applicable regulations.

I certify as the organization's representative, that the organization applying for this loan and its members, or those controlling or controlled by the organization applying for the loan, do not have any judgments against them by the United States and are not presently delinquent on any non-tax Federal debt. I further certify that information entered or attached to this application is correct or is a true copy of original documents contained in the organization records.

(Date)

Name

Don Werner

By

Don Werner

Title

President, Board of Directors

LENDER AGREEMENT AND CERTIFICATION

The lender representative's signature on this application shall satisfy regulatory requirements for completion of Form AD-1047 and compliance with 18 U.S.C. § 1913, 31 U.S.C. § 1352, and 42 U.S.C. § 3601 et seq.

(I) RESTRICTIONS AND DISCLOSURE OF LOBBYING ACTIVITIES - AGREEMENT APPLICABLE TO LOAN EXCEEDING \$150,000

The lender agrees to complete and submit Form SF LLL, "Disclosure of Lobbying Activities," in accordance with the form's instructions if any funds have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to guarantee this loan.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. § 1352. Any person who fails to file Form SF LLL is subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

(II) COMPLIANCE WITH FAIR HOUSING ACT

If this loan finances a housing-related facility such as a nursing home, group home, or assisted living facility, the lender agrees to monitor its borrower for compliance with Fair Housing Act requirements including approving and having a Form HUD 935.2, "Affirmative Fair Housing Marketing Plan," in effect at all times.

(III) CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS - PRIMARY COVERED TRANSACTIONS

The following certification is required by 7 C.F.R. § 3017.510, copies of which may be obtained from USDA.

(A) The prospective lender certifies that it and its principals

- (1) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
- (2) Have not within a 3-year period preceding this proposal been convicted of or had a civil judgment rendered against them for (i) commission of a fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; (ii) violation of Federal or State antitrust statutes; or (iii) commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making a false statement, or receiving stolen property;
- (3) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph A.2. of this certification; and
- (4) Have not within a 3-year period preceding this application or proposal had one or more public transactions (Federal, State, or local) terminated for cause.

(B) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this application.

The inability of a lender to provide this certification will not necessarily result in denial of participation in this covered transaction. The prospective lender shall submit an explanation of why it cannot provide this certification. The certification or explanation will be considered in connection with the agency's determination whether to enter into this transaction. However, failure of the prospective lender to furnish either a certification or an explanation will disqualify such lender from participation in this transaction.

The certification in this clause is a material representation of fact upon which reliance was placed when the agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the agency may terminate this transaction for cause.

The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," and "voluntarily excluded," as used in this clause, have the meanings contained in 7 C.F.R. part 3017.

The prospective lender agrees by submitting this form that, should the proposed covered transaction be entered into, it shall not knowingly enter into a lower tier covered transaction with a person who is debarred, suspended, ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the agency entering into this transaction.

The prospective lender further agrees by signing this form that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion - Lower Tier Transactions," provided by the USDA, without modification, in all lower tier covered transactions.

A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless the participant knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the non-procurement debarment list.

Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings. If a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the agency may terminate this transaction for cause.

ORGANIZATION AGREEMENT

-5

The organization representative's signature on this application shall satisfy regulatory requirements for signatures on Form RD 400-1, Form RD 400-4, and Form RD 410-8 and compliance with 18 U.S.C. § 1913 and 31 U.S.C. § 1352.

(I) COMPLIANCE WITH FAIR HOUSING ACT

If this loan finances a housing-related facility such as a nursing home, group home, or assisted living facility, the organization agrees to comply with Fair Housing Act requirements and have an approved Form HUD 935.2, "Affirmative Fair Housing Marketing Plan" in effect at all times.

(II) ASSURANCE AGREEMENT (TITLE VI, CIVIL RIGHTS ACT OF 1964)

The organization assures the U. S. Department of Agriculture (USDA) that it is in compliance with and will continue to comply with title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq.), 7 C.F.R. part 15, and 7 C.F.R. § 1901.202. In accordance with that Act and the regulations referred to above, the organization agrees that in connection with any program or activity for which the organization receives Federal financial assistance (as such term is defined in 7 C.F.R. § 15.2) no person in the United States shall, on the basis of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination.

(A) The organization agrees that any transfer of any aided facility, other than personal property, by sale, lease, or other conveyance, shall be, and shall be made expressly, subject to the obligations of this agreement and transferee's assumption thereof.

(B) The organization shall:

- (1) Keep such records and submit to the Government such timely, complete, and accurate information as the Government may determine to be necessary to ascertain compliance with this agreement and the regulations.
- (2) Permit access by authorized USDA employees or their representatives during normal business hours to such books, records, accounts, and other sources of information and its facilities as may be pertinent to ascertaining such compliance.
- (3) Make available to users, participants, beneficiaries, and other interested persons information regarding the provisions of this agreement and related regulations in such manner as USDA finds necessary to inform such persons of their rights.

(C) The obligations of this agreement shall continue:

- (1) As to any real property, including any structure, acquired or improved with the aid of the Federal financial assistance, so long as such real property is used for the purpose for which the Federal financial assistance is made or for another purpose which affords similar services or benefits, or for as long as the organization retains ownership or possession of the property, whichever is longer.
- (2) As to any personal property acquired or improved with the aid of the Federal financial assistance, so long as organization retains ownership or possession of the property.
- (3) As to any other aided facility or activity, until the last advance of funds under the loan or grant has been made.

(D) Upon any breach or violation of this agreement the Government may, at its option:

- (1) Terminate or refuse to render or continue financial assistance for the aid of the property, facility, project, service, or activity.
- (2) Enforce this agreement by suit for specific performance or by any other available remedy under the laws of the United States or the State in which the breach or violation occurs. Rights and remedies provided for under this agreement shall be cumulative.

(III) EQUAL OPPORTUNITY AGREEMENT (EXECUTIVE ORDER 11246)

Unless the Secretary of Labor (Secretary) issues an exemption by rule, regulation, or order pursuant to section 204 of Executive Order 11246, the organization (whether one or more) and USDA, agree that when construction costs exceed \$10,000, the organization will:

- (A) incorporate or cause to be incorporated into any contract for construction work, or modification thereof, subject to the relevant rules, regulations, and orders of the Secretary, or of any prior authority that remain in effect, which is paid for in whole or in part with the aid of such financial assistance, the following "Equal Opportunity Clause":

Equal Opportunity Clause

During the performance of this contract, the contractor agrees as follows:

- (1) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by USDA setting forth the provisions of this nondiscrimination clause.
- (2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.
- (3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by USDA, advising the said labor union or workers' representative of the contractor's commitments under this agreement, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (4) The contractor will comply with all provisions of Executive Order 11246, and with all rules, regulations, and relevant orders of the Secretary of Labor.
- (5) The contractor will furnish all information and reports required by Executive Order 11246, rules, regulations, and orders, and will permit access to the contractor's books, records, and accounts by USDA, Office of Civil Rights, and the Secretary or their representatives for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

- (6) In the event of the contractor's noncompliance with the Equal Opportunity Clause or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246, or by rule, regulation, or order of the Secretary, or as provided by law.
- (7) The contractor will include this Equal Opportunity Clause in every subcontract or purchase order, unless exempted by the rules, regulations, or orders of the Secretary issued pursuant to section 204 of Executive Order 11246, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order USDA may direct as a means of enforcing such provisions, including sanctions for noncompliance. However, in the event the contractor becomes involved in or is threatened with litigation with a subcontractor or vendor as a result of such direction by USDA, the contractor may request the United States to enter into such litigation to protect the interest of the United States.
- (B) Except for public bodies and federally recognized Indian tribes, be bound by the provisions of the Equal Opportunity Clause with respect to its own employment when it participates in federally assisted construction work.
- (C) Notify all prospective contractors to file the required "Compliance Statement," Form RD 400-8, with their bids.
- (D) Impose bid conditions for all nonexempt Federal and federally assisted construction contracts that require inclusion of the appropriate "hometown" or "imposed" plan affirmative action and equal employment opportunity requirements. All bidders must comply with the bid conditions contained in the invitation to be considered responsible bidders and hence eligible for the award.
- (E) Assist and cooperate with USDA and the Secretary in obtaining the compliance of contractors and subcontractors with the provisions of the Equal Opportunity Clause and the rules, regulations, and orders. The organization will furnish USDA and the Secretary information as they may require for supervision of compliance. Such information may include Form AD 560, "Certification of Nonsegregated Facilities," and Form CC-257, "Monthly Employment Utilization Report."
- (F) Refrain from entering into any contract, or contract modification, subject to Executive Order 11246 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to the Executive Order. The organization will carry out such sanctions and penalties for violation of the Equal Opportunity Clause as may be imposed upon contractors and subcontractors by USDA or the Secretary pursuant to part II, subpart D, of the Executive Order.
- (G) Be subject to USDA refusing to extend additional assistance to the organization under the program or taking any other appropriate legal action, including referring the case to the Department of Justice, if the organization fails to comply with this agreement.

(IV) FEDERAL EQUAL CREDIT OPPORTUNITY ACT NOTICE

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning USDA is the Federal Trade Commission, Washington, D.C. 20580. If a person believes he or she was denied assistance in violation of this law, they should contact the Federal Trade Commission, Washington, D.C. 20580.

WARNING

All information supplied to USDA by you or your agents in connection with your loan application may be released to interested third parties, including competitors, without your knowledge or consent under the provision of the Freedom of Information Act (5 U.S.C. 522).

Much information not clearly marked "Confidential" may routinely be released if requested. Further, if we receive a request for information marked "Confidential," the Federal Government will release the information unless you can demonstrate to our satisfaction that release of the information would likely produce substantial competitive harm to your business or would constitute a clearly unwarranted invasion of personal privacy. Also, forms, consultant reports, etc., cannot be considered confidential in their entirety if confidential material contained therein can reasonably be segregated from other information.

Information submitted may be made available to the public during the time it is held in Government files regardless of the action taken by USDA on your application.

EXHIBIT E

**ROCKETT SPECIAL UTILITY DISTRICT
OF ELLIS AND DALLAS COUNTIES, TEXAS
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
AUGUST 20, 2019**

The Regular Meeting of the Board of Directors of Rockett Special Utility District was held on Tuesday, August 20, 2019, at the District's office located at 126 Alton Adams Dr., Waxahachie, Texas 75165.

Board Present: Don Werner, Milton Slovak, Judy McRight, Ronald Session, Dennis Lord, David Risinger, Matthew Craig and Allan Beutler.

Board Absent: Carol Anders

Staff Present: Kay Phillips, Robert Woodall, Morgan Massey, Rhonda Carter, Karen Graves, Ricardo Hernandez, Maria Huynh, Ben Shanklin, and Greer Yeldell

Visitors Present: None

Don Werner, President, called the Regular Meeting of the Board of Directors for August 20, 2019, to order at 7:01 pm. with a quorum present.

Invocation was given by Don Werner.

Pledge of Allegiance.

Visitor Comments: None

The Minutes of the July 16, 2019, Regular Meeting were discussed. Allan Beutler made a motion to approve the minutes of the July 16, 2019, Regular Meeting, as presented. Dennis Lord seconded. Motion carried 8-0.

The Financial Statements for July 2019 were discussed. Matthew Craig made a motion to accept the Financial Statements as presented. Judy McRight seconded. Motion carried 8-0.

Presentation by Paul Jasin of Specialized Public Finance Inc. After discussion, Don Werner made a motion to approve the issuance and sale of Rockett Special Utility District Water System Revenue Bonds, New Series 2019, including the adoption of the resolution authorizing the issuance of such bonds and establishing procedures and delegating authority to certain District officials for the sale and delivery of such bonds. David Risinger seconded. Motion Carried 8-0.

After discussion, Don Werner made a motion to revoke the Treated Wholesale Water Contract between the District and Howard WSC that was previously approved by the Board at the July 16, 2019 meeting and to approve the Revised Wholesale Treated Water Contract by and between Rockett Special Utility District and Howard Water Supply Corporation as presented. Matthew Craig seconded. Motion Carried 8-0.

After discussion, Judy McRight made a motion to approve the presented Non-Standard Contract by and between Rockett Special Utility District and Hachie Properties, LLC. Allan Beutler seconded. Motion Carried 7-1, with Matthew Craig opposing.

Ben Shanklin's written Engineer Report was presented as follows:

CURRENT ROCKETT S.U.D. PROJECTS:

1. **Easements on Future Projects** – Matthew Whitman has acquired easements along Bells Chapel, Pratt & FM 2377, the south side of FM 664 and the Pressure Plane tie-in projects.
2. **Red Oak Line & Houston School Road Emergency Connection** – This line consists of a 24" distribution line to FM 342 and a 16" line feeding from FM 664 north for additional industry needs. Two (12") connections will allow for transfer of water from Plant 2 to Plant 4 during emergencies. The Red Oak Line is on an indefinite hold by the City of Red Oak.

USDA BACKED BANK LOAN PROJECTS:

- **Sokoll Pump Improvements**- This project consists of installing larger higher lift pumps at the Sokoll Transfer Pump Station. USDA Rural Development approved the PER on March 26, 2019 and the ER previously. USDA backing has been approved and we are ready to start the design with plans when instructed to do so.
- **Plant #4 Pump Station Rehabilitation** – This project consists of replacing or upgrading the pump house, pumps, yard piping, adding an air gap connection, electrical, controls and fencing at Plant 4 in Red Oak. This project was combined with the Sokoll Pump Improvements project above for the application and report stages. USDA backing has been approved and we are ready to start the design when instructed to do so.

Except for routine hydraulic analyses, that is all we have to report at this time.

Kay Phillips' written General Manager Report was presented as follows:

- Total active connections as of July 2019 – **12,522**
(Increase of 15 connections)

- Water purchased for July 2019

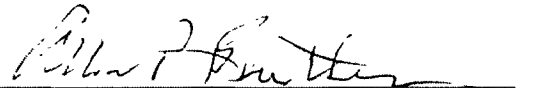
Midlothian:	87,397,000
Waxahachie:	0
Sokoll WTP:	<u>100,324,000</u>
Total:	<u>187,721,000</u>
Daily Average:	6,055,000

- Developer Inquiries:
 - a. Twin Creeks Addition – 64 lots – Butcher Road
 - b. Dollar General – FM 813 in Rockett
 - c. The Oaks Subdivision – Hwy 35 & E. Highland
- City of Ferris Vault Update
- EyeOnWater update, current users **1,894**
(Increase of 67 users)
- Staff Update

APPROVED by the Board of Directors of Rockett Special Utility District on September 17, 2019.



Don Werner, President



Allan Beutler, Secretary

CERTIFICATE FOR RESOLUTION

STATE OF TEXAS

ROCKETT SPECIAL UTILITY DISTRICT

We, the undersigned President and Secretary of the Board of Directors (the "Board") of Rockett Special Utility District (the "District"), hereby certify as follows:

1. The Board convened in regular meeting on August 20, 2019 at the regular meeting place thereof, and the roll was called of the duly constituted members of the Board, to-wit:

Don Werner, President

David Risinger, Vice President

Allan Beutler, Secretary

Carol Anders, Assistant Secretary

Matthew Craig, Director

Ronald Session, Director

Milton Slovak, Director

Dennis Lord, Director

Judy McRight, Director

and all of said persons were present except Carol Anders, thus constituting a quorum. Whereupon, among other business the following was transacted at said meeting: a written

**RESOLUTION AUTHORIZING THE ISSUANCE OF ROCKETT
SPECIAL UTILITY DISTRICT WATER SYSTEM REVENUE BONDS,
NEW SERIES 2019; ESTABLISHING SALE PARAMETERS;
PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID
BONDS; AND ENACTING OTHER PROVISIONS RELATING TO THE
SUBJECT**

was duly introduced for the consideration of the Board. It was then duly moved and seconded that said Resolution be passed; and, after due discussion, said motion, carrying with it the passage of said Resolution, prevailed and carried, with all members of the Board shown present above voting "Aye," except as noted below:

NAYS: 0 ABSTENTIONS: 0

2. A true, full and correct copy of the aforesaid Resolution passed at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; said Resolution has been duly recorded in the Board's minutes of said meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of said meeting pertaining to the passage of said Resolution; 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 said Resolution would be introduced and considered for passage at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose; and that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given all as required by the Texas Government Code, Chapter 551.

3. The Board has approved the Resolution, and the President and Secretary of the Board hereby declare that their signing of this certificate shall constitute the signing of the attached and following copy of said Resolution for all purposes.

SIGNED AND SEALED ON AUGUST 20, 2019.



Secretary, Board of Directors



President, Board of Directors

(District Seal)



**RESOLUTION OF BOARD OF DIRECTORS
of
ROCKETT SPECIAL UTILITY DISTRICT**

AUTHORIZING THE ISSUANCE OF

**ROCKETT SPECIAL UTILITY DISTRICT
WATER SYSTEM REVENUE BONDS, NEW SERIES 2019**

RESOLUTION AUTHORIZING THE ISSUANCE OF ROCKETT SPECIAL UTILITY DISTRICT WATER SYSTEM REVENUE BONDS, NEW SERIES 2019; ESTABLISHING SALE PARAMETERS; PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

**STATE OF TEXAS
ROCKETT SPECIAL UTILITY DISTRICT**

WHEREAS, the Board of Directors (the "Board") of the Rockett Special Utility District (the "Issuer" or "District") hereby finds and determines that revenue bonds should be issued and sold at this time for the purpose of financing the costs of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any district works, improvements, facilities, plants, equipment and appliances with respect to the System (defined herein)(collectively, the "Projects"); and

WHEREAS, the Issuer is authorized by the provisions of Chapter 7214, Texas Special District Local Laws Code, as amended ("Chapter 7214"), and, in particular, by Subchapter B thereof, to issue bonds of the nature provided for herein, and, in addition, the Issuer is authorized Section 7214.051 of such Code to use the powers of Chapter 1371, Texas Government Code, as amended ("Chapter 1371") in the issuance of its bonds, including the bonds authorized hereby; and

WHEREAS, the Bonds are to be issued and delivered pursuant to laws of the State of Texas, including particularly Chapter 49 and Chapter 65 of the Texas Water Code, Chapter 7214, Chapter 1371 and other applicable laws; and

WHEREAS, the Board hereby finds and determines that it is in the best interests of the Issuer to issue the bonds hereinafter authorized, for the purposes stated, and to delegate to the Pricing Officer (hereinafter designated) the authority to act on behalf of the Issuer in selling and delivering the bonds and setting the dates, price, interest rates, interest payment periods and other procedures relating thereto, as hereinafter specified, with such information and terms to be included in a pricing certificate (the "Pricing Certificate") to be executed by the Pricing Officer, all in accordance with the provisions of Section 1371.053, Texas Government Code; and

WHEREAS, the Board hereby further finds and determines that the bonds issued pursuant to this Resolution can and shall be issued on a parity with certain outstanding revenue bonds of the District (hereinafter defined and identified as "Previously Issued Bonds") payable from and equally secured by a lien on and pledge of the Pledged Revenues; and

WHEREAS, it is officially found, determined and declared that the meeting at which this Resolution has been adopted was open to the public, and public notice of the date, hour, place

and subject of said meeting, including this Resolution, was given, all as required by the applicable provisions of Tex. Gov't Code Ann. ch. 551;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ROCKETT SPECIAL UTILITY DISTRICT:

SECTION 1. Recitals, Amount, Purpose and Designation of the Bonds. (a) 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) The Bonds are hereby authorized to be issued and delivered in the maximum aggregate principal amount hereinafter set forth for the Projects and to pay the costs incurred in connection with the issuance of the Bonds.

(c) Each bond issued pursuant to this Resolution shall be designated (unless otherwise provided in the Pricing Certificate): "ROCKETT SPECIAL UTILITY DISTRICT WATER SYSTEM REVENUE BONDS, NEW SERIES 2019," and initially there shall be issued, sold, and delivered hereunder fully registered Bonds, without interest coupons, payable to the respective registered owners thereof (with the Initial Bond being made payable to the initial purchaser as described herein), or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the "Registered Owner"). The Bonds shall be in the respective denominations and principal amounts, shall be numbered, shall mature and be payable on the date or dates in each of the years and in the principal amounts or amounts due at maturity, as applicable, and shall bear interest to their respective dates of maturity or redemption, if applicable, prior to maturity at the rates per annum, as set forth in the Pricing Certificate.

SECTION 2. Definitions. For all purposes of this Resolution and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues to the payment of the Bonds, the following definitions are provided:

"Additional Parity Bonds" means the additional parity revenue bonds permitted to be issued by the District pursuant to Section 20 of this Resolution.

"Authorized Denomination" means any integral multiple of \$5,000 in principal amount of the Bonds.

"Bonds" means the "Rockett Special Utility District Water System Revenue Bonds, New Series 2019", or such other designation set forth in the Pricing Certificate, authorized and issued pursuant to this Resolution.

"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.

"Delivery Date" means the date or dates of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor.

"District" means the Rockett Special Utility District located in the Counties of Ellis and Dallas, Texas.

"Fiscal Year" means the twelve month period commencing on the first day of January of any year and ending on the last day of December of such calendar year, or such other period designated by the District.

"Gross Revenues" means all revenues, income and receipts of every nature derived or received by the District from the operation and ownership of the System; the interest income from the investment or deposit of money in the System Fund, the Bond Fund and the Reserve Fund; and any other revenues hereafter pledged to the payment of all Parity Bonds.

"Maintenance and Operation Expenses" means the reasonable and necessary expenses of maintenance and operation 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 governing body of the District, are necessary to keep the System in operation and render adequate service to the District and the customers thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Parity Bonds), and all payments under contracts now or hereafter defined as operating expenses by the Texas legislature. Depreciation charges shall never be considered as Maintenance and Operation Expenses.

"Net Revenues" means all Pledged Revenues remaining after deducting Maintenance and Operation Expenses.

"Outstanding", when used in this Resolution with respect to Parity Bonds, means, as of the date of determination, all Parity Bonds theretofore sold, issued and delivered by the District, except:

- (1) those Parity Bonds cancelled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;
- (2) those Parity Bonds paid or deemed to be paid in accordance with the provisions of Section 6 hereof; and
- (3) those Parity Bonds that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

"Parity Bonds" means, collectively, the Previously Issued Bonds, the Bonds and Additional Parity Bonds.

"Pledged Revenues" means the Gross Revenues of the System, and 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, at the option of the District, hereafter may be pledged to the payment of the Parity Bonds.

"Previously Issued Bonds" means the Outstanding (i) Rockett Special Utility District Water System Revenue and Refunding Bonds, New Series 2013; (ii) Rockett Special Utility District Water System Revenue Refunding Bonds, New Series 2014; and (iii) Rockett Special Utility District Water System Revenue Refunding Bonds, New Series 2017.

"Special Project" means, to the extent permitted by law, any waterworks or property, improvement or facility declared by the District not to be part of the System and substantially all of the costs of acquisition, construction and installation of which is paid from proceeds of a financing transaction other than the issuance of obligations payable from Pledged Revenues, and for which all maintenance and operation expenses are payable from sources other than revenues of the System, 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.

"Special Project Bonds" means the revenue bonds permitted to be issued by the District pursuant to this Resolution.

"State" shall mean the State of Texas.

"System" means all properties, facilities, improvements, equipment, interests and rights constituting the waterworks system of the District, including all future extensions, replacements, betterments, additions and improvements to the System. The System shall not include any Special Project, sanitary sewer system or drainage system of the District.

SECTION 3. Delegation to Pricing Officers. (a) As authorized by Section 1371.053, Texas Government Code, as amended, the President of the Board and/or the General Manager of the Issuer are each individually hereby authorized to act on behalf of the Issuer in selling and delivering the Bonds, in one or more series (of which officers, the officer executing the Pricing Certificate shall be hereinafter referred to as, and shall for all purposes be, the "Pricing Officer"), and carrying out the procedures specified in this Resolution, including, determining the dated date of the Bonds, the delivery date(s) of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the rate of interest to be borne by each such maturity, whether the interest rate on the Bonds is fixed or

variable, the interest payment and record dates, whether the Bonds shall be delivered in installments or as a single delivery, whether the Bonds of any series shall be issued on a tax-exempt basis or on a taxable basis, whether the Bonds of any series shall be designated or deemed designated as "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the price and terms, if any, upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Issuer, as well as any mandatory sinking fund redemption provisions, approving modifications or additions to the Rule 15c2-12 continuing disclosure undertaking, executing any and all documents required to carry out the issuance, sale and delivery of the Bonds, determining the amount required to be deposited into a debt service reserve fund, determining the method of funding of a debt service reserve fund, and all other matters relating to the issuance, sale and delivery of the Bonds, including, without limitation, procuring municipal bond insurance or other form of guarantee on the Bonds, approving modifications to this Resolution and executing such instruments, documents and agreements as may be necessary with respect thereto, all of which shall be specified in the Pricing Certificate, provided that:

- (i) the aggregate original principal amount of the Bonds shall not exceed \$2,000,000;
- (ii) no Bond shall mature after December 31, 2050; and
- (iii) the true interest cost for the Bonds shall not exceed 15.00%.

(b) In establishing the aggregate principal amount of the Bonds, the Pricing Officer shall establish an amount not exceeding the amount authorized in Subsection (a) above, which shall be sufficient in amount to provide for the purposes for which the Bonds are authorized and to pay costs of issuing the Bonds. The delegation made hereby shall expire if not exercised by the Pricing Officer on or prior to the 12-month anniversary of the date of adoption of this Resolution. The Bonds shall be sold at such price, with and subject to such terms as set forth in the Pricing Certificate.

(c) The Bonds may be sold by public offering (either through a negotiated or competitive offering) or by private placement. If the Bonds are sold by private placement, the Pricing Certificate shall so state, and the Pricing Certificate may make changes to this Resolution to effect such private placement, including the provisions hereof that pertain to the book-entry-only procedures (including eliminating the book-entry-only system of registrations, payment and transfers) and to the provisions herein relating to the Rule 15c2-12 undertaking (including eliminating or replacing such undertaking with an agreement to provide alternative disclosure information).

(d) In satisfaction of Section 1201.022(a)(3)(B), Texas Government Code, the Board hereby determines that the delegation of the authority to the Pricing Officer to approve the final terms of the Bonds set forth in this Resolution is, and the decisions made by the Pricing Officer pursuant to such delegated authority and incorporated into the Pricing Certificate will be, the

most advantageous reasonably available, and the Pricing Officer is hereby authorized to make and include in the Pricing Certificate a finding to that effect.

SECTION 4. Characteristics of the Bonds. (a) Registration, Transfer, Conversion and Exchange. The Issuer shall keep or cause to be kept at the designated office of the bank named in the Pricing Certificate as the paying agent/registrar for the Bonds (the "Paying Agent/Registrar"), books or records for the registration of the transfer, conversion 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, conversions 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, conversions and exchanges as herein provided within three days of presentation in due and proper form. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner 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 registered owner 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, conversion, exchange and delivery of a substitute Bond or Bonds. Registration of assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth as **Exhibit A** of this Resolution. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

(b) Authentication. Except as provided in Section 4(e) hereof, 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 conversion and exchange. No additional ordinances, 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 conversion and 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. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(c) 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 Resolution. 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 conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Resolution. 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 Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) 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 registered owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(d) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners 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 agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, 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 50 days written notice to the Paying Agent/Registrar, to be effective not later than 45 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 Resolution. 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 registered owner 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 Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

(e) General Characteristics of the Bonds. 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 Registered Owners 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 35 days prior to any such redemption date), (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (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 as **Exhibit A** of this Resolution. The Bonds initially issued and delivered pursuant to this Resolution are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Resolution the Paying Agent/Registrar shall execute the Paying Agent/Registrar's Authentication Certificate, in the FORM OF BOND set forth as **Exhibit A** of this Resolution.

(f) Book-Entry-Only System. Unless the Bonds are sold by private placement, the Bonds issued in exchange for the Bonds initially issued to the purchaser specified herein shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsection (g) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to

this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the words "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(g) Successor Securities Depository; Transfers Outside Book-Entry-Only System. If the Bonds are subject to the DTC book-entry system, and in the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC or that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(h) Payments to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Issuer to DTC.

(i) Cancellation of Initial Bond. On the Delivery Date, one Initial Bond representing the entire principal amount of the Bonds, payable in stated installments to the order of the initial purchaser of the Bonds or its designee, executed by manual or facsimile signature of the President and Vice President of the Board, approved by the Attorney General and registered and signed by the Comptroller, will be delivered to such purchaser or its designee. If the Bonds are sold subject to the book-entry system of DTC, then upon payment for the Initial Bond, the Paying Agent/Registrar shall insert the Delivery Date on the Initial Bond, cancel the Initial Bond and deliver to DTC on behalf of such purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all of the Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC. To the extent that the Paying Agent/Registrar is eligible to participate in DTC's FAST System, pursuant to an agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Bonds in safekeeping for DTC.

(j) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by this Resolution have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

SECTION 5. Form of Bonds. The form of the Bond, 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 only to the Bonds initially issued and delivered pursuant to this Resolution, shall be, respectively, substantially in the form provided in **Exhibit A**, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution. The Form of Bond as it appears in **Exhibit A** shall be completed, amended and modified by Bond Counsel to incorporate the information set forth in the Pricing Certificate, but it is not required for the Form of Bond to be reproduced as an exhibit to the Pricing Certificate.

SECTION 6. 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 Resolution, 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 as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities, and thereafter the Issuer will have no further responsibility with respect to amounts available to the Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Bonds, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection 6(a)(i)

or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also 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 6(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) 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 Resolution.

(d) 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 7. 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 registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner 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 registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond. In every case of damage or mutilation of a Bond, the registered owner 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 which is then continuing in the payment of the principal of 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 registered owner 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 Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Subchapter B, Chapter 1206, Texas Government Code, this Section 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(b) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

SECTION 8. Sale of Bonds. (a) The Bonds shall be sold and delivered pursuant to the terms and provisions of a bond purchase agreement, notice of sale and bidding instructions or private placement agreement (collectively and individually, the "Purchase Agreement"), each of which the Pricing Officer is hereby authorized to execute and deliver and in which the purchaser or purchasers (collectively, the "Purchaser") of the Bonds shall be designated. The Bonds shall initially be registered in the name of the purchaser thereof as set forth in the Pricing Certificate.

(b) The Pricing Officer is hereby authorized, in the name and on behalf of the Issuer, to approve the distribution and delivery of a preliminary official statement and a final official statement relating to the Bonds to be used by the Purchaser in the marketing of the Bonds.

SECTION 9. Further Procedures; Engagement of Bond Counsel; Attorney General Filing Fee. (a) The President or Vice President and Secretary of the Board and the General Manager of the Issuer 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 Letter of Representations with DTC regarding the Book-Entry-Only System, a Paying Agent/Registrar Agreement with the Paying Agent/Registrar, the Purchase Agreement between the Issuer and the initial purchasers of the Bonds, if any, all forms and documents necessary to ensure the interest on the Bonds is exempt from federal income taxation, if applicable, 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 Resolution and the Bonds. In addition, prior to the delivery of the Bonds, the President or Vice President and Secretary of the Board and the

General Manager of the Issuer are each hereby authorized and directed to approve any changes or corrections to this Resolution or to any of the documents authorized and approved by this Resolution: (i) in order to cure any ambiguity, formal defect or omission in this Resolution or such other document, or (ii) as requested by the Attorney General or his representative to obtain the approval of the Bonds by the Attorney General. Notwithstanding anything to the contrary contained herein, while the Bonds are subject to DTC's Book-Entry-Only System and to the extent permitted by law, the Letter of Representation is hereby incorporated herein and its provisions shall prevail over any other provisions of this Resolution in the event of conflict. The President and Secretary of the Board shall sign each Bond, including the Initial Bond, with their manual or facsimile signatures, and the official seal of the Issuer shall be duly impressed, or placed in facsimile, on each Bond. 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.

(b) The obligation of the Purchaser 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 Delivery Date. 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.

(c) In accordance with the provisions of Section 1202.004, Tex. Gov't Code Ann., in connection with the submission of the Bonds by the Attorney General of the State 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 10. Covenants Regarding Tax Exemption of Interest on the Bonds. (a) Covenants. In the event the Bonds are issued as taxable obligations, as determined by the Pricing Officer in the Pricing Certificate, this Section 10 shall not apply to the Bonds. In the event the Bonds are issued as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation, as determined by the Pricing Officer in the Pricing Certificate, 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 tax-exempt obligations. 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 financed therewith (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 projects financed therewith 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 Resolution 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);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings);

(9) 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(f) 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(f) of the Code; and

(10) to assure that the Bonds are used for solely for new money construction projects.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (9), 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 and Vice 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) Allocation of, and Limitation on, Expenditures for the Projects. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the Projects on its books and records in accordance with the requirements of the 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 Projects are 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 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.

(e) Disposition of Projects. The Issuer covenants that the property constituting the Projects will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Bonds. For purpose of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with 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 11. Pledge. The District hereby covenants and agrees that all Pledged Revenues, with the exception of the amounts in excess of the amounts required to be deposited to the credit of the special Funds established and maintained for the payment and security of the Parity Bonds, shall be and are hereby irrevocably pledged to the payment of the principal of and interest on the Previously Issued Bonds, the Bonds and Additional Parity Bonds, if issued, and the pledge of the Pledged Revenues herein made for the payment and security of the Parity Bonds shall constitute a lien on the Pledged Revenues and be valid and binding and fully perfected from and after the date of adoption of this Resolution without physical delivery or transfer or transfer of control of the Pledged Revenues, the filing of this Resolution or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended ("Chapter 1208").

Chapter 1208 applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the District under this Section, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while the Bonds are Outstanding such that the pledge of the Pledged Revenues granted by the District under this Section is to be subject to the filing requirements of Chapter 9, Business and Commerce Code, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District 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 and Commerce Code, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 12. Rates and Charges. While any of the Bonds remain Outstanding, the District shall fix, charge and collect rates and charges for the use and services of the System, which are calculated to be fully sufficient to produce Pledged Revenues, including the Gross Revenues of the System, in each Fiscal Year at least equal to the amount required to be deposited to maintain the Bond Fund and the Reserve Fund, as hereinafter provided, so as to provide for the payment of principal and interest on all Parity Bonds then Outstanding, to pay the Maintenance and Operation Expenses of the System and to make any other payments and

deposits, if any, required hereunder or under the resolutions authorizing the issuance of the Parity Bonds.

The District will not grant or permit any free service from the System except for buildings and institutions operated by the District.

SECTION 13: System Fund. The District hereby covenants and agrees that all Pledged Revenues, including the Gross Revenues of the System, shall be deposited as collected into a Fund maintained at an official depository of the District and known as the Rockett Special Utility District Water System Fund (the "System Fund"), and such System Fund shall be maintained separate and apart from all other funds and accounts of the District. Money from time to time on deposit to the credit of the System Fund shall be applied in the following order of priority:

First, to make all deposits into the Bond Fund and Reserve Fund, as required by the resolutions authorizing the issuance of the Parity Bonds;

Second, to pay Maintenance and Operation Expenses; and

Third, for any lawful purpose.

SECTION 14: Bond Fund. For purposes of providing funds to pay the principal of and interest on the Parity Bonds as the same shall become due and payable (whether at maturity or upon redemption), the District agrees to maintain at an official depository of the District a separate and special account or fund known as "Rockett Special Utility District Bond Fund" (the "Bond Fund"). In addition to the deposits to be made to the Bond Fund for the payment of the Previously Issued Bonds, the District covenants that on or before the last business day of each month while any of the Bonds remain Outstanding, Pledged Revenues in the System Fund shall be deposited to the credit of the Bond Fund in the following amounts:

(a) such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the interest scheduled to become due on the Bonds on the next interest payment date; and

(b) such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the next maturing principal of the Bonds, including the amounts payable as a result of the exercise of an optional redemption provision with respect to the Bonds, if applicable.

Whenever the total amounts on deposit to the credit of the Bond Fund and the Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all Parity Bonds then Outstanding plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Bond Fund, and such Parity Bonds shall not be regarded as being Outstanding except for the purposes of being paid with the money on deposit in such Funds.

On or before each interest payment date on the Bonds, the District shall transfer from the Bond Fund to the Paying Agent/Registrar an amount equal to the principal, interest and

redemption premiums payable on the Bonds on such date, together with an amount equal to all bank charges and other costs and expenses relating to such payment.

SECTION 15: Reserve Fund.

(a) For purposes of accumulating and maintaining funds as a reserve for the payment of the Parity Bonds, the District agrees to maintain at an official depository of the District a separate account to be known as "Rockett Special Utility District Reserve Fund" (the "Reserve Fund"). All funds deposited to the credit of the Reserve Fund shall be used solely for the payment of the principal of and interest on the Parity Bonds when (whether at maturity, upon a mandatory redemption date or any interest payment date) other funds available for such purposes are insufficient, and, in addition, may be used to the extent not required to maintain the "Required Reserve", to pay, or provide for the payment of, the final principal amount of a series of Parity Bonds so that such series of Parity Bonds is no longer deemed to be "Outstanding" as such term is defined herein.

In accordance with the provisions of the resolutions authorizing the issuance of the Previously Issued Bonds, there is currently on deposit in the Reserve Fund a sum of \$1,545,795.03 (the "Current Reserve"). The total amount required to be accumulated and maintained in the Reserve Fund following the issuance of the Bonds shall be set forth in the Pricing Certificate, and such amount is herein referred to as the "Required Reserve". The Pricing Officer shall state in the Pricing Certificate whether the Required Reserve is equal to or greater than the Current Reserve. In the event the Current Reserve is greater than the Required Reserve, the Pricing Officer shall determine what the District will do with the excess balance. In the event the Current Reserve is less than the Required Reserve, the Pricing Officer shall determine how the Reserve Fund will be funded, utilizing one of the funding mechanisms set forth below.

As and when Additional Parity Bonds are delivered or incurred, the Required Reserve shall be increased, if required, to an amount equal to the lesser of (i) the average annual principal and interest requirements (calculated on a Fiscal Year basis) for all Parity Bonds then Outstanding, as determined on the date each series of Additional Parity Bonds are delivered or incurred, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder. Any additional amount required to be maintained in the Reserve Fund shall be accumulated (i) by depositing cash to the credit of the Reserve Fund (immediately after the delivery of the then proposed Additional Parity Bonds) in an amount to fully fund the Required Reserve, or, (ii) at the option of the District, by making monthly deposits, on or before the 10th day of each month following the month of delivery of the then proposed Additional Parity Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Parity Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash).

While cash and investments deposited to the credit of the Reserve Fund total not less than the Required Reserve, no deposits need be made to 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 Parity Bonds as provided in the preceding paragraph and the District has elected to accumulate all or a portion of the Required Reserve with Pledged Revenues of the System), the District covenants and agrees to cause monthly deposits to the Reserve Fund to be made on or before the 10th day of each month (beginning the month next following the month the deficiency in the Required Reserve occurred by reason of a draw on the Reserve Fund or as a result of a reduction in the market value of investments held for the account of the Reserve Fund) in an amount equal to 1/60th of the Required Reserve from the Pledged Revenues of the System until the Required Reserve has been fully restored. The District further covenants and agrees that, subject only to the payments to be made to the Bond 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 this Resolution and any other resolution relating to the issuance of Additional Parity Bonds.

(b) At such time as the bonds identified in (i) and (ii) of the definition of Previously Issued Bonds herein have been fully paid or defeased and are no longer Outstanding, the District may, at its option, elect to fund the Reserve Fund with cash, investments and/or Reserve Fund Obligations, the Reserve Fund Obligation option shall be incorporated into each paragraph of this Section. In addition, the following provisions shall apply to the Reserve Fund:

(1) The District shall recalculate the Required Reserve at the following times: (i) on the first day of each Fiscal Year, (ii) upon the issuance of Additional Parity Bonds, (iii) upon the refunding or defeasance of Parity Bonds and (iv) upon the deposit, supplement, replacement or substitution of a Reserve Fund Obligation. During such time as the Reserve Fund contains at least the total Required Reserve, the District may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and transfer such surplus to the System Fund, provided that the face amount of any Reserve Fund Obligation may be reduced at the option of the District in lieu of such transfer; and further provided that any such surplus funds that are withdrawn from the Reserve Fund and that consist of proceeds of Parity Bonds or interest thereon shall only be used for purposes for which such Parity Bonds were issued or deposited to the Bond Fund.

(2) In the event the District is required to make a Reserve Fund Obligation Payment, funds on deposit in the Reserve Fund may be used for such purpose. Reimbursements to the provider, if any, of a Reserve Fund Obligation shall constitute the making up of a deficiency in the Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the Reserve Fund Obligation

(3) The District may at any time deposit, supplement, replace or substitute a Reserve Fund Obligation for cash or investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Reserve Fund Obligation, provided, that the deposit, supplement, replacement or substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Bonds by any Rating Agency to be lowered and the order authorizing the substitution of the

Reserve Fund Obligation for all or part of the Required Reserve contains a finding that such substitution is cost effective.

(4) If the District is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section, the District shall promptly notify the provider of such Reserve Fund Obligation of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or investments then on deposit in the Reserve Fund, and next from a drawing under any Reserve Fund Obligation to the extent of such deficiency.

(5) In the event there is a draw upon the Reserve Fund Obligation, the District shall reimburse the provider of such Reserve Fund Obligation for such draw, in accordance with the terms of any agreement pursuant to which the Reserve Fund Obligation is used, from Pledged Revenues, however, such reimbursement from Pledged Revenues shall be in accordance with the provisions of this Section and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the then Outstanding Parity Bonds.

(c) For purposes of the Section, the following definitions shall apply:

(1) "Rating Agency" means any nationally recognized securities rating agency.

(2) "Reserve Fund Obligation" means, to the extent permitted by law, (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency, at the time of the delivery of such credit facility, would rate the Parity Bonds fully insured by a standard policy issued by the District of such credit facility in any one of its three highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency, at the time of delivery of such letter or line of credit, would rate the Parity Bonds in any one of its three highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Bonds and the interest thereon.

(3) "Reserve Fund Obligation Payment" means any payment the District is obligated to make from Pledged Revenues deposited in the Reserve Fund with respect to a Reserve Fund Obligation.

SECTION 16: Maintenance and Operation Expenses. On or before the last business day of each month while any Parity Bonds remain Outstanding, after making the transfers into the Bond Fund and the Reserve Fund required in the preceding sections, monies remaining in the System Fund shall be used to pay the Maintenance and Operation Expenses of the System. Any Pledged Revenues remaining after such payment, may be used for any lawful purpose.

SECTION 17: Deficiencies in Funds. If in any month there shall not be deposited into any Fund maintained pursuant to this Resolution the full amounts required herein, amounts equivalent to such deficiency shall be set apart and paid into such Fund or Funds from the first available and unallocated Pledged Revenues in the System Fund, and such payment shall be in addition to the amounts otherwise required to be paid into such Funds during the succeeding month or months. To the extent necessary, the rates and charges for the System shall be increased to make up for any such deficiencies.

SECTION 18: Investment of Funds; Transfer of Investment Income. Money in the System Fund, the Bond Fund and the Reserve Fund may, at the option of the District, be invested as provided in V.T.C.A., Government Code, Chapter 2256; as amended, provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investments with any national bank) that the money required to be expended from any Fund will be available at the proper time or times, and provided further that in no event shall such deposits or investments of money in the Reserve Fund mature later than the final maturity date of the Parity Bonds. All such investments shall be valued in terms of current market value as of the last business day of the District's Fiscal Year, except for investments in direct obligations of the United States of America - State and Local Government Series, which shall be valued at their par value. Any obligation in which money is so invested shall be kept and held in the official depository bank of the District at which the Fund is maintained from which the investment was made. All such investments shall be promptly sold when necessary to prevent any default in connection with the Parity Bonds. All interest and income derived from such deposits and investments shall be transferred or credited as received to the System Fund, and shall constitute Gross Revenues of the System.

SECTION 19: Security for Uninvested Funds. While any of the Bonds remain Outstanding, all uninvested money on deposit in or credited to, the System Fund, the Bond Fund and the Reserve Fund shall be secured by the pledge of security, as provided by V.T.C.A., Government Code, Chapter 2257, as amended, in a principal amount not less than the amount of such uninvested funds.

SECTION 20: Additional Parity Bonds.

(a) The District reserves the right to issue, for any lawful purpose (including the refunding of any Parity Bonds or any other bonds or obligations of the District issued in connection with or payable from the revenues of the System), one or more series of Additional Parity Bonds payable from and secured by a parity lien on the Pledged Revenues, including the Gross Revenues of the System, and the Previously Issued Bonds, the Bonds and Additional Parity Bonds shall be equally and ratably secured by a parity lien on the Pledged Revenues in all respects; provided, however, that no Additional Parity Bonds may be issued unless:

- (i) The Additional Parity Bonds mature on, and interest is payable on, the same days of the year as the Bonds;

- (ii) A certificate is executed by the chief administrative officer of the District to the effect that no default exists in connection with any of the covenants or requirements of the resolutions authorizing the issuance of all then Outstanding Parity Bonds and that the Bond Fund and the Reserve Fund each contains the amount then required to be on deposit therein;
- (iii) An independent certified public accountant or independent firm of certified public accountants, acting by and through a certified public accountant, signs a written certificate to the effect that, in his or its opinion, during either the next preceding fiscal year, or any twelve consecutive calendar month period ending not later than ninety (90) days preceding the month in which the resolution authorizing the issuance of the then proposed Additional Parity Bonds is passed, the Net Revenues were at least 1.25 times the average annual principal and interest requirements of all outstanding Parity Bonds which are scheduled to be outstanding after the delivery of the then proposed Additional Parity Bonds. It is specifically provided, however, that in calculating the amount of Net Revenues for the purposes of this subparagraph, if there has been any increase in the rates of charges for services of the System which is then in effect and which has been in effect for at least 60 days prior to the month in which the resolution authorizing the issuance of the proposed Additional Parity Bonds is passed, but which was not in effect during all of the entire period for which the Pledged Revenues are being calculated (hereinafter referred to as the "entire period") then the certified public accountant, or in lieu of the certified public accountant, a firm of consulting engineers, shall determine and certify the amount of Net Revenues as being the total of (i) the actual Net Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period; and
- (iv) Provision is made in the resolution authorizing the Additional Parity Bonds then proposed to be issued for (i) additional payments into the Bond Fund sufficient to provide for any increased principal and interest requirements on the Parity Bonds resulting from the issuance of the Additional Parity Bonds and (ii) payments into the Reserve Fund so that such Fund will, in not more than sixty (60) months from the date of issuance of such Additional Parity Bonds, contain a balance not less than the average annual principal and interest requirements on all Parity Bonds that will be outstanding after the issuance of such series of Additional Parity Bonds.

For purposes of this Section 20, the term "Net Revenues of the System" shall mean all of the Net Revenues of the System, except that in calculating Net Revenues there shall not be deducted as Maintenance and Operation Expenses any charge, disbursement or expenditure for

extensions, repairs or otherwise which, under standard accounting practice, constitutes a capital expenditure.

(b) At such time as the bonds identified in (i) and (ii) of the definition of Previously Issued Bonds herein have been fully paid or defeased and are no longer Outstanding, the following provision shall replace Section 20(a)(iii) in its entirety:

(iii) A Designated Financial Officer signs and delivers to the Board a written certificate to the effect 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 Parity Bonds, the Net Revenues are at least equal to the sum of 1.25 times the average annual principal and interest requirements of all Parity Bonds which are scheduled to be outstanding after the delivery of the then-proposed Additional Parity Bonds.

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

(c) At such time as the bonds identified in (i) and (ii) of the definition of Previously Issued Bonds herein have been fully paid or defeased and are no longer Outstanding, the Bonds and any Additional Parity Bonds may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interests of the District and its inhabitants, and the District shall not be required to satisfy the requirements set forth in Section 20(a) in connection with the issuance of such refunding bonds. In addition, in the event the District issues refunding bonds to refund in full the remaining Outstanding Previously Issued Bonds, the District shall not be required to satisfy the requirements set forth in Section 20(a) in connection with the issuance of such refunding bonds.

SECTION 21: Subordinate Lien Bonds - No Senior Lien Bonds. The District reserves the right to issue, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on the Pledged Revenues that are junior and subordinate to the lien on the Pledged Revenues securing payment of the Parity Bonds. Such subordinate lien obligations may be further secured by any other source of payment lawfully available for such purposes. The District shall not have the right to issue any bonds, notes or other obligations secured in whole or in part by liens on the Pledged Revenues that are senior to the lien on the Pledged Revenues securing payment of the Parity Bonds.

SECTION 22: Special Project Bonds. The District reserves the right to issue revenue bonds secured by liens on and pledges of revenues and proceeds derived from Special Projects or sanitary sewer system revenues.

SECTION 23: Punctual Payment. The District will punctually pay or cause to be paid the interest on and principal of the Bonds according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Resolution.

SECTION 24: Maintenance of System. While any of the Bonds remain Outstanding, the District covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the District will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body promulgating same, noncompliance with which would materially and adversely affect the operation of the System.

SECTION 25: Sale or Encumbrance of System. While any Bonds remain Outstanding, the District will not sell, dispose of or, except as permitted in Sections 20 and 21, further encumber the System or any substantial part thereof; provided, however, that this provision shall not prevent the District from disposing of any of the System which is being replaced or is deemed by the District to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the District contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 26: Insurance. The District further covenants and agrees that it will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State operating similar properties, to the extent that such insurance is available. The cost of all such insurance, together with any additional insurance, shall be a part of the Maintenance and Operation Expenses. All net proceeds of such insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the System or to redeem Parity Bonds.

SECTION 27: Accounts, Records and Audits. While any Bonds remain Outstanding, the District covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the operation of the System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the System or the Gross Revenues or the Pledged Revenues thereof. The District shall after the close of each Fiscal Year cause an audit report of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants. Each year promptly after such audit report is prepared, the District shall furnish a copy thereof without cost to the Municipal Advisory Council of Texas and the major municipal rating agencies. All expenses incurred in preparing such audits shall be Maintenance and Operation Expenses.

SECTION 28: Competition. To the extent it legally may, the District 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 and will prohibit the operation of any such competing facilities.

SECTION 29: Pledge and Encumbrance of Pledged Revenues. The District covenants and represents that it has the lawful power to create a lien on and to pledge the Pledged Revenues to secure the payment of the Bonds and has lawfully exercised such power under the Constitution and laws of the State. The District further covenants and represents that, other than to the payment of the Parity Bonds, the Pledged Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the District, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Parity Bonds.

SECTION 30: Events of Default; Registered Holders' Remedies. 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 Bond Fund or the 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 this Resolution, 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 Resolution; 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: No Recourse Against District Officials or Members. No recourse shall be had for the payment of principal of or interest on any Parity Bonds or for any claim based thereon or on this Resolution against any member, director or officer of the District or any person executing any of the Bonds, except for fraud.

SECTION 32: Special Covenants. The District further covenants and agrees that:

(a) Encumbrance and Sale. (1) Other than with respect to the Previously Issued Bonds and the Bonds and except as provided in this Resolution, the Pledged Revenues have not in any manner been pledged to the payment of any debt or obligation of the District, or otherwise; and while any of the Bonds are Outstanding, the District will not, except as provided in this Resolution, additionally encumber the Pledged Revenues unless such encumbrance is made junior and subordinate in all respects to the Bonds and all liens, pledges and covenants made in connection therewith.

(2) While the Bonds are Outstanding, and except as specifically permitted in Section

25 of this Resolution, the District shall not mortgage, pledge, encumber, sell, lease or otherwise dispose of or impair its title to the System or any significant or substantial part thereof.

(b) Title. The District lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which the System is and will be located, and has purchased or will purchase good and indefeasible estate in such lands in fee simple, or has lawfully obtained or will lawfully obtain any necessary easements to operate the System, and it warrants that it has obtained or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds, in the manner prescribed herein, and that has lawfully exercised such rights.

(c) Liens. The District 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, and it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge upon the System, provided, however, that no such tax, assessment or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the District.

(d) Performance. The District will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Resolution, and in each and every Bond and pay from the Pledged Revenues the principal of and interest on every Bond on the dates and in the places and manner prescribed; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Bond Fund and the Reserve Fund; and the Holder of the Bonds may require the District, its officials, agents and employees to carry out, respect or enforce the covenants and obligations of this Resolution including, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the District, its officials, agents and employees.

(e) Legal Authority. The District is duly authorized under the laws of the State to issue the Bonds; that all action on its part for the authorization and issuance of the Bonds has been duly and effectively taken, and the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the District in accordance with their terms.

(f) Budget. The District will prepare, adopt and place into effect an annual budget (the "Annual Budget") for maintenance and operation of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a waterworks system budget under generally accepted accounting procedures.

(g) Permits. The District 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 District has or

will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, maintenance and operation of the System.

SECTION 33. Custody, Approval and Registration of Bonds; Bond Counsel's Opinion, CUSIP Numbers and Contingent Insurance Provision. The President of the Board 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 Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds issued and delivered under this Resolution, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. If bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the insurer.

SECTION 34. Compliance with Rule 15c2-12. (a) If the Bonds are sold by private placement, this Section 34 will not apply to the Bonds as determined by the Pricing Officer in the Pricing Certificate. If the Bonds are sold by public offering and are subject to the Rule (as defined below), the following provisions shall apply, unless modified by the Pricing Officer in the Pricing Certificate:

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

"Financial Obligation" means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of the foregoing (a) and (b). The term Financial Obligation does not include any municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions under the Rule.

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

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

(ii) Annual Reports. (A) The Issuer shall provide annually to the MSRB, within the timeframe set forth in the Pricing Certificate, in the electronic format prescribed by the MSRB, certain updated financial information and operating data pertaining to the Issuer, being the information described in the Pricing Certificate.

(B) Any financial information described in the Pricing Certificate to be provided shall be (i) prepared in accordance with the accounting principles described in the financial statements of the Issuer appended to the Official Statement, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (ii) 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 completed within the period set forth in the Pricing Certificate, then the Issuer shall provide unaudited financial information of the type described in the Pricing Certificate within such period, and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements becomes available.

(C) 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.

(D) All financial information, operating data, financial statements and notices required by this Section to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. 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 (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the SEC.

(iii) Event Notices. The Issuer shall notify 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:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) 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 material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the Issuer;

- (13) 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 of 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; and
- (14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material;
- (15) Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Issuer in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer, and (b) the Issuer intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (a)(ii) of this Section by the time required by subsection (a)(ii).

(iv) Limitations, Disclaimers and Amendments. (A) 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 this Resolution or applicable law that causes the Bonds no longer to be outstanding.

(B) The provisions of this Section are for the sole benefit of the registered owners 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.

(C) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER 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.

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

(E) 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 registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners 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 subsection (b) 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.

(b) If the Bonds are sold by private placement, the Pricing Officer may agree to provide for an undertaking in accordance with the Rule or may agree to provide other public information to the purchaser as may be necessary for the sale of the Bonds on the most favorable terms to the Issuer.

SECTION 35. Method of Amendment. The Issuer hereby reserves the right to amend this Resolution subject to the following terms and conditions, to-wit:

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

(b) Except as provided in paragraph (a) above, a majority of the Registered Owners of Bonds then outstanding 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 Registered Owners 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 Resolution 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 the Bonds necessary for consent to such amendment.

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

(d) Whenever at any time within one year from the date of mailing of such notice the Issuer shall receive an instrument or instruments executed by the Registered Owners of at least a majority in aggregate principal amount of all of the Bonds then outstanding that are required for the amendment (or 100% if such amendment is made in accordance with paragraph (b)), which instrument or instruments shall refer to the proposed amendment and which 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 Resolution pursuant to the provisions of this Section, this Resolution shall be deemed to be modified and amended in accordance with such amendatory Resolution, and the respective rights, duties, and obligations of the Issuer and all Registered Owners of such affected Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the Registered Owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of such consent and shall be conclusive and binding upon all future Registered Owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of said consent by the Registered Owner 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 Registered Owners the required 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 36. Interest Earnings on Bond Proceeds; Use of Premium Received from Sale of Bonds. (a) Interest Earnings. Interest earnings derived from the proceeds that are deposited to the Construction Fund (defined below) shall be retained therein and used for the purposes for which the Bonds were issued, provided that after the completion of such purposes, any amounts remaining therein shall be deposited to the Bond Fund for the Bonds. It is further provided, however, that any interest earnings on bond proceeds that are required to be rebated to the United States of America pursuant to the provisions hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

(b) Use of Bond Premium. The net premium received from the sale of the Bonds, if any, shall be applied as determined by the Pricing Officer in the Pricing Certificate.

(c) Establishment of Construction Fund.

(i) The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 2019 Bonds Construction Fund" (the "Construction Fund") for use by the Issuer for payment of all lawful costs associated with the Projects. Proceeds of the Bonds in the amount determined by the Pricing Officer in the Pricing Certificate shall be deposited into the Construction Fund. Upon payment of all project costs, any moneys remaining on deposit in the Construction Fund shall be transferred to the Bond Fund.

(ii) The Issuer may place proceeds of the Bonds (including investment earnings thereon) and amounts deposited into the Bond Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the Projects.

(iii) All deposits authorized or required by this Resolution shall be secured to the fullest extent required by law for the security of public funds.

SECTION 37. Governing Law. This Resolution shall be construed and enforced in accordance with the laws of the State and the United States of America.

SECTION 38. Severability. If any provision of this Resolution or the application thereof to any circumstance shall be held to be invalid, the remainder of this Resolution and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Resolution would have been enacted without such invalid provision.

EXHIBIT A

FORM OF BOND

(a) The form of the Bond, 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 of Texas to be attached to the Bond, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Resolution and with the Bond to be completed with information set forth in the Pricing Certificate. The Form of Bond as it appears in this **Exhibit A** shall be completed, amended and modified by Bond Counsel to incorporate the information set forth in the Pricing Certificate, but it is not required for the Form of Bond to be reproduced as an exhibit to the Pricing Certificate.

NO. R-1	UNITED STATES OF AMERICA	PRINCIPAL
	STATE OF TEXAS	AMOUNT
	ROCKETT SPECIAL UTILITY DISTRICT	\$1,720,000
	WATER SYSTEM REVENUE BOND,	
	TAXABLE NEW SERIES 2019	

INTEREST	DELIVERY	MATURITY
<u>RATE</u>	<u>DATE</u>	<u>DATE</u>
4.38%	September 26, 2019	July 10, 2049

REGISTERED OWNER: COBANK, ACB

PRINCIPAL AMOUNT: ONE MILLION SEVEN HUNDRED TWENTY THOUSAND DOLLARS

ON THE MATURITY DATE specified above, the ROCKETT SPECIAL UTILITY DISTRICT, being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), the principal amount set forth above, and to pay interest thereon from the Delivery Date specified above on the balance of said principal amount from time to time remaining unpaid (calculated on an Actual/360 basis). This Bond shall finally mature on July 10, 2049, but shall be payable in installments on July 10 in each of the years and in the principal installment amounts, as set forth in the following schedule:

Maturity	Principal
<u>Date</u>	<u>Amount</u>
2020	\$ 45,000
2021	30,000
2022	30,000
2023	30,000
2024	35,000
2025	35,000

2026	35,000
2027	40,000
2028	40,000
2029	40,000
2030	45,000
2031	45,000
2032	50,000
2033	50,000
2034	50,000
2035	55,000
2036	55,000
2037	60,000
2038	60,000
2039	65,000
2040	65,000
2041	70,000
2042	75,000
2043	75,000
2044	80,000
2045	85,000
2046	90,000
2047	90,000
2048	95,000
2049	100,000

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 Issuer shall pay interest on this Bond on January 10, 2020 and on each July 10 and January 10 thereafter to the date of the final maturity hereof or to the date of redemption prior to maturity. The last principal installment of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at final maturity, or upon the date fixed for its redemption prior to maturity, at CoBank, ACB, Greenwood Village, Colorado, which is the "Paying Agent/Registrar" for this Bond. The payment of all other principal installments of and interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each principal and interest payment date by check or draft, dated as of such principal and interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the Bond and the Pricing Certificate executed by the Pricing Officer (together, the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, principal and interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner.

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 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 accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Bond Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bond, 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 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 which 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 dated September 26, 2019, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$1,720,000 for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any Issuer properties, facilities, plants, improvements, equipment, appliances and interests in land relating to the System.

ON JANUARY 10, 2025, or on any date thereafter, the Bond may be redeemed prior to its scheduled maturity, at the option of the Issuer, with funds derived from any available and lawful source, as a whole or in part, and if in part, the particular portions of the Bond to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption, plus a redemption fee of \$300.

UPON THE PREPAYMENT OR PARTIAL REDEMPTION of this Bond, the Paying Agent/Registrar, shall note in the Prepayment Record appearing on this Bond the amount of such prepayment, the date said payment was made and the remaining unpaid principal balance of this Bond and shall then have said entry signed by an authorized official of the Paying Agent/Registrar. The Paying Agent/Registrar shall also record such information in the Registration Books, and the Paying Agent/Registrar shall also record in the Registration Books all payments of principal installments on this Bond when made on their respective due dates.

WITH RESPECT TO ANY OPTIONAL REDEMPTION OF THIS BOND, unless certain prerequisites to such redemption required by the Bond Resolution have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bond to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given

and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bond and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bond has not been redeemed.

THIS BOND IS ISSUED in the form of one fully-registered Bond without coupons in the denomination of \$1,720,000. This Bond may be transferred or exchanged as provided in the Bond Resolution only upon the registration books kept for that purpose at the Paying Agent/Registrar upon surrender of this Bond together with a written instrument of transfer or authorization for exchange satisfactory to the Paying Agent/Registrar and duly executed by the registered owner or his duly authorized attorney, and thereupon a new Bond of the same final maturity and in the denomination of the remaining outstanding principal balance of this Bond taking into account any prior installment payments or redemptions of portions of this Bond shall be issued by the Paying Agent/Registrar to the transferee in exchange therefor as provided in the Bond Resolution, and upon payment of the charges therein prescribed. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with the proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond to the assignee this Bond is to be registered. The Form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond from time to time by the registered owner. In the case of the assignment and transfer of this Bond, the reasonable standard or customary fees and charges of the Paying Agent/Registrar will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment and transfer, as a condition precedent to the exercise of such privilege. The Issuer and the Paying Agent/Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes. The Paying Agent/Registrar shall not be required to make any such transfer or exchange (i) 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 (ii) within 30 days prior to a redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bond is changed by the Issuer, resigns or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution 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.

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 is a special obligation of the Issuer payable solely from and, together with the Previously Issued Bonds (identified and defined in the Bond Resolution), equally and ratably secured by a lien on and pledge of the Pledged Revenues of the System (as defined in the Bond Resolution). The

Bond does not constitute an indebtedness or general obligation of the Issuer. The holder hereof shall never have the right to demand payment of this Bond out of any funds raised or to be raised by taxation. The Issuer has no taxing powers.

THE ISSUER HAS RESERVED AND RETAINED THE RIGHT to issue Additional Parity Bonds payable from and equally and ratably secured by a parity lien on the Pledged Revenues of the System in the same manner and to the same extent as the Parity Bonds, subject to satisfying and complying with certain terms and conditions for the issuance of such Additional Parity Bonds.

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 RESERVED THE RIGHT to amend the Bond Resolution 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 Bond.

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution 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 Resolution constitute a contract between the Registered Owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors 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, Board of Directors
Rockett Special Utility District

(signature)
President, Board of Directors
Rockett Special Utility District

(District Seal)

(b) Form of Paying Agent/Registrar's Authentication Certificate.

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution 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: _____,
Paying Agent/Registrar

By: _____
Authorized Representative

(c) Form of Assignment.

ASSIGNMENT
(Please print or type clearly)

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

Transferee's Social Security or Taxpayer Identification Number: _____

Transferee's name and address, including zip code: _____

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
an eligible guarantor institution participating
in a securities transfer association recognized
signature guarantee program.

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.

(d) Form of Registration Certificate of the Comptroller of Public Accounts.

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

Witness my signature and seal this _____

(COMPTROLLER'S SEAL)

PREPAYMENT RECORD

[illegible]