

Bastrop County

WCID #2

Board Packet

for

November 7, 2023

Special Meeting

**BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
MEETING AGENDA**

TO: THE BOARD OF DIRECTORS OF BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2, BASTROP COUNTY, TEXAS, AND TO ALL OTHER INTERESTED PERSONS:

NOTICE IS HEREBY GIVEN THAT A SPECIAL MEETING OF THE GOVERNING BODY OF THE ABOVE-NAMED POLITICAL SUBDIVISION WILL BE HELD ON NOVEMBER 7, 2023 AT 4:00 P.M. IN THE BOARD ROOM LOCATED AT 112 CORPORATE DRIVE, BASTROP, TX 78602.

MEETING DISCUSSION TOPICS



- 1.) Call to Order and Establish a Quorum – O’Hanlon
- 2.) Salute to Flags – O’Hanlon
- 3.) Public Comments/Announcements (The Board respectfully requests that persons limit comments to three (3) minutes. Under the Open Meeting Act, the Board may not deliberate or take action in response to any matter raised during public comment that is not a separate agenda item.)
- 4.) Consider and act upon matters related to the Bastrop County Water Control and Improvement District No. 2 Revenue Notes, Series 2023 (the “Notes”), including:
 - Review of bids for purchase of the Notes;
 - Award the purchase of the Notes; and
 - Adoption of a resolution authorizing the issuance of the Notes; and providing the terms relating thereto
- 5.) Adjourn

Paul Hightower

Authorized Signature

The Board of Directors may go into Executive Session at any time during the meeting pursuant to the applicable section of Subchapter D, Chapter 551, Texas Government Code, of the Texas Open Meetings Act, on any of the matters set forth on this agenda regardless of whether Executive Session is specifically referenced. No final action, decision or vote will be taken on any subject or matter in Executive Session.

The District is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request. Please call 512-321-1688 for further information.

Agenda

Item #4

Consider and act upon matters related to the Bastrop County Water Control and Improvement District No. 2 Revenue Notes, Series 2023

RESOLUTION AUTHORIZING THE ISSUANCE OF BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2 REVENUE NOTES, SERIES 2023; AND PROVIDING THE TERMS RELATING THERETO

BE IT RESOLVED BY BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2:

ARTICLE I
FINDINGS AND DETERMINATIONS

Section 1.1: Findings and Determinations. It is hereby officially found and determined that the District is authorized by Chapter 49.153, Texas Water Code, as amended, to issue notes payable from the net revenues of its water and wastewater system to provide funds to acquire, construct, improve, renovate, enlarge, or equip property, buildings, structures or related infrastructure for its water and wastewater system.

ARTICLE II
DEFINITIONS AND INTERPRETATIONS

Section 2.1: Definitions. In this Resolution, the following terms shall have the following meanings, unless the context clearly indicates otherwise:

“Act” means Chapter 49.153, Texas Water Code, as amended.

“Additional Parity Obligations” means the additional parity revenue obligations permitted to be issued by the District pursuant to Section 5.1 of this Resolution.

“Attorney General” means the Attorney General of the State of Texas.

“Authorized Denominations” means principal denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof; provided, however, if less than \$100,000 in principal amount of a Note remains outstanding, such term shall refer to the remaining principal balance of such Note.

“Business Day” means any day which is not a Saturday, Sunday, a day on which Registrar is authorized by law or executive order to close, or a legal holiday.

“Closing Date” means the date of the initial delivery of and payment for the Notes.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller” means the Comptroller of Public Accounts of the State of Texas.

“Construction Fund” means the construction fund established by the District pursuant to Section 7.3 of this Resolution.

“District” means the Bastrop County Water Control and Improvement District No. 2, and where appropriate, the Board of Directors thereof and any successor to the District as owner of the System.

“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 and the interest income from the investment or deposit of money in the General Fund, the Debt Service Fund, and the Reserve Fund.

“Initial Note” means the Initial Note authorized by Section 3.4(d).

“Interest Payment Date”, when used in connection with any Note, means June 1, 2024, and each December 1 and June 1 thereafter until maturity or earlier redemption.

“Issuance Date”, with respect to the Notes initially delivered to the Purchaser, means the date on which each such Note is authenticated by the Registrar and delivered to and paid for by the Purchaser. Notes delivered on transfer of or in exchange for other Notes shall bear the same Issuance Date as the Note or Notes in lieu of or in exchange for which the new Note is delivered.

“Maintenance and Operation Expenses” means the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, interest, repairs and extensions necessary to provide efficient service (but only such repairs and extensions as, in the judgment of the governing body of the District, are necessary to (i) keep the System in operation and provide adequate service to the District and its residents, or (ii) respond to a physical accident or condition which would otherwise impair the System), and all payments under contracts now or hereafter defined as operating expenses by law. Depreciation shall not be considered as a Maintenance and Operation Expense.

“Net Revenues” means all Gross Revenues remaining after deducting the Maintenance and Operation Expenses.

“Note” or “Notes” means the Bastrop County Water Control and Improvement District No. 2 Revenue Notes, Series 2023, authorized by this Resolution.

“Owner”, when used with respect to any Note means the person or entity in whose name such Note is registered in the Register. Any reference to a particular percentage or proportion of the Owners mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Notes then outstanding under this Resolution, exclusive of Notes held by the District.

“Parity Obligations” means the Notes, the Previously Issued Parity Obligations, and each series of Additional Parity Obligations from time to time hereafter issued, but only to the extent such Parity Obligations remain outstanding within the meaning of this Resolution.

“Previously Issued Parity Obligations” means the District’s Revenue Notes, Series 2016 and Revenue Notes, Series 2021.

“Private Placement Letter” means that certain Purchase Letter between the District and the Purchaser, as described in Section 7.1 of this Resolution.

“Purchaser” means _____.

“Record Date” means, for any Interest Payment Date, the fifteenth day of the month next preceding such Interest Payment Date.

“Register” means the books of registration kept by the Registrar in which are maintained the names and addresses of, and the principal amounts of the Notes registered to, each Owner.

“Registrar” means _____, and its successors in that capacity.

“Reserve Fund Requirement” means the lesser of (i) the average annual principal and interest requirements on the outstanding Parity Obligations, as determined on the date of issuance of each series of Additional Parity Obligations, and annually following each principal payment date or redemption date for the Previously Issued Parity Obligations, the Notes and any Additional Parity Obligations, as the case may be, and (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 Code and regulations promulgated thereunder.

“Resolution” means this Note Resolution and all amendments hereof and supplements hereto.

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

“SEC” means the United States Securities and Exchange Commission.

“Special Project” means, to the extent permitted by law, any water or wastewater system 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 are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes, Gross Revenues or Net Revenues of the System, 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.

“System” means all works, plants, facilities, improvements and equipment constituting the water and wastewater system of the District, including all future extensions, replacements, betterments, additions, and improvements to the System. The System shall not include any Special Project.

Section 2.2: Interpretations. All terms defined herein and all pronouns used in this Resolution shall be deemed to apply equally to singular and plural and to all genders. The titles

and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Parity Obligations and the validity of the lien on and pledge of the Net Revenues to secure the payment of the Parity Obligations.

ARTICLE III
TERMS OF THE NOTES

Section 3.1: Authorization and Authorized Amount. The Notes shall be issued, pursuant to the Act, in fully registered form in the principal amount of \$2,500,000 for the purposes of: (a) financing the costs to acquire, construct, improve, renovate, enlarge, or equip property, buildings, structures or related infrastructure for the District’s water and wastewater system, and (b) paying the costs of issuing the Notes.

Section 3.2: Designation Date and Interest Payment Dates. The Notes shall be designated as “Bastrop County Water Control and Improvement District No. 2 Revenue Notes, Series 2023,” and shall be dated December 1, 2023. The Notes shall, except as otherwise provided in the form of Notes attached hereto, bear interest at the rate(s) set out in Section 3.3 of this Resolution from the later of the Issuance Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, payable on June 1, 2024, and semiannually thereafter on December 1 and June 1 of each year until maturity or earlier redemption.

Section 3.3: Initial Notes, Numbers and Denominations. The Notes shall be issued in the principal amount(s) and bear interest at the rate(s) set forth in the following schedule, and may be transferred and exchanged as set out in this Resolution. The Notes shall mature on the date(s) and in the amount(s) set out in such schedule. The Initial Note shall be numbered I-1 and all other Notes shall be numbered in sequence beginning with R-1. Notes delivered on transfer of or in exchange for other Notes shall be numbered in order of their authentication by the Registrar, shall be in Authorized Denominations, and shall mature on the same date and bear interest at the same rate as the Note or Notes in lieu of which they are delivered.

<u>Year</u> <u>(December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
20__	\$	____%

Notwithstanding anything to the contrary herein, in the event that: (a) the interest on the Note should cease to be exempt from federal income tax under the Code, or (b) the Note shall no longer be a “qualified tax-exempt obligation” as defined in Section 265(b)(3) of the Code, the Note shall bear interest at such rate as is provided in the form of Notes attached hereto.

Section 3.4: Execution and Registration of Notes.

(a) The Notes shall be signed on behalf of the District by the President or Vice President and countersigned by the Secretary or Assistant Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Notes shall have the same effect as if each of the Notes had been signed manually and in person by each of said officers, and such facsimile seal on the Notes shall have the same effect as if the official seal of the District had been manually impressed upon each of the Notes.

(b) If any officer of the District whose manual or facsimile signature shall appear on the Notes shall cease to be such officer before the authentication of such Notes or before the delivery of such Notes, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Note shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Resolution unless and until there appears thereon the Registrar's Authentication Certificate substantially in the form provided herein, duly authenticated by execution by an officer or duly authorized signatory of the Registrar. In lieu of the executed Registrar's Authentication Certificate described above, the Initial Note delivered at the Closing Date shall have attached hereto the Comptroller's Registration Certificate substantially in the form provided herein, executed by the Comptroller, or by his duly authorized agent, which certificate shall be evidence that the Initial Note has been duly approved by the Attorney General and that it is a valid and binding obligation of the District, and has been registered by the Comptroller.

(d) On the Closing Date, the Initial Note, being a single note representing the entire principal amount of the Notes, payable in stated installments to the Purchaser or its designee, executed by manual or facsimile signature of the President or Vice President and Secretary or Assistant Secretary, approved by the Attorney General, and registered and signed by the Comptroller, shall be delivered to the Purchaser or its designee. Upon payment for the Initial Note, the Registrar shall cancel the Initial Note and deliver definitive Notes to the Purchaser; provided, however that the Purchaser may, in its discretion, elect to retain the Initial Note in lieu of receiving definitive Notes, in which case the Registrar shall not cancel the Initial Note upon payment therefor.

Section 3.5: Payment of Principal and Interest. The Registrar is hereby appointed as the paying agent and registrar for the Notes. The principal of the Notes shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which on the date of payment is legal tender for the payment of debts due the United States of America, as they respectively become due and payable, whether at maturity or earlier redemption, at the principal payment office of the Registrar in _____, _____. The interest on each Note shall be payable on each Interest Payment Date, by check mailed by the Registrar on or before the Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Register.

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

Section 3.6: Successor Registrars. The District covenants that at all times while any Notes are outstanding it will provide a commercial bank or trust company, organized under the laws of the United States or any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to serve as and perform the duties and services of Registrar for the Notes. The District reserves the right to change the Registrar on not less than 60 days written notice to the Registrar, so long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Notes. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

Section 3.7: Special Record Date. If interest on any Note is not paid on any Interest Payment Date and continues unpaid for thirty (30) days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days prior to the Special Record Date, to each affected Owner of record as of the close of business on the day prior to the mailing of such notice.

Section 3.8: Ownership; Unclaimed Principal and Interest. The District, the Registrar and any other person may treat the person in whose name any Note is registered as the absolute owner of such Note for the purpose of making and receiving payment of the principal of or interest on such Note, and for all other purposes, whether or not such Note is overdue, and neither the District nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Note in accordance with this Section shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Note to the extent of the sums paid.

Amounts held by the Registrar which represent principal of and interest on the Notes remaining unclaimed by the Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Registrar in accordance with the applicable provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

Section 3.9: Registration, Transfer, and Exchange. So long as any Notes remain outstanding, the Registrar shall keep the Register at its principal payment office in _____, _____, and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Notes in accordance with the terms of this Resolution.

The Issuance Date of each Note originally delivered to and paid for shall be recorded in the Register.

Subject to the restrictions contained in the Private Placement Letter, each Note may be transferable only upon the presentation and surrender thereof at the principal payment office of the Registrar in _____, _____, duly endorsed for transfer, or accompanied by an assignment duly executed by the registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Note in proper form for transfer, the Registrar shall authenticate and deliver in exchange therefor, within three Business Days after such presentation, a new Note or Notes, registered in the name of the transferee or transferees, in Authorized Denominations and of the same maturity and aggregate principal amount, Issuance Date and bearing interest at the same rate as the Note or Notes so presented.

All Notes shall be exchangeable upon presentation and surrender at the principal payment office of the Registrar in _____, _____, for a Note or Notes of like maturity, Issuance Date and interest rate and in any Authorized Denomination, in an aggregate amount equal to the unpaid principal amount of the Note or Notes presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Notes in accordance with the provisions of this Section. Each Note delivered in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Note or Notes in lieu of which such Note is delivered.

The District or the Registrar may require the Owner of any Note to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Note. Any fee or charge of the Registrar for such transfer or exchange shall be paid by the District.

Section 3.10: Mutilated, Lost, or Stolen Notes. Upon the presentation and surrender to the Registrar of a mutilated Note, the Registrar shall authenticate and deliver in exchange therefor a replacement Note of like maturity, Issuance Date, interest rate, and principal amount, bearing a number not contemporaneously outstanding. If any Note is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Note has been acquired by a bona fide purchaser, shall authorize and the Registrar shall authenticate and deliver a replacement Note of like maturity, Issuance Date, interest rate and principal amount, bearing a number not contemporaneously outstanding.

The District or the Registrar may require the Owner of a mutilated Note to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Registrar. The District or the Registrar may require the Owner of a lost, apparently destroyed or wrongfully taken Note, before any replacement Note is issued, to:

- (a) furnish to the District and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Note;

- (b) furnish such security or indemnity as may be required by the Registrar and the District to save them harmless;
- (c) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and
- (d) meet any other reasonable requirements of the District and the Registrar.

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

If any such mutilated, lost, apparently destroyed or wrongfully taken Note has become or is about to become due and payable, the District in its discretion may, instead of issuing a replacement Note, authorize the Registrar to pay such Note.

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

Section 3.11: Cancellation of Notes. All Notes paid in accordance with this Resolution, and all Notes in lieu of which exchange Notes or replacement Notes are authenticated and delivered in accordance herewith, shall be cancelled and destroyed upon the making of proper records regarding such payment. The Registrar shall furnish the District with appropriate certificates of destruction of such Notes.

Section 3.12: Reserved.

Section 3.13: Optional Redemption. The District reserves the right, at its option, to redeem the Notes maturing on and after December 1, 2028, prior to their scheduled maturities, in whole or in part, on December 1, 2027, or any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

Unless waived by an Owner, notice of any redemption identifying the Notes to be redeemed shall be given by the Registrar at least thirty days prior to the date fixed for redemption by sending written notice by first class mail, postage prepaid, to the Owner of each Note to be redeemed at the address shown on the Register. Such notices shall state the redemption date, the redemption price and the place at which Notes are to be surrendered for payment. Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Registrar for payment of the redemption price of the Notes to be redeemed, plus accrued interest to the date fixed for redemption. When Notes have been called for redemption and due provision

has been made to redeem the same as herein provided, the Notes thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Owners to collect interest which would otherwise accrue after the redemption date on any Note called for redemption shall terminate on the date fixed for redemption.

Section 3.14: Mandatory Redemption. The Notes are subject to mandatory sinking fund redemption as set forth in the form of Notes attached hereto.

Section 3.15: Defeasance. The Notes may be discharged, defeased, redeemed or refunded in any manner now or hereafter permitted by law.

Section 3.16: Forms. The form of the Note, including the form of the Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller, which shall be attached or affixed to the Notes initially issued, shall be, respectively, substantially as attached as Exhibit A hereto, with such additions, deletions and variations as may be necessary or desirable and not prohibited by this Resolution.

ARTICLE IV SECURITY AND SOURCE OF PAYMENT FOR ALL PARITY OBLIGATIONS

Section 4.1: Pledge and Source of Payment. The District hereby covenants and agrees that all Gross Revenues of the System shall be deposited and paid into the special funds established for the Parity Obligations, as provided in this Resolution, and shall be applied in the manner set out herein, to provide for the payment of all Maintenance and Operation Expenses and to provide for the payment of principal, interest and any redemption premium of the Parity Obligations and all expenses of paying, securing and insuring the same. The Parity Obligations shall constitute special obligations of the District that shall be payable solely from, and shall be equally and ratably secured by a first lien on, the Net Revenues, as collected and received by the District, from the operation and ownership of the System, which Net Revenues shall, in the manner herein provided, be set aside for and pledged to the payment of the Parity Obligations in the Debt Service Fund and Reserve Fund as hereinafter provided, and the Parity Obligations shall be in all respects on a parity with and of equal dignity with one another. The holders of the Parity Obligations shall never have the right to demand payment out of any funds raised or to be raised by taxation.

Section 4.2: Rates and Charges. So long as any Parity Obligations remain outstanding, the District shall fix, charge and collect rates and charges for the use and services of the System which are fully sufficient to produce Net Revenues in each fiscal year at least equal to the principal and interest requirements scheduled to occur in such fiscal year on all Parity Obligations then outstanding plus an amount equal to the sum of all deposits required to be made to the Reserve Fund in such fiscal year; but in no event shall Net Revenues ever be less than the amount required to maintain the Debt Service Fund and the Reserve Fund as hereinafter provided, and, to the extent that funds for such purpose are not otherwise available, to pay all other outstanding obligations payable from the Net Revenues of the System, as and when the same become due.

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

Section 4.3: Special Funds. The District's General Operating Fund (the "General Fund") is hereby approved and confirmed and the special funds described below are hereby created; and all such funds shall be maintained and accounted for as hereinafter provided, so long as any Parity Obligations remain outstanding:

(a) Water and Sewer System Revenue Obligations Debt Service Fund (the "Debt Service Fund"); and

(b) Water and Sewer System Revenue Obligations Reserve Fund (the "Reserve Fund").

The General Fund shall be maintained as a separate account on the books of the District. The Debt Service Fund and the Reserve Fund shall be maintained at an official depository bank of the District separate and apart from all other funds and accounts of the District and shall constitute trust funds which shall be held in trust for the benefit of the Owners of the Parity Obligations and the proceeds of which shall be and are hereby pledged to the payment of the Parity Obligations. All of the Funds named above shall be used solely as provided in this Resolution so long as any Parity Obligations remain outstanding.

Section 4.4: Flow of Funds. All Gross Revenues of the System (except for interest and earnings on investments in the Reserve Fund and the Debt Service Fund) shall be deposited as collected into the General Fund. Money from time to time on deposit in the General Fund shall be applied as follows in the following order of priority:

(a) First, to pay Maintenance and Operation Expenses.

(b) Second, to make all deposits into the Debt Service Fund required by each Resolution authorizing the issuance of Parity Obligations.

(c) Third, to make all deposits into the Reserve Fund required by each Resolution authorizing the issuance of Parity Obligations.

(d) Fourth, for any lawful purpose.

Whenever the total amounts on deposit to the credit of the Debt Service Fund and the Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all outstanding Parity Obligations plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Debt Service Fund or the Reserve Fund.

Section 4.5: Debt Service Fund. On or before the last Business Day of each month, so long as any Parity Obligations remain outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses, there shall be transferred into the Debt Service Fund from the General Fund:

(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 Parity Obligations 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 Parity Obligations, including the principal amounts of, and any redemption premium on, any Parity Obligations payable as a result of the exercise or operation of any optional or mandatory redemption provision contained in any Resolution authorizing the issuance of Parity Obligations.

Money deposited to the credit of the Debt Service Fund shall be used solely for the purpose of paying principal (at maturity or prior redemption or to purchase Parity Obligations issued as term obligations in the open market to be credited against mandatory redemption requirements), interest and any redemption premium on the Parity Obligations, plus all bank charges and other costs and expenses relating to such payment. The paying agent shall destroy all paid Parity Obligations and shall provide the District with appropriate certificates of destruction.

Section 4.6: Reserve Fund. The Reserve Fund shall be maintained for the benefit of the owners and holders of the Parity Obligations. There shall be credited to the Reserve Fund any Reserve Fund Obligations so designated by the District. Reserve Fund Obligations in the Reserve Fund shall be used for the purpose of retiring the last of the Parity Obligations as they become due or paying principal of and interest on the Parity Obligations when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose. The Reserve Fund for the Notes shall be accumulated in equal monthly installments over a period of not to exceed sixty (60) calendar months from the date of issuance of the Notes and maintained in an amount at least equal to the Reserve Fund Requirement. The District may, at its option, withdraw and use all surplus in the Reserve Fund over the Reserve Fund Requirement for any lawful purpose not inconsistent with the District's ownership and operation of the System; provided, that should such surplus constitute the proceeds of Parity Obligations, such surplus shall be deposited to the Debt Service Fund. As long as such Reserve Fund contains the Reserve Fund Requirement, no further deposits shall be required to be made into the Reserve Fund, and any excess amounts may be transferred to the General Fund. If the balance in the Reserve Fund is reduced below the Reserve Fund Requirement, due to a draw on the funds, monthly deposits into such Fund shall be resumed and continued in amounts at least equal to one twenty-fourth (1/24th) of the deficiency in the Reserve Fund Requirement until the Reserve Fund again equals the Reserve Fund Requirement. The Reserve Fund shall be used to pay the principal of and interest on the Parity Obligations at any time when there is not sufficient money available in the Debt Service Fund for such purpose and to pay and retire the last Parity Obligations to mature or be redeemed.

The District expressly reserves the right at any time to satisfy all or any part of the Reserve Fund Requirement by obtaining for the benefit of the Reserve Fund a Reserve Fund Surety Policy (as defined below). In the event the District elects to substitute a Reserve Fund Surety Policy for any funded amounts in the Reserve Fund, it may apply any note proceeds thereby released, including investment earnings on such proceeds, to any purposes for which the notes were issued and any other funds thereby released to any purposes for which such funds

may lawfully be used, including the payment of debt service on the Parity Obligations. A Reserve Fund Surety Policy shall be an insurance policy or other credit agreement (as such term is defined by Section 1371.001, Government Code) in a principal amount equal to the portion of the Reserve Fund Requirement to be satisfied and issued by a financial institution or insurance company with a rating for its long term unsecured debt or claims paying ability in the highest letter category by two major municipal securities evaluation sources. A Reserve Fund Surety Policy shall be for the pro rata benefit of all Parity Obligations. The premium for any such policy shall be paid from note proceeds or other funds of the District lawfully available for such purpose. Any Reserve Fund Surety Policy shall be authorized by resolution and submitted to the Attorney General for examination and approval.

Section 4.7: Deficiencies in Funds. If in any month there shall not be deposited into any Fund maintained pursuant to this Article 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 money in the General 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 4.8: Investment of Funds; Transfer of Investment Income.

(a) Money in the General Fund, the Debt Service Fund and the Reserve Fund may, at the option of the District, be invested as permitted by law, including Chapters 2256 and 2257, Texas Government Code; provided that all such deposits and investments shall be made in such manner that the money within each 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 Obligations. Any obligation in which money is so invested shall be kept and held in the Fund from which the investment was made. All such investments shall be promptly sold when necessary to prevent any default in connection with the Parity Obligations.

(b) All interest and income derived from such deposits and investments shall be credited as received to the Fund from which the investment was made.

ARTICLE V
ADDITIONAL OBLIGATIONS

Section 5.1: Additional Parity Obligations. The District reserves the right to issue, for any lawful purpose (including the refunding of any Parity Obligations 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 Obligations payable from and secured by a first lien on the Net Revenues of the System on a parity with the Notes and any previously issued Additional Parity Obligations; provided, however, that no Additional Parity Obligations may be issued unless:

(a) the Additional Parity Obligations mature on, and interest is payable on, the same days of the year as any outstanding Parity Obligations; and

(b) the President of the Board has certified that the District is not then in default as to any covenant, condition or obligation prescribed by any resolution authorizing the issuance of Parity Obligations;

(c) the Reserve Fund shall be accumulated and supplemented as necessary to maintain a sum which shall be not less than the Reserve Fund Requirement. Accordingly, each resolution authorizing the issuance of any series of Additional Parity Obligations shall provide for any required increase in the Reserve Fund, and if supplementation is necessary to meet all conditions of said Reserve Fund, said resolutions shall make provision that the same be supplemented by the required amounts which shall be (i) deposited at the time of delivery of such Additional Parity Obligations; (ii) accumulated in equal monthly installments over a period of not to exceed sixty (60) calendar months from the date of issuance of such Additional Parity Obligations; or (iii) provided by a combination of (i) and (ii);

(d) for either the preceding fiscal year or a 12 consecutive calendar month period ending no more than 90 days prior to adoption of the Resolution authorizing such Additional Parity Obligations, Net Revenues were equal to at least 125% of the average annual principal and interest requirements on all Parity Obligations that will be outstanding after the issuance of the series of Additional Parity Obligations then proposed to be issued, as certified by an engineer, an independent certified public accountant or firm of independent certified public accountants; or

(e) although the District cannot meet the test described in (d) above, a change in the rates and charges applicable to the System has become effective at least sixty (60) days prior to the adoption of the resolution authorizing Additional Parity Obligations and an independent certified public accountant or firm of independent certified public accountants certifies that, had such change in rates and charges been effective for the preceding fiscal year or 12 consecutive calendar month period ending no more than 90 days prior to adoption of said resolution, the Net Revenues for such period would have met the test described in (d) above.

Section 5.2: Subordinate Lien Obligations. 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 Net Revenues that are junior and subordinate to the lien on the Net Revenues securing payment of the Parity Obligations. Such subordinate lien obligations may be further secured by any other source of payment lawfully available for such purpose.

Section 5.3: Special Project Obligations. The District reserves the right to issue revenue obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

ARTICLE VI
COVENANTS AND PROVISIONS
RELATING TO ALL PARITY OBLIGATIONS

Section 6.1: Punctual Payment of Parity Obligations. The District will punctually pay or cause to be paid the interest on and principal of all Parity Obligations 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 any Resolution authorizing the issuance of Parity Obligations.

Section 6.2: Maintenance of System. So long as any Parity Obligations 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 6.3: Sale or Encumbrance of System. So long as any Parity Obligations remain outstanding, the District will not sell, dispose of or, except as permitted in Article V, further encumber the System; provided, however, that this provision shall not prevent the District from disposing of any portion of the System which is being replaced or is deemed by the District to be obsolete, worn out, surplus or no longer necessary 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 6.4: Insurance. The District further covenants and agrees that it will keep the System insured with insurers of good standing against risks, accidents or casualties of the type and to the extent customarily insured against by political subdivisions of the State of Texas operating similar systems, to the extent that such insurance is available. The cost of all such insurance, and any additional insurance carried by the District, 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 Obligations.

Section 6.5: Accounts, Records, and Audits. So long as any Parity Obligations 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 Net Revenues thereof. The District shall after the close of each of its fiscal years 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. All expenses incurred in preparing such audits shall be Maintenance and Operation Expenses.

Section 6.6: 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 6.7: Pledge and Encumbrance of Net Revenues. The District covenants and represents that it has the lawful power to create a lien on and to pledge the Net Revenues to secure the payment of the Parity Obligations and has lawfully exercised such power under the Constitution and laws of the State of Texas. The District further covenants and represents that, other than to the payment of Parity Obligations, Net Revenues are not and will not be 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 Obligations.

Section 6.8: Application of Chapter 1208, Government Code. Chapter 1208, Government Code, applies to the issuance of the Notes and the pledge of the revenues granted by the District under Section 4.1 of this Resolution, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Notes are outstanding and unpaid such that the pledge of the revenues granted by the District under Section 4.1 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Notes the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 6.9: Owners' Remedies. This Resolution shall constitute a contract between the District and the Owners of the Parity Obligations from time to time outstanding (including any bond insurers of Parity Obligations) and shall remain in effect until the Parity Obligations and the interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein (including payments of any amounts due to bond insurers of Parity Obligations). In the event of a default in the payment of the principal of or interest on any of the Parity Obligations or a default in the performance of any duty or covenant provided by law or in this Resolution, the Owner or Owners of any of the Parity Obligations may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the District to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Parity Obligations may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the District under this Resolution, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the Gross Revenues into the special funds herein provided, and the application of the Gross Revenues and the Net Revenues in the manner required in this Resolution.

Section 6.10: Discharge by Deposit. The District may discharge its obligation to the Owners of any or all of the Parity Obligations to pay principal, interest and redemption premium (if any) thereon in any manner now or hereafter permitted by law, including by depositing with any paying agent for such Parity Obligations or with the Comptroller of Public Accounts of the State of Texas either: (i) cash in an amount equal to the principal amount and redemption premium, if any, of such Parity Obligations plus interest thereon to the date of maturity or redemption, or (ii) pursuant to an escrow or trust agreement, cash and/or securities of any type authorized by the laws of the State of Texas, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such Parity Obligations plus interest thereon to the date of maturity or redemption; provided, however, that if any of such Parity Obligations are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the Resolution authorizing such Parity Obligations. Upon such deposit, such Parity Obligations shall no longer be regarded as outstanding or unpaid.

Section 6.11: Paying Agents May Own Parity Obligations. The paying agents for the Parity Obligations, in their individual or any other capacity, may become holders or pledgees of the Parity Obligations with the same rights they would have if they were not paying agents.

Section 6.12: No Recourse Against District Officials. No recourse shall be had for the payment of principal of or interest on any Parity Obligations or for any claim based thereon or on this Resolution against any official of the District or any person executing any Parity Obligations.

ARTICLE VII PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF NOTES

Section 7.1: Sale. The Notes are hereby sold and shall be delivered to the Purchaser at a price of par, subject to the approval of the Attorney General of Texas and Orrick, Herrington & Sutcliffe LLP, Austin, Texas, bond counsel. The President and other appropriate officers, agents and representatives of the District are hereby authorized to execute the Private Placement Letter on behalf of the District and to do any and all things necessary or desirable to satisfy the conditions set out therein and to provide for the issuance and delivery of the Notes and the approving opinion of the Attorney General of Texas.

Section 7.2: Federal Income Tax Exclusion. The District intends that the interest on the Notes shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended, (the “Code”) and all applicable temporary, proposed and final regulations (the “Regulations”) and procedures promulgated thereunder and applicable to the Notes. For this purpose, the District covenants that it will monitor and control the receipt, investment, expenditure and use of all gross proceeds of the Notes (including all property, the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Notes) and take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause the interest on the Notes to be and remain excludable from the

gross income, as defined in Section 61 of the Code, of the owners of the Notes for federal income tax purposes. Without limiting the generality of the foregoing, the District shall comply with each of the following covenants:

(a) The District shall not use, permit the use of or omit to use gross proceeds, as such term is defined in Section 1.148-1(b) of the Regulations (“Gross Proceeds”), of the Notes or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which, if made or omitted, respectively, would cause the interest on any Note to become includable in the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the District shall have received a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Note, the District shall comply with each of the specific covenants in this Section.

(b) Except as permitted by Section 141 of the Code and the regulations and rulings thereunder, the District shall, at all times prior to the last stated maturity of the Notes,

(i) exclusively own, operate, and possess all property the acquisition, construction, or improvement of which is to be financed directly or indirectly with Gross Proceeds of such series of the Notes and not use or permit the use of such Gross Proceeds or any property acquired, constructed, or improved with such Gross Proceeds in any activity carried on by any person or entity other than a state or local government, unless such use is solely as a member of the general public, or

(ii) not directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds of such series of the Notes or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with such Gross Proceeds unless either (i) such use is merely as a member (and, except possibly for the amount of use and any corresponding rate adjustment, is extended by the District on the same terms as to all other members) of the general public or (ii) such charge or payment consists of taxes of general application within the District or interest earned on temporary Investments acquired with Gross Proceeds pending application of such Gross Proceeds for their intended purposes.

(c) Except to the extent permitted by Section 141 of the Code and the regulations and rulings thereunder, the District shall not use Gross Proceeds of the Notes to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be “loaned” to a person or entity if (1) property acquired, constructed or improved with Gross Proceeds (including property financed with Gross Proceeds of the Notes is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or

arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or such property are otherwise transferred in a transaction which is the economic equivalent of a loan.

(d) Except to the extent permitted by Section 148 of the Code and the regulations and rulings thereunder, the District shall not, at any time prior to the earlier of the final stated maturity or final payment of the Notes, directly or indirectly invest Gross Proceeds of such Notes in any Investment (or use such Gross Proceeds to replace money so invested), if as a result of such investment the yield of all Investments allocated to such Gross Proceeds whether then held or previously disposed of, exceeds the yield on the Notes.

(e) Based on all of the facts and estimates now known or reasonably expected to be in existence on the date the Notes are delivered, the District reasonably expects that the proceeds of the Notes (to the extent any of such proceeds remain unexpended) will not be used in a manner that would cause the Notes or any portion thereof to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(f) At all times while the Notes are outstanding, the District will identify and properly account for all amounts constituting gross proceeds of the Notes in accordance with the Regulations. The District will monitor the yield on the investments of the proceeds of the Notes and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Notes. To the extent necessary to prevent the Notes from constituting “arbitrage bonds,” the District will make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments, as such term is defined in Section 148(f)(b)(A) of the Code (“Nonpurpose Investments”), allocable to the Notes to be less than the yield that is materially higher than the yield on the Notes.

(g) The District will not take any action or knowingly omit to take any action, if taken or omitted, would cause the Notes to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(h) The District covenants that not more than fifty percent (50%) of the proceeds of the Notes will be invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the District reasonably expects at the time the Notes are issued that at least eighty-five percent (85%) of the spendable proceeds of the Notes will be used to carry out the governmental purpose of the Notes within the three-year period beginning on the date the Notes are issued.

(i) The District will take all necessary steps to comply with the requirement that certain amounts earned by the District on the investment of the gross proceeds of the Notes, if any, be rebated to the federal government within thirty (30) days after each Computation Date. Specifically, the District will (i) maintain records regarding the receipt, investment and expenditure of the gross proceeds of the Notes as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the District allocable to other obligations of the District or moneys which do not represent gross proceeds of any obligations of the District and retain such records for at least six years after the

day on which the last outstanding Note is discharged, (ii) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid, in whole or in part, the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of the gross proceeds, (iii) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the gross proceeds of the Notes and (iv) timely pay, as required by applicable Regulations, all amounts required to be rebated to the federal government. In addition, the District will exercise reasonable diligence to assure that no errors are made in the calculations required by the preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including payment to the federal government of any delinquent amounts owed to it, including interest thereon and penalty.

(j) The District will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Notes that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in smaller profit or a larger loss than would have resulted if such arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(k) The District will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Notes on such form and in such place as the Secretary may prescribe.

(l) The District will not issue or use the Notes as part of an "abusive arbitrage device" (as defined in Section 1.148-10(a) of the Regulations). Without limiting the foregoing, the Notes are not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, by (i) enabling the District to exploit the difference between tax exempt and taxable interest rates to gain a material financial advantage, or (ii) increasing the burden on the market for tax-exempt obligations.

(m) Proper officers of the District charged with the responsibility for issuing the Notes are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the Issue Date and stating whether there are facts, estimates or circumstances that would materially change the District's expectations. On or after the Issue Date, the District will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(n) The covenants and representations made or required by this Section are for the benefit of the holders of the Notes and any subsequent holders of the Notes, and may be relied upon by the holders of the Notes and any subsequent holders of the Notes and bond counsel to the District.

(o) The District hereby designates the Notes as “qualified tax-exempt obligations” as defined in Section 265(b)(3) of the Code. In connection therewith, the District represents (a) that the aggregate amount of tax-exempt obligations issued by the District during calendar year 2023, including the Notes, which have been designated as “qualified tax-exempt obligations” under section 265(b)(3) of the Code does not exceed \$10,000,000, and (b) that the reasonably anticipated amount of tax-exempt obligations which will be issued by the District during calendar year 2023, including the Notes, will not exceed \$10,000,000. For purposes of this Section, the term “tax-exempt obligation” does not include “private activity bonds” within the meaning of section 141 of the Code, other than “qualified 501(c)(3) bonds” within the meaning of section 145 of the Code. In addition, for purposes of this Section, the District includes all entities which are aggregated with the District under the Code.

In complying with the foregoing covenants, the District may rely upon an unqualified opinion issued to the District by nationally recognized bond counsel that any action by the District or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Notes to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Resolution, the District’s representations and obligations under the covenants and provisions of this Section 7.2 shall survive the defeasance and discharge of the Notes for as long as such matters are relevant to the exclusion of interest on the Notes from the gross income of the owners for federal income tax purposes.

Section 7.3: Construction Fund. There is hereby created and established a special fund of the District, to be known as the “Bastrop County Water Control and Improvement District No. 2, Revenue Notes, Series 2023 Construction Fund”, which shall be established at an official depository of the District and kept separate and apart from other funds of the District. The proceeds of the Notes, as received, shall be deposited in the Construction Fund. Money on deposit in the Construction Fund shall be used only for the purposes set forth in Section 3.1 of this Resolution, including paying costs of issuance. Money on deposit in the Construction Fund, may, at the option of the District, be invested as permitted by Texas law, including Chapter 2256, Texas Government Code, as amended; provided that all such deposits and investments shall be made in such manner that the money required to be expended from the Construction Fund will be available at the proper time or times. So long as any Notes remain outstanding, all monies on deposit in, or credited to, the Construction Fund shall be secured as provided by Texas law. All interest and income derived from such deposits and investments shall be used for the purposes set forth in Section 3.1 of this Resolution, including paying the costs of issuing the Notes; provided, however, that, the District may transfer such interest and income to the Debt Service Fund.

Section 7.4: Funding of Reserve Fund Requirement. The increase in the Reserve Fund Requirement due to the issuance of the Notes in the amount of \$_____ shall be accumulated in equal monthly installments of \$_____ over a period of sixty (60) calendar months from the date of issuance of the Notes. The President of the of the Board of Directors and all other appropriate officials of the District are hereby authorized and directed to make such transfers as are necessary to satisfy requirement.

ARTICLE VIII
NO CONTINUING DISCLOSURE UNDERTAKING

Section 8.1: No Continuing Disclosure Undertaking. The District is not entering into a continuing disclosure undertaking with respect to the Notes, under Rule 15c2-12(b) of the United States Securities and Exchange Commission. However, unless otherwise available electronically through the Municipal Securities Rulemaking Board (or its successor), the District will provide the Purchaser a copy of the District's audited financial statements upon written request. If audited financial statements of the District are unavailable on or before such time, the District agrees to provide unaudited financial statements to the Purchaser and to thereafter provide audited financial statements to the Purchaser promptly upon their availability.

ARTICLE IX
MISCELLANEOUS

Section 9.1: Further Proceedings. The President and Secretary of the Board of Directors and other appropriate officials of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Resolution.

Section 9.2: Severability. If any Section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 9.3: Paying Agent/Registrar Agreement. The form of agreement setting forth the duties of the Registrar is hereby approved, and an appropriate official of the District is hereby authorized to execute such agreement for and on behalf of the District.

Section 9.4: No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Notes or for any claim based thereon, or on this Resolution, against any official or employee of the District or any person executing any Notes.

Section 9.5: Parties Interested. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Registrar and the Owners of the Notes, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Resolution shall be for the sole and exclusive benefit of the District, the Registrar and the Owners of the Notes.

Section 9.6: Repealer. All orders and resolutions, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

Section 9.7: Open Meeting. It is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public, and that public notice of the time, place and purpose of said meeting was given, all as required by the Texas Open Meetings Act.

Section 9.8: Effective Date. This Resolution shall take effect upon its passage.

[Execution Page Follows.]

PASSED AND APPROVED this November 7, 2023.

**BASTROP COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 2**

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

EXHIBIT A
Form of Note

(a) FORM OF NOTE

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF BASTROP

**REGISTERED
NO.**

_____ ¹

**REGISTERED
DENOMINATION**

\$ _____

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
REVENUE NOTE, SERIES 2023

INTEREST RATE: _____% **MATURITY DATE:** December 1, 20__ **DATED DATE:** December 1, 2023 **ISSUANCE DATE:** December __, 2023

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

Bastrop County Water Control and Improvement District No. 2, a political subdivision of the State of Texas (herein the “District”) for value received, promises to pay, but solely from certain Net Revenues as hereinafter provided, to the registered owner identified above or registered assigns, on the maturity date specified above, at _____, or its successor (the “Registrar”), at its principal payment office in _____, _____, the principal amount identified above, in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay, solely from such Net Revenues, interest thereon at the rate shown above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of the Issuance Date or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this Note is payable by check on June 1 and December 1, beginning on June 1, 2024, mailed to the registered owner as shown on the books of registration kept by the Registrar as of the fifteenth day of the month next preceding each interest payment date.

THIS NOTE IS ONE OF A DULY AUTHORIZED SERIES OF NOTES aggregating \$2,500,000 (the “Notes”), issued for the purpose of financing the costs to acquire, construct, improve, renovate, enlarge, or equip property, buildings, structures or related infrastructure for the District’s water and wastewater system and the costs of issuing the Notes, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Section 49.153, Texas Water Code, as amended, and pursuant to a resolution adopted by the Board of Directors of the District (the “Resolution”), which Resolution is of record in the District’s official minutes.

¹ The Initial Note shall be numbered I-1 and all other Note shall be numbered in sequence beginning with R-1.

THE DISTRICT RESERVES THE RIGHT to redeem, at its option, the Notes maturing on and after December 1, 2028, in whole or in part, on December 1, 2027, or any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. Reference is made to the Resolution for complete details concerning the manner of redeeming the Notes.

[The Notes shall also be subject to mandatory sinking fund redemption prior to their scheduled maturities in the following amounts, on December 1 in each of the following years, at a price equal to the principal amount thereof and accrued and unpaid interest to the date of redemption without premium:

<u>TERM NOTES MATURING DECEMBER 1, 20__</u>		
Mandatory Redemption Date (December 1)	Principal Amount	Redemption Price
20__	\$	__%

20__*

* Final Maturity]

NOTICE OF ANY REDEMPTION shall be given at least thirty (30) days prior to the date fixed for redemption by first class mail, addressed to the registered owners of each Note to be redeemed in whole at the address shown on the books of registration kept by the Registrar. When Notes have been called for redemption, and due provision has been made to redeem the same, the principal amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the amounts called for redemption shall terminate on the date fixed for redemption.

THIS NOTE IS TRANSFERABLE only upon presentation and surrender at the principal payment office of the Registrar in _____, _____, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, subject to the terms and conditions of the Resolution.

THE NOTES ARE EXCHANGEABLE at the principal payment office of the Registrar in _____, _____, for notes in any Authorized Denomination, subject to the terms and conditions of the Resolution.

THIS NOTE AND THE SERIES OF WHICH IT IS A PART are special obligations of the District that are payable from and are equally and ratably secured by a first lien on the revenues of the District's water and wastewater system remaining after deduction of the reasonable operation and maintenance expenses of that system (the "Net Revenues"), as defined and provided in the Resolution, which Net Revenues are required to be set aside and pledged to the payment of the Notes and all additional notes issued, on a parity therewith, in the Debt Service Fund and the Reserve Fund maintained for the payment of all such notes, all as more fully described and provided for in the Resolution. This Note and the series of which it is a part, together with the interest thereon, are payable solely from such Net Revenues and do not constitute an indebtedness or general obligation of the District. The holder of this obligation is not entitled to demand payment of this obligation out of any money raised by taxation.

THE DISTRICT HAS RESERVED THE RIGHT to issue additional parity revenue notes, subject to the restrictions contained in the Resolution, which may be equally and ratably payable from, and secured by a first lien on and pledge of, the Net Revenues in the same manner and to the same extent as this Note and the series of which it is a part.

IT IS HEREBY DECLARED AND REPRESENTED that this Note has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance and delivery of this Note have been performed, existed, and been done in accordance with law; that the Notes do not exceed any statutory limitation; and that provision has been made for the payment of the principal of and interest on this Note and all of the Notes by the creation of the aforesaid lien on and pledge of the Net Revenues.

Notwithstanding any of the foregoing, this Note may only be transferred in whole and not in part and only to (x) an affiliate of the Purchaser, (y) a trust or custodial arrangement established by the Purchaser or one of its affiliates, the owners of the beneficial interests in which are limited to qualified institutional buyers, as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the "1933 Act"), or (z) an entity that is both a qualified institutional buyer and a commercial bank having capital and surplus, determined as of the date of any transfer of the Note, of \$10,000,000 or more that has executed and delivered to the District a Private Placement Letter in a form acceptable to the District.

In the event the interest on the Note should cease to be exempt from federal income tax under the Code, the Note shall bear interest during the period that such interest is not so exempt (which shall be retroactive to the date interest on such Note ceases to be exempt from federal income tax under the Code) at a rate of ____%. In the event the Note shall no longer be a "qualified tax-exempt obligation" as defined in Section 265(b)(3) of the Code, the Note shall bear interest during the period that the Note is not eligible for such designation (which shall be retroactive to the date such Note ceases to be qualified as a "qualified tax-exempt obligation") at a rate of ____%.

IN WITNESS WHEREOF, this Note has been signed with the manual or facsimile signature of the President or Vice President of the Board of Directors and countersigned with the manual or facsimile signature of the Secretary or Assistant Secretary of the Board of Directors, and the official seal of the District has been duly impressed, or placed in facsimile, on this Note.

[Signature page follows]

**BASTROP COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 2**

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

(b) FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE²

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

WITNESS MY SIGNATURE AND SEAL this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

² Only included on Initial Note.

(c) **FORM OF AUTHENTICATION CERTIFICATE**

AUTHENTICATION CERTIFICATE

It is hereby certified that this Note has been delivered pursuant to the Resolution described in the text of this Note.

_____, as Registrar

By: _____

Authorized Signature

Date of Authentication: _____

(d) FORM OF ASSIGNMENT

ASSIGNMENT

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

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

(Please insert Social Security or Taxpayer Identification Number of Transferee)
the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints
attorney to transfer said Note on the books kept for registration thereof, with full power of
substitution in the premises.

DATED: _____

Signature Guaranteed:

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

Registered Owner

NOTICE: The signature above must
correspond to the name of the registered
owner as shown on the face of this Note in
every particular, without any alteration,
enlargement or change whatsoever.

(e) The Initial Note shall be in the form set forth in paragraphs (a), (b) and (d) of this Section, except for the following alterations:

- (i) immediately under the name of the Note, the headings “INTEREST RATE” and “MATURITY DATE” shall both be completed with the words “As Shown Below”;
- (ii) in the first paragraph of the Note, the words “on the maturity date specified above,” and “at the rate shown above” shall be deleted and the following shall be inserted at the end of the first sentence “..., with such principal to be paid in installments on December 1 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:

[Information to be inserted from schedule in the Note Resolution]; and

- (iii) the Initial Note shall be numbered I-1.