

Attachment C

(Proposed Bond Resolution)

ORDER AUTHORIZING THE ISSUANCE OF "SHADY HOLLOW MUNICIPAL UTILITY DISTRICT UNLIMITED TAX BONDS, SERIES 2011"; ENTERING INTO A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT; AND OTHER MATTERS RELATING THERETO

WHEREAS, the Shady Hollow Municipal Utility District (the "District") was originally created as the Southwest Travis County Municipal Utility District No. 1 by order of the Texas Water Commission, a predecessor agency of the Texas Commission on Environmental Quality (the "Commission") on December 15, 1980 and has been organized, created, and established pursuant to the laws of the State of Texas as a conservation and reclamation district and political subdivision of the State of Texas under Article XVI, Section 59 of the Texas Constitution, and operates pursuant Chapters 49 and 54, Texas Water Code, as amended;

WHEREAS, on October 20, 1995, the Commission approved the change in name of the District to "Shady Hollow Municipal Utility District";

WHEREAS, pursuant to Section 49.351 of the Texas Water Code, as amended, the District, as the provider of potable water and sewer service to household users, desires to establish, operate, and maintain a fire department to perform all fire-fighting services (as defined in Section 49.351(k) of the Texas Water Code, as amended) within the District, and to issue bonds, with voter approval, to finance a fire protection plan (the "Plan"), to include the construction and purchase of necessary buildings, facilities, and land;

WHEREAS, the District sought and received approval from the Commission for the Plan which calls for the District to purchase land and finance the design and construction of a fire station to be operated by the Manchaca Volunteer Fire Department under contract with the Travis County Emergency Services District No. 5 (the "ESD");

WHEREAS, at an election duly called and held for and within the District on May 7, 2005, more than a majority of the duly qualified resident electors of the District participating in such election approved the Plan and authorized the Board of Directors (the "Board") of the District to issue bonds in the maximum amount of \$3,500,000 (the "Bond Authorization") for the purpose of purchasing land and financing the design and construction of a new fire station (the "Project"), and to provide for the payment of the principal of and interest on such bonds by the levy and collection annually of a sufficient tax upon all taxable property within said District for such a period of time as the Board determines;

WHEREAS, the District and the ESD entered into that certain "Contract for Fire Fighting Services and Lease Agreement for Fire Station" dated as of May 15, 2008, whereby the ESD has agreed to lease the Project from the District in order to provide enhanced fire-fighting services to residents of the District;

WHEREAS, by order issued on August 15, 2008, as extended by letters dated _____, 2009 and _____, 2010, the Commission approved the issuance by the District of \$3,500,000 principal amount of bonds for the design and construction of the Project, upon the terms and conditions as outlined in such order (the "Commission Order");

WHEREAS, the District has not received notice from the Commission that a petition was received with respect to the Commission Order;

WHEREAS, the Board of Directors now desires to issue \$3,500,000 in bonds to finance the Project to serve District residents;

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF SHADY HOLLOW MUNICIPAL UTILITY DISTRICT THAT:

Section 1. Authorization of the Bonds. There is hereby ordered to be issued, under and by virtue of the laws of the State of Texas, including particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, a series of bonds of the District to be known as "SHADY HOLLOW MUNICIPAL UTILITY DISTRICT UNLIMITED TAX BONDS, SERIES 2011" in the total amount of \$3,500,000 (the "Bonds"), payable from ad valorem taxes as provided in this Order, for the purposes described in the "Form of Bonds" contained in Section 3 hereof.

Section 2. Date, Denominations, Numbers, and Maturities of and Interest on the Bonds. The Bonds shall be dated as of [____], 2011, and interest shall commence to accrue on the Bonds on such date. The Bonds shall be issued in denominations of \$5,000 and integral multiples thereof, shall be issued in the principal amounts hereinafter stated, shall be numbered I-1 for the Initial Bond (the "Initial Bond") and consecutively from R-1 upward for the definitive Bonds, and shall be payable to the Initial Purchaser (hereinafter defined) or to the registered owner, beneficial owner, assignee or assignees of the Bonds or any portion or portions thereof (in each case, the "Owner").

The Bonds shall mature on September 1 in each of the years and in the amounts and bear interest at the rates as set forth in the following schedule:

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL MATURING</u>	<u>INTEREST RATE</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL MATURING</u>	<u>INTEREST RATE</u>
2011	\$145,000	%	2020	\$190,000	%
2012	120,000		2021	200,000	
2013	125,000		2022	210,000	
2014	135,000		2023	225,000	
2015	140,000		2024	240,000	
2016	150,000		2025	255,000	
2017	160,000		2026	270,000	
2018	170,000		2027	285,000	
2019	180,000		2028	300,000	

Section 3. General Characteristics and Form of the Bonds. The Bonds shall be issued, shall be payable, may be redeemable prior to their scheduled maturities, shall have the characteristics, and shall be signed and executed (and the Bonds shall be sealed) all as provided, and in the manner indicated in the form set forth below. The Form of the Bonds, the Form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and manually endorsed on the Initial Bond, the Form of the Authentication Certificate, [the Form of Statement of Insurance, if any,] and the Form of Assignment, which shall be, respectively, substantially as follows, with necessary and appropriate variations, omissions, and insertions as permitted or required by this Order, and the definitions contained with each such form shall apply solely to such form:

FORM OF BONDS

United States of America
State of Texas

SHADY HOLLOW MUNICIPAL UTILITY DISTRICT UNLIMITED TAX BONDS, SERIES 2011

NUMBER
R- _____
REGISTERED

DENOMINATION
\$ _____
REGISTERED

INTEREST
RATE _____
%

DATED
DATE _____, 2011

MATURITY
DATE _____

CUSIP NO. _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

(\$ _____)

SHADY HOLLOW MUNICIPAL UTILITY DISTRICT (the "District"), a political subdivision of the State of Texas, promises to pay to the Registered Owner, specified above, or if this Bond is in a securities depository system, the beneficial owner or registered assignees (the "Owner") on the Maturity Date, specified above, upon presentation and surrender of this Bond at the designated payment office of _____, Texas], or its successor (the "Paying Agent/Registrar"), the Principal Amount, specified above, in lawful money of the United States of America, and to pay interest thereon at the Interest Rate, specified above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of the Dated Date, specified above, or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this Bond is payable by check or draft on [September 1, 2011] and each March 1 and September 1 thereafter, mailed to the Owner of record as shown on the books of registration kept by the Paying Agent/Registrar (the "Register"), as of the date which is the 15th calendar day of the month next preceding the interest payment date (the "Record Date"), or in such other manner as may be acceptable to the Owner and the Paying Agent/Registrar at the risk and expense of the Owner. Notwithstanding the above paying procedures, upon written request to the District and the Paying Agent/Registrar, the Owner of at least \$1,000,000 in principal amount may receive all payments of principal and interest hereon by wire transfer on each payment date. CUSIP number identification with appropriate dollar amount of payment pertaining to each CUSIP number (if more than one CUSIP number) must accompany all payments of interest and principal, whether by check or wire transfer. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment thereof have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due payment (the "Special Payment Date", which shall be 15 calendar days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of the Owner appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. The District covenants with the Owner that no later than each principal installment payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bond, when due, in the manner set forth in the Order defined below.

THIS BOND is one of a series of Bonds, dated as of the Dated Date (the "Bonds"), of like designation and tenor, except as to number, interest rate, denomination, and maturity issued pursuant to the Order adopted by the Board of Directors of the District (the "Board") on [____], 2011 (the "Order"), in the original aggregate principal amount of \$3,500,000 for the purpose of financing the purchase, construction, or acquisition of a fire station, including any extensions and property rights relating thereto, and to pay costs of issuance of the Bonds by virtue of the laws of the State of Texas, including particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH PROVISIONS SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH IN THIS SPACE.

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

SHADY HOLLOW MUNICIPAL UTILITY DISTRICT

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

Secretary, Board of Directors

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

President, Board of Directors

(DISTRICT SEAL)

FORM OF FIRST THREE PARAGRAPHS OF BACK PANEL OF BOND

THE DISTRICT RESERVES THE RIGHT, at its option, to redeem the Bonds maturing on or after September 1, 2018 prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on September 1, 2017 or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption from the most recent interest payment to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the Board. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bond or portions thereof to be redeemed will be selected by the Paying Agent/Registrar by such random method as the Paying Agent/Registrar shall deem fair and appropriate.

[THE BONDS maturing in [____], [____], and [____] (the "Term Bonds") shall be subject to mandatory sinking fund redemption, in whole or in part (at a redemption price equal to the principal amount thereof and any accrued interest thereon to the date set for redemption), on September 1 in each of the years and in the amounts set forth below:

<u>Bonds Maturing [____]</u>		<u>Bonds Maturing [____]</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
	\$		\$
	\$	XXXX (final maturity)	\$
xxxx (final maturity)			

<u>Bonds Maturing []</u>	
<u>Year</u>	<u>Amount</u>
	\$
	\$
	\$
XXXX (final maturity)	\$

At least 30 days prior to the mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select at random the Term Bonds to be redeemed. Any Term Bonds not selected for prior redemption shall be paid on the date of final maturity. To the extent, however, that the Term Bonds of a maturity which at least 45 days prior to a mandatory redemption date (i) have been previously purchased by the District and delivered to the Paying Agent/Registrar for cancellation or (ii) called for optional redemption in part and other than from a sinking fund redemption payment, the annual sinking fund payments therefore shall be reduced by the amount obtained by multiplying the principal amount of the Term Bonds of such maturity so purchased or redeemed by the ratio which each remaining annual sinking fund redemption payment therefore bears to the total sinking fund payments for such maturity, and by rounding each such payment to the nearest \$5,000 integral.]

IF A BOND SUBJECT TO REDEMPTION is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

NOTICE OF ANY REDEMPTION identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar upon direction of the District at least 30 days prior to the date fixed for redemption by sending written notice by first class mail, overnight delivery, or other comparably secure means, to the Owner of each Bond to be redeemed, in whole or in part, at the address shown on the Register. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile. Any notice given 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 Paying Agent/Registrar for the payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, such Bonds or portions 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 Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

IF THE DATE for the payment of the principal of or interest on this Bonds shall be a Saturday, a 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 business day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

THE BONDS are issued pursuant to the Order whereunder the District covenants to levy a continuing, direct, annual ad valorem tax on taxable property within the District, without legal limitation as to rate or amount, for each year while any part of the Bonds are considered outstanding under the provisions of the Order, in a sufficient amount to pay interest on each Bond as it becomes due, to provide for the payment of the principal or maturing amounts, as appropriate, of the Bonds when due, and to pay

the expenses of assessing and collecting such tax. The Bonds are further payable from and secured by a pledge of and lien on surplus revenues, if any, available to the District from the lease of the fire station after payment of any or all operation and maintenance costs relating to the fire station. Reference is hereby made to the Order for provisions with respect to the custody and application of the District's funds, remedies in the event of a default hereunder or thereunder, and the other rights of the Owner.

THE DISTRICT HAS EXPRESSLY RESERVED THE RIGHT IN THE ORDER to issue any authorized but unissued bonds, and any additional bonds, notes, or other obligations as may hereafter be approved by the District, payable wholly or in part, as appropriate, from ad valorem taxes levied by the District on taxable property located within the District, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing laws or otherwise. The District has also expressly reserved the right to issue any bonds, notes, or other obligations payable from and secured by, in whole or in part by a pledge of and lien on Surplus Revenues that may be prior and superior in right to, on a parity with, or junior and subordinate to, the pledge of Surplus Revenues securing the Bonds.

THIS BOND IS TRANSFERABLE OR EXCHANGEABLE only upon presentation and surrender at the designated payment office of the Paying Agent/Registrar in [_____, Texas]. If a Bond is being transferred, it shall be duly endorsed for transfer or accompanied by an assignment duly executed by the Owner, or his authorized representative, subject to the terms and conditions of the Order. If a Bond is being exchanged, it shall be in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Order. The Owner of this Bond shall be deemed and treated by the District and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the District and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular and due time, form, and manner, as required by law; that provision has been made for the payment of the principal of and interest on, or maturing amounts of (as appropriate) the Bonds by the levy of a continuing, direct, annual ad valorem tax upon taxable property within the District without legal limitation as to rate or amount, and by the pledge of and lien on Surplus Revenues, if any; and that issuance of the Bonds does not exceed any constitutional or statutory limitation.

BY BECOMING the Owner of this Bond, the Owner thereby acknowledges all of the terms and provisions of the Order, agrees to be bound by such terms and provisions, and agrees that the terms and provisions of this Bond and the Order constitute a contract between each Owner and the District.

* * *

The Initial Bond shall be in the form set forth above for each definitive Bond, except the following shall replace the heading and the first paragraph:

NO. 1-1

United States of America

\$3,500,000

State of Texas

SHADY HOLLOW MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS, SERIES 2011

Dated Date: [] 1, 2011

Registered Owner: []

Principal Amount: THREE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$3,500,000)

SHADY HOLLOW MUNICIPAL UTILITY DISTRICT (the "District" or "Issuer"), for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner, specified above, if this Bond is in a securities depository system, the beneficial owner or the registered assigns thereof (the "Owner"), the Principal Amount, specified above, with principal installments payable on September 1 in each of the years, and bearing interest at per annum rates in accordance with the following schedule:

<u>YEARS OF</u> <u>STATED MATURITIES</u>	<u>PRINCIPAL</u> <u>INSTALLMENTS</u> \$	<u>INTEREST</u> <u>RATES</u> %
---------------------------------------------	-----------------------------------------------	--------------------------------------

(Information to be inserted from schedule in Section 2 hereof.)

INTEREST on the unpaid Principal Amount hereof from the Dated Date, specified above, or from the most recent interest payment date to which interest has been paid or duly provided for until the Principal Amount has become due and payment thereof has been made or duly provided for shall be paid computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on March 1 and September 1 of each year, commencing [September 1, 2011].

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 final payment of principal of this Bond shall be paid to the Owner hereof upon presentation and surrender of this Bond at final maturity, at the designated payment trust office of [], Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of principal installments and interest on this Bond shall be made by the Paying Agent/Registrar to the Owner hereof as shown by the Registration Books kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the interest payment date (the "Record Date") by check or drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required 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, postage prepaid, on each such payment date, to the Owner hereof at its address as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment thereof have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due payment (the "Special Payment Date", which shall be 15 calendar days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of the Owner appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. The District covenants with the Owner that no later than each principal installment payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide

for the payment, in immediately available funds, of all principal of and interest on this Bond, when due, in the manner set forth in the Order defined below.

* * *

**FORM OF REGISTRATION CERTIFICATE OF THE COMPTROLLER OF PUBLIC
ACCOUNTS (TO BE PRINTED ON OR ATTACHED TO THE INITIAL BOND ONLY)**

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

Witness my signature and seal this _____.

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

FORM OF AUTHENTICATION CERTIFICATE

AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Order described on the face of this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue 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.

_____, Texas], as Paying Agent/Registrar

Dated _____

By _____
Authorized Representative

[FORM OF STATEMENT OF INSURANCE]

[STATEMENT OF INSURANCE]

[INSERT STATEMENT OF INSURANCE IF APPLICABLE; DELETE IF NOT APPLICABLE]

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

/ _____ /
(Please insert Social Security or Taxpayer Identification of Transferee) (Please print name and address, including zip code, of Transferee)

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

Dated: _____

Signature Guaranteed:

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

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

The following abbreviations, when used in the Assignment above or on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)

under Uniform Gifts to Minors Act _____
(State)

Additional abbreviations may also be used though not in the list above.

END OF FORMS

In case any officer of the District whose manual or facsimile signature shall appear on any Bond shall cease to be such officer before the delivery of any such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery. Any Bond which bears the facsimile signature of such person who at the actual time of the delivery of such Bond shall be an officer authorized to sign such Bond, but who at the date of such Bonds was not such an officer, shall be validly and sufficiently signed for such purpose as if such person had been such officer as the date of such Bond.

Section 4. Definitions. In addition to other words and terms defined in this Order (except those defined and used in Section 3, and unless a different meaning or intent clearly appears in the context, the following words and terms shall have the following meanings, respectively:

“Board” means the duly constituted Board of Directors of the Shady Hollow Municipal Utility District, or any successor thereto.

“Bond Authorization” means bonds authorized by the District in the maximum amount of \$3,500,000 for fire station purposes authorized at an election duly called and held within the District on May 7, 2005.

“Bonds” means any bond or bonds or all of the bonds, as the case may be, of that series styled “Shady Hollow Municipal Utility District Unlimited Tax Bonds, Series 2011” in the original aggregate principal amount of \$3,500,000 authorized by this Order.

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

“Commission” means the Texas Commission on Environmental Quality, together with any predecessor or successors to its functions and duties.

“Commission Order” means the order of the Commission issued August 15, 2008, as extended on [____], 2009 and [____], 2010, approving the issuance of the Bonds.

“District” means Shady Hollow Municipal Utility District, or any successor thereto.

“Escrow Agent” means [____], Texas, or any successor thereto.

“Escrow Agreement” means the agreement, dated as of _____ 1, 2011, between the Escrow Agent and the District relating to the escrow of certain Bond proceeds, attached hereto as Exhibit B.

“ESD” means Travis County Emergency Services District No. 5, or any successor thereto.

“Government Obligations” means direct noncallable obligations of the United States, including (i) obligations that are unconditionally guaranteed by the United States; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm of not less than “AAA” or its equivalent.

“Initial Bond” means the Bonds registered by the Comptroller of Public Accounts of the State of Texas as described in Section 12 hereof.

“Initial Purchaser” means [_____].

[“Insurer” means [_____], as the provider of municipal bond insurance policy for the Bonds.]

"Interest Payment Date", when used in connection with any Bond, means [September 1, 2011], and each March 1 and September 1 thereafter until maturity or earlier redemption of such Bond.

"Order" means this "Order Authorizing the Issuance of 'Shady Hollow Municipal Utility District Unlimited Tax Bonds, Series 2011'; Entering into a Paying Agent/Registrar Agreement and an Escrow Agreement; and Other Matters Relating Thereto" adopted by the Board on [_____, 2011].

"Owner" means any person who shall be the Registered Owner of any outstanding Bonds; provided, however, if the Bonds are in a securities depository, Owner shall include the beneficial owner of the Bonds.

"Paying Agent/Registrar" means [_____, Texas], (or its successor by merger, acquisition, or other method) and such other bank or trust company as may hereafter be appointed in substitution therefor or in addition thereto to perform the duties of the Paying Agent/Registrar in accordance with this Order.

"Paying Agent/Registrar Agreement" means the agreement, dated as of [_____] 1, 2011, between the Paying Agent/Registrar and the District relating to the registration, authentication, and transfer of the Bonds, attached hereto as Exhibit A.

"Plan" means the District's fire protection plan approved by the Commission and by majority vote of District residents at an election held for such purpose on May 7, 2005.

"Project" means the design and construction of a new fire station to serve District residents.

"Record Date" means the last business day of the calendar month next preceding the applicable Interest Payment Date.

"Register" means the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

"Registered Owner" means any person who shall be the registered owner of any outstanding Bonds.

"Surplus Revenues" means the revenues, if any, available to the District from the lease of the Project to the ESD, after payment of any and all operation and maintenance expenses of the District relating to the Project.

Section 5. District Funds. The District hereby establishes the following funds and accounts of the District at a depository of the District:

(a) Interest and Sinking Fund; Tax Levy; Surplus Revenues. (i) The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the District and shall be used only for paying the interest on and principal of the Bonds. Proceeds of the Bonds consisting of accrued interest and the net proceeds of all ad valorem taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund.

(ii) During each year while any of the principal of or interest on or maturing amounts of (as appropriate) the Bonds are outstanding and unpaid, the Board shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest becomes due and the principal on the Bonds as such principal

matures, taking into consideration whether the Board reasonably expects to have revenue, Surplus Revenues, or receipts from other sources which are legally available for payment of principal and interest; the tax shall be based on the latest approved tax rolls of the District, with full allowances being made for tax delinquencies and the cost of tax collection. The rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the District, for each year while any of the Bonds are outstanding and unpaid, and the tax shall be assessed and collected each year and deposited to the credit of the Interest and Sinking Fund. The ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures, are hereby pledged irrevocably for such payment.

(iii) The Surplus Revenues, if any, are hereby pledged to payment of the principal of and interest on the Bonds. Surplus Revenues budgeted to pay principal of or interest on the Bonds shall be deposited to the credit of the Interest and Sinking Fund one business day prior to each Interest Payment Date, and once so deposited, are hereby pledged irrevocably for such payment.

(b) Escrow Fund. The Escrow Fund is the fund into which a portion of the proceeds of the Bonds shall be placed until the Commission has approved the release of money from the Escrow Fund, from time to time, for deposit into the Capital Projects Fund.

(c) Capital Projects Fund. The Capital Projects Fund is the fund into which a portion of the proceeds of the Bonds shall be placed on the date of delivery of the Bonds, and into which the money in the Escrow Fund shall be deposited, from time to time, upon approval of the Commission. The Capital Projects Fund shall be used to pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued. Amounts remaining in the Capital Projects Fund upon completion of the Project, subject to compliance with Section 8(c)(viii) hereof and subject to the Commission's approval and that of nationally-recognized bond counsel, shall be transferred to the Interest and Sinking Fund.

Section 6. Perfected Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the taxes and Surplus Revenues granted by the District under this Order and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes and Surplus Revenues granted by the District under this Order is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve the Owners of the Bonds a security interest in such pledge, the District agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Section 7. Investments and Security. (a) Investment of Funds. The Board may place money in the Interest and Sinking Fund, the Escrow Fund, or the Capital Projects Fund in time or demand deposits or invest such money as authorized by law at the time of deposit. Obligations purchased as an investment of money in a fund shall be deemed to be part of such fund.

(b) Amounts Received from Investments. Except as otherwise provided by law, amounts received from the investment of any money in the Interest and Sinking Fund shall be retained therein. Interest earnings derived from the investment of proceeds in the Capital Projects Fund shall be retained therein, until the purpose of the Bonds is complete, and thereafter such earnings shall be transferred to the Interest and Sinking Fund. Interest earnings derived from the investment of proceeds in the Escrow Fund shall be retained therein until transferred to the Capital Projects Fund upon approval of the Commission. It is provided, however, that any interest earnings on proceeds of the Bonds which are required to be rebated to the United States of America 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 Order.

(c) Security for Funds. All funds created by this Order shall be secured in the manner and to the fullest extent required by law for the security of funds of the District.

Section 8. Covenants of the District. (a) General Covenants. The District covenants and represents that:

(i) The District is a duly created and existing municipal utility district and political subdivision of the State of Texas, and is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the District in accordance with their terms; and

(ii) The Bonds shall be ratably secured in such manner that no one Bond shall have preference over other Bonds.

(b) Specific Covenants. The District covenants and represents that, while the Bonds are outstanding and unpaid, it will:

(i) Appropriate from funds lawfully made available to the District sufficient money to make the principal and interest payment to be due on [September 1, 2011];

(ii) Levy an ad valorem tax that will be sufficient to provide funds to pay the current interest on the Bonds and to provide the necessary sinking fund, all as described in this Order; and

(iii) Keep proper books of record and accounts in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the funds created pursuant to this Order, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request from any Owner.

(c) Covenants Regarding Tax Matters. The District covenants to take any action to maintain, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in "gross income" for federal income tax purposes. In furtherance thereof, the District specifically covenants as follows:

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

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

(iii) To take any action to assure that in the event that the "private business use" described in paragraph (ii) hereof exceeds 5% of the proceeds of the Bonds or the projects financed therewith, then the amount in excess of 5% is used for a "private business use" which is "related" and not "disproportionate," within the meaning of Code section 141(b)(3) of the Code, to the governmental use:

(iv) To take any action to assure that no amount which is greater than the lesser of \$5,000,000 or 5% of the proceeds of the Bonds is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of Code section 141(c);

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

(vi) Except to the extent permitted by Code section 148 and the regulations and rulings thereunder, 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 Code section 148(b)(2)) which produces a materially higher yield over the term of the Bonds;

(vii) 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 Code section 148 (relating to arbitrage) and, to the extent applicable, Code section 149(d) (relating to advance refundings);

(viii) Except to the extent otherwise provided in Code section 148(f) and the regulations and rulings thereunder, 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% of the "Excess Earnings," within the meaning of Code section 148(f), and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100% of the amount then required to be paid as a result of Excess Earnings under Code section 148(f); and

(ix) To maintain such records as will enable the District to fulfill its responsibilities under this subsection and Code section 148 and to retain such records for at least six years following the final payment of principal and interest on the Bonds.

The covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of 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 District will not be required to comply with any covenant contained herein to the extent that such noncompliance, in the opinion of nationally-recognized bond counsel, will not adversely affect the exclusion from gross income of interest on the Bonds under Code section 103. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exclusion from gross income of interest on the Bonds under Code section 103.

Proper officers of the District charged with the responsibility of issuing the Bonds are hereby authorized and directed to execute any documents, certificates, or reports required by the Code and to make such elections, on behalf of the District, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

Notwithstanding any other provision in this Order, to the extent necessary to preserve the exclusion from gross income of interest on the Bonds under Code section 103, the covenants contained in this subsection shall survive the later of the defeasance or discharge of the Bonds.

(d) Covenants Regarding Sale, Lease, or Disposition of Financed Property. The District covenants that the District will regulate the use of the property financed, directly or indirectly, with the proceeds of the Bonds and will not sell, lease (with the exception of the lease of the financed property to

the ESD or the City of Austin, Texas, pursuant to the "Contract for Fire-Fighting Services and Lease Agreement for Fire Station" dated as of May 15, 2008), or otherwise dispose of such property unless (i) the District takes the remedial measures as may be required by the Code and the regulations and rulings thereunder in order to preserve the exclusion from gross income of interest on the Bonds under Code section 103 or (ii) the District obtains the advice of nationally-recognized bond counsel with respect to such sale, lease, or other disposition.

Section 9. Designation as Qualified Tax-Exempt Obligations. The District hereby designates the Bonds as "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the District represents, covenants, and warrants the following: (a) during the calendar year in which the Bonds are issued, the District (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Bonds, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (b) the District reasonably anticipates that the amount of tax-exempt obligations issued during 2011 by the District (including any subordinate entities) will not exceed \$10,000,000; and (c) the District will take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations."

Section 10. Paying Agent/Registrar. The Paying Agent/Registrar is hereby appointed as paying agent for the Bonds. The principal of the Bonds and the accrued interest on the Bonds 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 described in the Form of Bonds in Section 3 hereof.

The District, the Paying Agent/Registrar, and any other person may treat the Owner as the absolute owner of such Bonds for the purpose of making and receiving payment of the principal thereof and for the further purpose of receiving payment of the interest thereon and for all other purposes, whether or not such Bond is overdue, and neither the District nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Bond in accordance with this Order shall be valid and effectual and shall discharge the liability of the District and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at one of its corporate trust offices in Texas in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Order.

The District may at any time and from time to time appoint another Paying Agent/Registrar in substitution for the previous Paying Agent/Registrar provided that any such Paying Agent/Registrar shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States of America or any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a paying agent/registrar. In such event, the District shall give notice by United States mail, first-class, postage prepaid to each Owner. Any bank or trust company with or into which any Paying Agent/Registrar may be merged or consolidated, or to which the assets and business of Paying Agent/Registrar may be sold or otherwise transferred, shall be deemed the successor of such Paying Agent/Registrar for the purposes of this Order.

The President and Secretary of the Board are hereby authorized to enter into, execute, and deliver the Paying Agent/Registrar Agreement with the initial Paying Agent/Registrar in substantially the form presented to the Board on this date.

Section 11. Escrow Fund; Approval Of Escrow Agreement. There shall be established an Escrow Fund with [____], [____], Texas, and upon the delivery of the Bonds. \$2,825,790.00 of the proceeds from the sale of the Bonds shall be deposited into the Escrow Fund, as directed by the Commission Order. The President or Vice President of the District Board of Directors is hereby authorized and directed to execute and deliver, and the Secretary or Assistant Secretary of the District's Board of Directors is hereby authorized and directed to attest an Escrow Agreement in substantially the form attached hereto as Exhibit B, with the President or Vice President and Secretary or Assistant Secretary of the District's Board of Directors being duly authorized to enter in such Escrow Agreement on behalf of the District. The money in the Escrow Fund, upon authorization from the Commission, shall be deposited from time to time into the Capital Projects Fund as established herein.

Section 12. Initial Bond; Exchange or Transfer of Bonds. Initially, the Initial Bond representing the entire principal amount of Bonds shall be registered in the name of the Initial Purchaser or the designee thereof and shall be executed and submitted to the Attorney General of Texas for approval, and thereupon certified by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent, by manual signature. At any time thereafter, the Owner may deliver the Initial Bond to the Paying Agent/Registrar for exchange, accompanied by instructions from the Owner or such designee designating the person, maturities, and principal amounts to and in which the Initial Bond are to be transferred and the addresses of such persons, and the Paying Agent/Registrar shall thereupon, within not more than three business days, register and deliver such Bonds upon authorization of the District as provided in such instructions.

Each Bond shall be transferable, to the extent possible and under reasonable circumstances, within three business days after request, but only upon the presentation and surrender thereof at the designated payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Owner or his authorized representative in the form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, to the extent possible and under reasonable circumstances within three business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations, of the same maturity, in the appropriate principal amount, and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable, to the extent possible and under reasonable circumstances, within three business days upon presentation and surrender thereof at the appropriate corporate trust office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount or maturing amounts, as appropriate, equal to the unpaid principal amount or maturing amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with this Order and each Bond so delivered shall be entitled to the benefits and security of this Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the Owner, at the designated payment office of the Paying Agent or by United States mail, first-class, postage prepaid. Neither the District nor the Paying Agent/Registrar shall be required (i) to issue, transfer, or exchange any Bond 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) to transfer or exchange, in whole or in part, any Bond or any portion thereof selected for redemption prior to maturity, within 45 calendar days prior to its redemption date.

The District or the Paying Agent/Registrar may require the Owner of any Bond 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 Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Section 13. Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof or interest thereon, if applicable, becomes due, either at maturity or otherwise, or if any check representing payment of principal of or interest on the Bonds shall not be presented for payment, if funds sufficient to pay the principal of or interest on such Bond shall have been made available by the District to the Paying Agent/Registrar or other qualified financial institution for the benefit of the Owner thereof, all liability of the District to the Owner thereof for the payment of the principal of or interest on such Bond shall cease, terminate, and be completely discharged, and thereupon it shall be the duty of the Paying Agent/Registrar or other qualified financial institution to hold such funds in trust, uninvested and without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Order with respect to the principal of or interest on such Bond. To the extent applicable, the Paying Agent/Registrar or other qualified financial institution shall hold and apply any such funds in accordance with Title 6, Texas Property Code, as amended, and shall comply with the reporting requirements of Chapter 74, Texas Property Code, as amended.

Section 14. District Officer's Duties. (a) Issuance of Bonds. The President of the Board shall submit the Initial Bond, the record of the proceedings authorizing the issuance of the Bonds, and any and all necessary orders, certificates, and records to the Attorney General of the State of Texas for his investigation. After obtaining the approval of the Attorney General, the President of the Board shall cause the Initial Bond to be registered by the Comptroller of Public Accounts of the State of Texas. The officers or acting officers of the Board are authorized to execute and deliver on behalf of the Board such certificates and instruments as may be necessary or appropriate prior to the delivery of and payment for the Bonds to and by the Initial Purchaser.

(b) Execution of Order. The President or Vice President and Secretary or Assistant Secretary of the Board are authorized to execute this Order and the certificate to which this Order is attached on behalf of the Board and to do any and all things proper and necessary to carry out the intent hereof.

Section 15. Remedies of Owners. In addition to all rights and remedies of any Owner provided by the laws of the State of Texas, the District and the Board covenant and agree that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make the payments required by this Order to be made into the Interest and Sinking Fund, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in this Order, any Owner shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board and other officers of the District to observe and perform any covenant, obligation, or condition prescribed in this Order. No delay or omission by any Owner to exercise any right or power accruing to such Owner upon 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 or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies mentioned in this Order shall be available to any Owner of any of the Bonds and shall be cumulative of all other existing remedies.

Section 16. Book-Entry Only System. It is intended that the Bonds initially be registered so as to participate in a securities depository system (the "DTC System") with The Depository Trust Company, New York, New York, or any successor entity thereto ("DTC"), as set forth herein. The definitive Bonds shall be issued in the form of a separate single definitive Bond for each maturity. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The

District and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including a "Letter of Representation" (the "Representation Letter").

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a "Depository Participant") or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an "Indirect Participant"). Without limiting the immediately preceding sentence, the District 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 Depository Participant with respect to any ownership interest in the Bonds, or (ii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than an owner of a Bond, of any amount with respect to principal of, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Order. 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 Order with respect to interest checks or drafts being mailed to the Holder, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

In the event that (a) the District determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the District determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the District shall notify the Paying Agent/Registrar, DTC, and Depository Participants of the availability within a reasonable period of time through DTC of certificated certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the District may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the District, or such depository's agent or designee, and if the District and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever names the Owners of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Order 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.

Section 17. Lost, Stolen, Destroyed, Damaged, or Mutilated Bonds; Destruction of Paid Bonds. (a) Replacement Bonds. In the event any outstanding Bond shall become lost, stolen, destroyed, damaged, or mutilated, at the request of the Owner thereof, the District shall cause to be executed, registered by the Paying Agent/Registrar, and delivered a substitute Bond of like date and tenor, bearing a number not contemporaneously outstanding, in exchange and substitution for and upon cancellation of such mutilated or damaged Bond, or in lieu of and substitution for such Bond, lost, stolen, or destroyed, subject to the provisions of subsections (b), (c), (d), and (e) of this Section.

(b) Application and Indemnity. Application for exchange and substitution of lost, stolen, destroyed, damaged, or mutilated Bonds shall be made to the District. In every case the applicant for a substitute Bond shall furnish to the District such deposit for fees and costs as may be required by the District to save it and the Paying Agent/Registrar harmless from liability. In every case of loss, theft, or

destruction of a Bond, the applicant shall also furnish to the District indemnity to the District's satisfaction and, pursuant to the applicable laws of the State and in absence of notice or knowledge that such Bond was acquired by a bona fide purchaser, shall file with the District evidence to the District's satisfaction of the loss, theft, or destruction and of the ownership of such Bond. In every case of damage or mutilation of a Bond, the applicant shall surrender the Bond so damaged or mutilated to the Paying Agent/Registrar.

(c) Matured Bonds. 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 Bonds, the District may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a substitute Bond, if any, provided security or indemnity is furnished as above provided in this Section.

(d) Expense of Issuance. Upon the issuance of any substitute Bonds, the District may charge the owner of such Bond with all fees and costs incurred in connection therewith. Every substitute Bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, destroyed, damaged, or mutilated shall constitute a contractual obligation of the District, whether or not the lost, stolen, destroyed, damaged, or mutilated Bonds shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Order equally and proportionately with any and all other Bonds duly issued under this Order.

(e) Authority to Issue Substitute Bonds. This Order shall constitute sufficient authority for the issuance of any such substitute Bonds without necessity of further action by the Board or any other body or person, and the issuance of such substitute Bonds is hereby authorized, notwithstanding any other provisions of this Order.

(f) Destruction of Paid Bonds. At any time subsequent to six months after the payment thereof, the Paying Agent/Registrar is authorized to cancel and destroy any Bonds duly paid and shall furnish to the District a certificate evidencing such destruction.

Section 18. Redemption. The Bonds are subject to redemption as described in the "Form of Bonds" in Section 3 hereof.

Section 19. Defeasance. (a) Except to the extent provided in subsection (c) of this Section, any Bond, and the interest thereon, shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Order (a "Defeased Bond") when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to a person described by Section 1207.061(a), Texas Government Code, as amended (a "Depository"), with respect to the safekeeping, investment, administration, and disposition of a deposit made under Section 1207.061, Texas Government Code, as amended, for such payment (the "Deposit") (A) lawful money of the United States of America sufficient to make such payment or (B) Government Obligations, which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of any Defeased Bond. To cause an Bond scheduled to be paid or redeemed on a date later than the next scheduled interest payment date on such Bond to become a Defeased Bond, the District must, with respect to the Deposit, enter into an escrow or similar agreement with a Depository.

In connection with any defeasance of the Bonds, the District shall cause to be delivered: (i) in the event an escrow or similar agreement has been entered into with a Depository to effectuate such

defeasance, a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Defeased Bonds in full on the maturity or redemption date thereof ("Verification"); or (ii) in the event no escrow or similar agreement has been entered into, a certificate from the chief financial officer of the District certifying that the amount deposited with a Depositary is sufficient to pay the Defeased Bonds in full on the maturity or redemption date thereof. In addition to the required Verification or certificate, the District shall also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Bonds are no longer outstanding pursuant to the terms hereof and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Bonds. The Verification, if any, and each certificate and opinion required hereunder shall be acceptable in form and substance, and addressed, if applicable, to the Paying Agent/Registrar and the District. The Bonds shall remain outstanding hereunder unless and until they are in fact paid and retired or the above criteria are met.

At such time as any Bond shall be deemed to be a Defeased Bond hereunder, and all herein required criteria have been met, such Bond and the interest thereon shall no longer be outstanding or unpaid and shall no longer be entitled to the benefits of the pledge of the security interest granted under this Order, and such principal and interest shall be payable solely from the Deposit of money or Government Obligations. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangement, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of reservation be included in any redemption notices that it authorizes.

(b) Any money so deposited with a Depositary may at the written direction of the District also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by a Depositary which is not required for the payment of the Defeased Bonds and interest thereon, with respect to which such money has been so deposited, shall be used as directed in writing by the District.

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 District shall make proper arrangements to provide and pay for such services as required by this Order.

(c) The District may defease the Bonds ("Defeased Bonds") in any manner permitted by law.

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

Section 20. Order a Contract; Amendments. This Order shall constitute a contract with the Owners, from time to time, of the Bonds, binding on the District and its successors and assigns, and shall not be amended or repealed by the District as long as any Bond remains outstanding except as permitted in this Section. The District may, without the consent of or notice to any Owners, amend, change, or modify this Order as may be required (a) by the provisions hereof; (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein; or (c) in connection with any other change which is not to the prejudice of the Owners. The District may, with the written consent of the Owners of the majority in aggregate principal amount of Bonds then outstanding affected thereby, amend, change,

modify, or rescind any provisions of this Order; provided that without the consent of all of the Owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds or reduce the principal amount thereof or the rate of interest thereon; (ii) give any preference to any Bond over any other Bond; (iii) extend any waiver of default to subsequent defaults; or (iv) reduce the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission.

Section 21. Sale and Delivery of Bonds. (a) Sale. The sale of the Bonds to the Initial Purchaser pursuant to the taking of competitive sealed bids at a price of \$[] ([]% of par), plus accrued interest to the date of delivery is hereby confirmed. It is hereby officially found, determined, and declared that the Initial Purchaser submitted the bid which results in the lowest net effective interest rate to the District and delivery of the Bonds to the Initial Purchaser shall be made as soon as practicable after the adoption of this Order, upon payment therefor, in accordance with the terms of sale. The Initial Bond shall be registered in the name of the Initial Purchaser. The officers of the District are hereby authorized and directed to execute and deliver such certificates, instructions, or other instruments as are required or necessary to accomplish the purposes of this Order.

(b) Approval of Official Statement. The District hereby approves the form and content of the Official Statement relating to the Bonds and any addenda, supplement, or amendment thereto, and approves the distribution of such Official Statement in the reoffering of the Bonds by the Initial Purchaser in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof.

(c) Legal Opinion. The Initial Purchaser's obligation to accept delivery of the Bonds is subject to being furnished an opinion of Winstead PC, Bond Counsel, such opinion to be dated and delivered as of the date of delivery and payment for the Bonds.

(d) Registration and Delivery. Upon the registration of the Initial Bond, the Comptroller of Public Accounts of the State of Texas is authorized and instructed to deliver the Initial Bond pursuant to the instruction of the President of the Board for delivery to the Initial Purchaser.

Section 22. Use of Proceeds. The proceeds from the sale of the Bonds shall be as follows: (i) accrued interest on the Bonds received by the District from the Initial Purchaser shall be deposited to the Interest and Sinking Fund, (ii) \$[] of the proceeds shall be deposited to the Capital Projects Fund, (iii) \$2,825,790.00 of the proceeds shall be deposited to the Escrow Fund, and (iv) the balance of the proceeds shall be used to pay the cost of issuing the Bonds.

Section 23. Continuing Disclosure Undertaking. (a) Annual Reports. (a) The District shall provide annually to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to its Electronic Municipal Market Access System ("EMMA"), within six months after the end of each Fiscal Year ending in or after 2010, financial information and operating data with respect to the District of the general type described in Exhibit "A" hereto with respect to such Fiscal Year or the 12-month period then ended. The continuing disclosure information is available to the public, without charge through the MSRB at www.emma.msrb.org. Any financial statements so to be provided shall be (i) prepared in accordance with generally accepted accounting principles or such other accounting principles as the District may be required to adopt from time to time by state law or regulations and (ii) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, the District will provide unaudited statements by the required time and the District shall provide audited financial statements for the applicable fiscal year to the MSRB when and if the audit report on such statements becomes available.

If the District 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 District otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document, including an official statement or other offering document, if it is available from the MSRB that theretofore has been provided to each nationally recognized municipal securities information repository ("NRMSIR") and any state information depository ("SID"), or filed with the SEC.

(b) Event Notices. The Authority shall notify the MSRB through EMMA, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (i) non-payment related defaults; (ii) modifications to rights of Owners; (iii) calls on the Bonds, other than in connection with mandatory sinking fund redemptions; (iv) release, substitution, or sale of property securing repayment of the Bonds; (v) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (vi) appointment of a successor or additional trustee of the change of name of a trustee.

The Authority shall notify the MSRB through EMMA, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, without regard to whether such event is considered material within the meaning of the federal securities laws: (i) principal and interest payment delinquencies; (ii) unscheduled draws on debt service reserves reflecting financial difficulties; (iii) unscheduled draws on credit enhancements reflecting financial difficulties; (iv) substitution of credit or liquidity providers, or their failure to perform; (v) adverse tax opinions, the issuance by the IRS 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-exempt status of the Series 2010A Bonds, or other events affecting the tax-exempt status of the Series 2010A Bonds; (vi) tender offers; (vii) defeasances; (viii) rating changes; and (ix) bankruptcy, insolvency, receivership, or similar event of an obligated person.

The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with this Section by the time required by this Section.

(c) Limitations, Disclaimers, and Amendments. The District shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of SEC Rule 15c2-12 (the "Rule"), except that the District in any event will give notice of any deposit made in accordance with Section 18 above that causes the Bonds no longer to be Outstanding and any call of Bonds made in connection therewith.

The provisions of this Section are for the sole benefit of the 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 District 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 District'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 District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT 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 DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

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

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

The provisions of this Section may be amended, supplemented, or repealed by the District from time to time under the following circumstances, but not otherwise: (1) 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 District, if the provisions of this Section, as so supplemented or amended, would have permitted an underwriter to purchase or sell Bonds in the present offering in compliance with the Rule and either the Owners of a majority in aggregate principal amount of the outstanding Bonds consent to such amendment, supplement, or repeal, or any State agency or official determines that such amendment, supplement, or repeal will not materially impair the interests of the beneficial owners of the Bonds, (2) upon repeal of the applicable provisions of the Rule, or any judgment by a court of final jurisdiction that such provisions are invalid, or (3) in any other circumstance or manner permitted by the Rule.

Section 24. Additional Bonds or Other Obligations. The District hereby expressly reserves the right to hereafter issue any authorized but unissued bonds, and any additional bonds, notes, or other obligations as may hereafter be approved by the District, payable wholly or in part, as appropriate, from ad valorem taxes levied by the District on taxable property located within the District, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing laws or otherwise. The District also hereby expressly reserves the right to hereafter issue any bonds, notes, or other obligations payable from and secured, in whole or in part by a pledge of and lien on Surplus Revenues that may be prior and superior in right to, on a parity with, or junior and subordinate to, the pledge of Surplus Revenues securing the Bonds.

Section 25. Attorney General Examination Fee. The District recognizes that under Section 1202.004, Texas Government Code, as amended, the Attorney General of Texas requires a nonrefundable examination fee be paid at the time of submission of the transcript of proceedings authorizing the Bonds and that, based upon the principal amount of the Bonds, such fee is \$3,500. The appropriate District official is hereby directed to make such payment, and such amount is hereby appropriated for such purpose whether or not the Bonds are delivered. The District is also authorized to reimburse the fund used for such payment with proceeds of the Bonds.

Section 26. Further Procedures. The President and the Secretary of the Board, and all other officers, employees, attorneys, and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all

such acts and things and to execute, acknowledge, and deliver in the name and under the seal and on behalf of the District, all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Order, the Bonds, the Paying Agent/Registrar Agreement, the Escrow Agreement, and the Official Statement. 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. Prior to the initial delivery of the Bonds, the President and the Secretary of the Board and Bond Counsel to the District are hereby authorized and directed to approve any technical changes or corrections to this Order or to any of the instruments authorized by this Order necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Order, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the Texas Attorney General.

Section 27. No Personal Liability. No covenant or agreement contained herein, in the Bonds, or in any corollary instrument shall be deemed to be the covenant or agreement of any member of the Board or any officer, agent, employee, or representative of the Board in his or her individual capacity, and neither the directors, officers, agents, employees, or representatives of the Board nor any person executing the Bonds shall be personally liable thereon or be subject to any personal liability for damages or otherwise or accountability by reason of the issuance thereof, or any actions taken or duties performed, whether by virtue of any constitution, statute, or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the issuance of the Bonds.

Section 28. Miscellaneous Provisions. (a) Titles Not Restrictive. The titles assigned to the various sections of this Order are for convenience only and shall not be considered restrictive of the subject matter of any section or of any part of this Order.

(b) Incorporation of Preamble. The preamble to this Order is incorporated by reference in this Order.

(c) Inconsistent Provisions. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Order are hereby repealed and declared to be inapplicable, and the provisions of this Order shall be and remain controlling as to the matters prescribed herein.

(d) Severability. If any word, phrase, clause, paragraph, sentence, part, portion, or provision of this Order or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Order shall nevertheless be valid and the Board hereby declares that this Order would have been enacted without such invalid word, phrase, clause, paragraph, sentence, part, portion, or provisions.

(e) Governing Law. This Order shall be construed and enforced in accordance with the laws of the State of Texas.

(f) Open Meeting. The Board officially finds and determines that the meeting at which this Order is adopted was open to the public; and that public notice of the time, place, and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code, as amended, and Section 49.063, Texas Water Code, as amended.

* * *

PASSED AND APPROVED this [_____]. 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)

SIGNATURE PAGE TO BOND ORDER

EXHIBIT A

Paying Agent/Registrar Agreement

(Located at Tab [])

EXHIBIT B

Escrow Agreement

(Located at Tab [])

EXHIBIT C

Description Of Annual Financial Information

The following information is referred to in Section 22 of this Order.

Annual Financial Statements and Operating Data. The financial information and operating data with respect to the District to be provided annually in accordance with such section are as specified (and included in Appendix A or under the headings of the Official Statement referred to) below:

1. The audited financial statements of the District included in the Official Statement, but for the most recently concluded fiscal year, and, to the extent that such statements are not completed and available, unaudited financial statements for such fiscal year.

2. Tables 4 through and including 14 in the Official Statement. See ["DEBT AND FINANCIAL INFORMATION (except for "Estimated Overlapping Debt"), and "TAX DATA"].

Accounting Principles. The accounting principles, with respect to the District, referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above, as such principles may be changed from time to time to comply with state law or regulation.