

**A RESOLUTION AUTHORIZING THE ISSUANCE
OF SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM
REVENUE AND REFUNDING BONDS, SERIES 2010,
PRESCRIBING THE TERMS AND PROVISIONS THEREOF,
MAKING PROVISION FOR THE PAYMENT OF THE
INTEREST THEREON AND PRINCIPAL THEREOF,
AUTHORIZING AND AWARDING THE SALE THEREOF;
AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT, PAYING
AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT;
AUTHORIZING AN OFFICIAL STATEMENT; AND CONTAINING OTHER
PROVISIONS
RELATING TO THE SUBJECT**

**THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §**

SENNA HILLS MUNICIPAL UTILITY DISTRICT

WHEREAS, by Order of the Texas Water Commission dated August 11, 1988, the Senna Hills Municipal Utility District (the "District") was authorized to be created as a municipal utility district operating pursuant to Articles 16, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended; and

WHEREAS, the creation of the District was confirmed at an election held within the District on January 21, 1995, by a vote of 2 to 0 (the "Confirmation Election"); and

WHEREAS, at the Confirmation Election the voters of the District also authorized the issuance of bonds in one or more issues or series in the maximum aggregate principal amount of \$16,000,000 maturing serially or otherwise, in such installments as are fixed by said Board over a period or periods not exceeding 40 years from their date or dates, bearing interest at any rate or rates and to sell said bonds at any price or prices, provided that the interest rate on any issue or series of the bonds shall not exceed the maximum authorized by law at the time issuance of that issue or series, all as may be determined by the Board of Directors of said District, for the purpose or purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending a water system, wastewater system, and drainage and storm sewer system, as well as all expenses in any manner incidental thereto, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, lands, interests in property, and contract rights needed therefore and administrative facilities needed in connection therewith, as well as all expenses in any manner incidental thereto, including the payment of any indebtedness of the District incurred for the above purposes, if any, and paying such expenses as are incidental to the organization, administration, and financing of the District, which under applicable law may properly be paid from the proceeds of such bonds; and to provide for the payment of principal of and interest

on such bonds by the levy and collection of a sufficient tax upon all taxable property within said District, and further by a pledge of all or any designated part or parts of the revenues resulting from the ownership or operation of the District's works, improvements, facilities, plants, equipment, and appliances or under specific contracts for a period of time the Board of Directors determines, as may be provided in the orders or resolutions authorizing the issuance of such bonds, all as authorized by the Constitution and laws of the State of Texas; and

WHEREAS, the District of Austin (the "District") has consented to the creation of the District and the issuance of bonds by the District pursuant to the terms and conditions of that certain Agreement Concerning Creation and Operation of Senna Hills Municipal Utility District, which was amended by that First Amended and Restated Agreement Concerning Creation and Operation of Senna Hills Municipal Utility District, and which was again amended by the Second Amendment to the First Amended and Restated Agreement Concerning Creation and Operation of Senna Hills Municipal Utility District ("Consent Agreement"); and

WHEREAS, the Texas Commission on Environmental Quality has approved the issuance of \$1,600,000 of bonds pursuant to an order dated June 28, 2010; and

WHEREAS, the District has approved the issuance of the Bonds by Resolution No. _____, dated _____, 2010 in accordance with the Consent Agreement; and

WHEREAS, the District has previously issued bonds in the amount of \$13,385,000 pursuant to the authorization at the Confirmation Election; and

WHEREAS, the Board of Directors of the District deems it advisable and necessary at this time to issue bonds in the amount of \$1,510,000 for water sewer, and drainage purposes in conjunction with the refunding of the Refunded Bonds described below, and reserving the right in the future to issue the remaining \$1,105,000 bonds authorized at the Confirmation Election and in accordance with the Consent Agreement; and

WHEREAS, the District has previously issued, and there remain outstanding, the District's \$2,985,000 Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 1999 (the "Series 1999 Bonds") and the \$3,380,000 Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2000 (the Series 2,000) Bonds; and

WHEREAS, the District now desires to refund its Series 1999 Bonds maturing on August 15 in each of the years 2011 through 2023 in the principal amount of \$2,205,000 and its Series 2,000 Bonds maturing on August 15 in each of the years 2011 through 2024 in the principal amount of \$2,580,000 (collectively, the "Refunded Bonds"), and to call such Refunded Bonds in the aggregate principal amount of \$4,785,000 for early redemption as set forth herein ; and

WHEREAS, the Board of Directors of the District deems it advisable to refund the Refunded Bonds in order to achieve a net present value savings of approximately \$ _____ and a gross savings of \$ _____; and

WHEREAS, Chapter 1207, Local Government Code, as amended ("Chapter 1207") authorizes the District to issue refunding bonds and to deposit the proceeds from the sale thereof together with any other available funds or resources, directly with a place of payment (paying agent) for the Refunded Bonds or a trust company or commercial bank that does not act a depository for the District, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; and

WHEREAS, Chapter 1207 further authorizes the District to enter into an escrow agreement with a paying agent for the Refunded Bonds or a trust company or commercial bank that does not act as a depository for the District with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the District and such paying agent may agree, provided that such deposits may be invested and reinvested in certain authorized securities; and; and

WHEREAS, the Escrow Agreement hereinafter authorized, constitutes an agreement of the kind authorized and permitted by Chapter 1207; and

WHEREAS, all the Refunded Bonds mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized; and

WHEREAS, the Board of Directors pf the District has determined to call the Refunded Bonds for redemption on _____, 2010; and

WHEREAS, the Bonds hereafter authorized are being issued and delivered pursuant to said Chapter 1207, Government Code and Chapters 49 and 54 of the Texas Water Code; and

WHEREAS, pursuant to the provisions of Sec. 49.183(c) the bonds may be sold by private sale, without taking competitive bids.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SENNA HILLS MUNICIPAL UTILITY DISTRICT, THAT:

Section 1. RECITALS, AMOUNT AND PURPOSE OF THE BONDS. The recitals set forth in the preamble hereof are incorporated by reference herein and shall have the same force and effect as if set forth in this Section. The bond or bonds of the Senna Hills Municipal Utility District (the "District") are hereby authorized to be issued and delivered in the aggregate principal amount of \$6,295,000 OF WHICH \$1,510,000 IS FOR THE PURPOSE OF PROVIDING FOR CONSTRUCTION AND ACQUISITION OF WATER, WASTEWATER, DRAINAGE AND WATER QUALITY FACILITIES AND TO PAY CERTAIN COSTS OF ISSUANCE IN

CONNECTION WITH THE BONDS AND \$4,785,000 IS FOR THE PURPOSE OF REFUNDING THE REFUNDED BONDS AND TO PAY CERTAIN COSTS OF ISSUANCE IN CONNECTION WITH THE BONDS.

Section 2. DEFINITIONS. As used in this resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings, to wit:

"Bonds" shall mean and include collectively the Premium Capital Appreciation Bonds and Current Interest Bonds initially issued and delivered pursuant to this Resolution and all substitute Premium Capital Appreciation Bonds and Current Interest Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

"Compounded Amount" shall mean, with respect to a Premium Capital Appreciation Bond, as of any particular date of calculation, the original principal amount thereof, plus all interest accreted and compounded to the particular date of calculation, as determined in accordance with Section 4 hereof.

"Current Interest Bonds" shall mean the Bonds maturing on August 15 in the years 2013 through 2024, inclusive, and 2028 through 2033, inclusive in the aggregate principal amount of \$5,905,000.

"Issuance Date" shall mean _____, 2010, or such other date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor.

"Net Revenues" is defined in Section 8 of the Bond Resolution authorizing the Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 1999.

"System" is defined in Section 8 of the Bond Resolution authorizing the Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 1999.

"Premium Capital Appreciation Bonds" shall mean the Bonds, on which no interest is paid prior to maturity, maturing on August 15 in each of the years 2012 and 2024 through 2009, inclusive, in the aggregate principal amount of \$390,000.

"Term Bond" shall mean the Bonds scheduled to mature on August 15, _____ which are subject to a mandatory redemption, as shown in the Form of Bond hereafter set forth.

"Verification Report" shall mean the report prepared by Grant Thornton L.L.P., Certified Public Accountants, relating to the refunding of the Refunded Bonds, a copy of which is attached as Exhibit A to the Escrow Agreement authorized by Section 28 of this Resolution.

Section 3. DESIGNATION, DATE, DENOMINATIONS, NUMBERS AND MATURITIES OF BONDS. Each Bond issued pursuant to this resolution shall be designated: "SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2010,," and initially there shall be issued, sold and delivered hereunder fully registered Bonds, without interest coupons, with the Bonds being dated October 1, 2010, in the respective denominations and principal amounts hereinafter stated, with Current Interest Bonds being numbered consecutively from R-1 upward and the Premium Capital Appreciation Bonds being numbered consecutively from CR-1 upward, (except the initial Bonds delivered to the Attorney General of the State of Texas which shall be numbered T-1 upward with respect to the Current Interest Bonds and TR-1 upward with respect to the Premium Capital Appreciation Bonds), payable to the respective initial registered owners thereof (as designated in Section 26 hereof), or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the "Registered Owner"). The Current Interest Bonds, unless redeemed prior to their respective maturities as provided in the Form of Bond herein, shall mature and be payable serially on August 15 in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-----------------------------|
| 2011 | \$275,000 |
| **** | **** |
| 2013 | 295,000 |
| 2014 | 325,000 |
| 2015 | 340,000 |
| 2016 | 355,000 |
| 2017 | 365,000 |
| 2018 | 380,000 |
| 2019 | 400,000 |
| 2020 | 410,000 |
| 2021 | 435,000 |
| 2022 | 455,000 |
| 2023 | 475,000 |
| 2024 | 265,000 |
| **** | **** |
| 2028 | 180,000 |
| 2029 | 195,000 |
| 2030 | 195,000 |
| 2031 | 190,000 |
| 2032 | 185,000 |
| 2033 | 185,000 |

The Premium Capital Appreciation Bonds shall mature and be payable on August 15 in the year and in the aggregate principal amount and aggregate payment at maturity, respectively, as set forth in the following schedule.

| <u>Year</u> | <u>Original Principal Amount</u> | <u>Payment at Maturity</u> |
|-------------|----------------------------------|----------------------------|
| 2012 | \$10,000 | |
| **** | | |
| 2024 | 110,000 | |
| 2025 | 100,000 | |
| 2026 | 90,000 | |
| 2027 | 80,000 | |

Section 4. INTEREST. Interest on the Current Interest Bonds will accrue from October 1, 2010, and will be payable on February 15, 2011 and each August 15 and February 15 thereafter, and will be calculated on the basis of a 360-year consisting of twelve 30-day months, at the following rates per annum:

| <u>Year</u> | <u>Interest Rate</u> |
|-------------|----------------------|
| 2011 | % |
| **** | % |
| 2013 | % |
| 2014 | % |
| 2015 | % |
| 2016 | % |
| 2019 | % |
| 2020 | % |
| 2021 | % |
| 2022 | % |
| 2023 | % |
| 2024 | % |
| **** | % |
| 2028 | % |
| 2029 | % |
| 2030 | % |
| 2031 | % |
| 2032 | % |
| 2033 | % |

The Premium Capital Appreciation Bonds, scheduled to mature on the dates set forth below, shall bear interest from the Issuance Date, calculated on the basis of a 360-day year composed of

twelve 30-day months (subject to rounding to the Compounded Amounts thereof), compounded semiannually on February 15 and August 15 of each year commencing February 15, 2011, and payable, together with the principal amount thereof, in the manner provided in the FORM OF BOND set forth in this Resolution, at the following rates per annum:

| <u>DATE</u> | <u>YIELD*</u> | <u>INTEREST RATE</u> |
|-------------|---------------|----------------------|
| 2012 | _____ % | _____ % |
| 2024 | _____ % | _____ % |
| 2025 | _____ % | _____ % |
| 2026 | _____ % | _____ % |
| 2027 | _____ % | _____ % |

*Based on original principal amount and premium.

Said interest shall be payable in the manner provided and on the dates stated in the FORM OF BOND set forth in this Resolution.

Reference is hereby made to Exhibit A hereto, which sets forth the rounded original principal amounts at the Issuance Date for the Premium Capital Appreciation Bonds and the Compounded Amounts thereof (per \$5,000 payment at maturity), including the initial premium, if any, as of each February 15 and August 15, commencing February 15, 2011, and continuing until the final maturity of the Premium Capital Appreciation Bonds. The Compounded Amount with respect to any date other than a February 15 or August 15 is the amount set forth on Exhibit A with respect to the last preceding February 15 or August 15, as the case may be, plus the portion of the difference between such amount and the amount set forth on Exhibit A with respect to the next succeeding February 15 or August 15, as the case may be, that the number of days (based on 30-day months) from such last preceding February 15 or August 15, as the case may be, to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding February 15 or August 15, as the case may be, to the next succeeding February 15 or August 15, as the case may be.

Section 5. **ADDITIONAL CHARACTERISTICS OF THE BONDS.** Registration and Transfer (a) The District shall keep or cause to be kept at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the District hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the District and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be

mailed, and such interest payments shall not be mailed unless such notice has been given. The District shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, (i) evidencing the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefore in the manner herein provided. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefore shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 5(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The District shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be

paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (i) during the period commencing with the opening of business on any Record Date and ending with the close of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date.

(b) Ownership of Bonds. The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the District and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) Payment of Bonds and Interest. The District hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, and to act as its agent to convert and exchange or replace Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the District and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Resolution. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District.

Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of each Bond as it appeared on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(d) Conversion and Exchange or Replacement: Registration and Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefore duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that, each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed

principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If a portion of any Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefore shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided, however, that any Bond delivered in conversion of and exchange for or replacement of another Bond prior to the first scheduled interest payment date on the Initial Bond shall be dated the same date as the Initial Bond, but each substitute Bond so delivered on or after such first scheduled interest payment date shall be dated as of the interest payment date preceding the date on which such substitute Bond is delivered, unless such Bond is delivered on an interest payment date, in which case it shall be dated as of such date of delivery; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged has not been paid, then such Bond shall be dated as of the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S REGISTRATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution 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.

Paying Agent/Registrar

Dated: _____

Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the District or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Subchapter D, Title 9, Government Code, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Registration Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The District shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof (i) during the period commencing with the opening of business on any Record Date and ending with the close of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date.

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Resolution.

(f) Payment of Fees and Charges. The District hereby covenants with the registered owners of the Bonds that it will (i) pay the standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds solely to the extent above provided in this Resolution.

(g) Substitute Paying Agent/Registrar. The District covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the District will provide a national or state banking institution, or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The District reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the District covenants that promptly it will appoint a national or state banking institution, or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof, along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the District. Upon any change in the Paying Agent/Registrar, the District promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

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

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and

settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the 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 DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the District to make payments of principal and interest pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks being mailed to the registered owner at the close of business on the Record date, the words "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

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

(j) Payments to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such

Bond shall be made and given, respectively, in the manner provided in the District's Blanket Letter of Representations to DTC.

(k) DTC Blanket Letter of Representations. The District has previously approved a Blanket Issuer Letter of Representations with DTC establishing the book-entry-only system which will be utilized with respect to the Bonds.

(l) Initial Bonds. The Bonds herein authorized shall be initially issued as fully registered bonds, being one Bond for each maturity in the denomination of the applicable principal amount and the initial Bonds shall be registered in the name of the Purchaser shown in Section 26 hereof or the designees thereof. The initial Bonds shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchaser. Immediately after the delivery of the initial Bonds, the Paying Agent/Registrar shall cancel the initial Bonds delivered hereunder and exchange therefor Bonds in the form of a separate single fully registered Bond for each of the maturities thereof registered, as designated by the Purchaser.

Section 6. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bonds initially issued and delivered pursuant to this Resolution, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

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FORM OF BOND

NO. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TRAVIS
SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND WATERWORKS AND SEWER
SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2010

[FORM OF FIRST THREE PARAGRAPHS OF CURRENT INTEREST BOND]

NO. R-

PRINCIPAL
AMOUNT

\$ _____

INTEREST RATE DATE OF BONDS MATURITY DATE CUSIP NO.

October 1, 2010

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

ON THE MATURITY DATE specified above, Senna Hills Municipal Utility District, Texas (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon from the Date of Bonds set forth above, calculated on the basis on a 360-day year of twelve 30-day months, on February 15, 2011 and semiannually on each August 15 and February 15 thereafter to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity, at the principal corporate trust office of The Bank of New York Mellon Trust Company, N. A., Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required by the resolution authorizing the issuance of the Bonds (the "Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the close of business on the last day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

ANY ACCRUED INTEREST due at maturity, or upon redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent/Registrar. The District covenants with the registered owner of this Bond that on or before each principal payment date and interest payment date for this Bond, or at such earlier time that may be required by the Blanket Letter of Representations to the Depository Trust Company, it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

(FORM OF FIRST TWO PARAGRAPHS OF
PREMIUM CAPITAL APPRECIATION BOND]

NO. CR-

MATURITY
AMOUNT
\$ _____

INTEREST RATE ISSUANCE DATE MATURITY DATE CUSIP NO.

_____, 2005

REGISTERED OWNER:

MATURITY AMOUNT:

ON THE MATURITY DATE specified above, Senna Hills Municipal Utility, in Travis County, Texas (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "registered owner") the Maturity Amount in the amount set forth above, representing the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, compounded semiannually on February 15 and August 15 of each year commencing February 15, 2011. For convenience of reference a table of the "Accreted Value" per \$5,000 Maturity Amount is attached to this Bond. The term "Accreted Value" as set forth in the table attached to this Bond shall mean the original principal amount plus initial premium per \$5,000 Maturity Amount compounded semiannually on February 15 and August 15 at the yields shown on such table.

THE MATURITY AMOUNT of this Bond is payable in lawful money of the United States of America, without exchange or collection charges. The Maturity Amount of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity at the principal corporate trust office of The Bank of New York Mellon Trust Company, N. A., Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond, and shall be drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required by the resolution authorizing the issuance of the Bonds (the "Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided, payable to the registered owner hereof, as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The District covenants with the registered owner of this Bond that on or before the Maturity Date for this Bond, or at such earlier time that may be required by the Blanket Letter of Representations to the Depository Trust Company, it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Resolution, the amounts required to provide for the payment, in immediately available funds of the Maturity Amount, when due. Notwithstanding the

foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

[FORM OF REMAINDER OF EACH BOND]

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

THIS BOND is one of a Series of Bonds dated as of October 1, 2010, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$6,295,000 FOR THE PURPOSE OF PROVIDING FOR CONSTRUCTION AND ACQUISITION OF WATER, WASTEWATER, DRAINAGE AND WATER QUALITY FACILITIES AND TO PAY CERTAIN COSTS OF ISSUANCE IN CONNECTION WITH THE BONDS AND FOR THE PURPOSE OF REFUNDING PART OF THE DISTRICT'S OUTSTANDING UNLIMITED TAX AND WATERWORKS AN SEWER SYSTEM REVENUE BONDS AND TO PAY CERTAIN COSTS OF ISSUANCE IN CONNECTION WITH THE BONDS , and comprised of (i) Bonds in the aggregate principal amount of \$390,000 that pay interest only at maturity (the "Premium Capital Appreciation Bonds") and (ii) Bonds in the aggregate principal amount of \$5,905,000 that pay interest semiannually until maturity or redemption prior to maturity (the "Current Interest Bonds").

ON AUGUST 15, _____ OR ON ANY DATE THEREAFTER, the Current Interest Bonds maturing on and after August 15, 20__, may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption as a whole, or from time to time in part, and, if in part, the particular Current Interest Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity is to be redeemed the Paying Agent/Registrar shall determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Current Interest Bond may be redeemed only in integral multiples of \$5,000 of principal amount). The Premium Compound Interest Bonds are not subject to redemption prior to maturity.

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

THE BONDS MATURING ON August 15, 20__, August 15, 20__ and August 15, 20__ (the "Term Bonds") are subject to mandatory sinking fund redemption by lot prior to maturity in the

following amounts on the following dates and at a price of par plus accrued interest to the redemption date.

Term Bond Maturing on August 15, 20__

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|-------------------------------|--------------------------------|
| August 15, 20__ | \$ _____ |
| August 15, 20__ | \$ _____ |
| August 15, 20__ * | \$ _____ * |

*Stated Maturity

Term Bond Maturing on August 15, 20__

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|-------------------------------|--------------------------------|
| August 15, 20__ | \$ _____ |
| August 15, 20__ | \$ _____ |
| August 15, 20__ * | \$ _____ * |

*Stated Maturity

Term Bond Maturing on August 15, 20__

| <u>Redemption Date</u> | <u>Principal Amount</u> |
|-------------------------------|--------------------------------|
| August 15, 20__ | \$ _____ |
| August 15, 20__ | \$ _____ |
| August 15, 20__ * | \$ _____ * |

*Stated Maturity

The principal amount of Term Bonds required to be redeemed on any Mandatory Redemption Date pursuant to the operation of the mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the same maturity which, at least 50 days prior to a Mandatory Redemption Date (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have

been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

NOT LESS THAN 30 DAYS prior to a redemption date for the Current Interest Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Current Interest Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the bondholder, and, subject to provision for payment of the redemption price having been made, interest on the redeemed Current Interest Bonds shall cease to accrue from and after such redemption date notwithstanding that a Current Interest Bond has not been presented for payment.

All notices of redemption shall (i) specify the date of redemption for the Current Interest Bonds, (ii) identify the Current Interest Bonds to be redeemed, (iii) state the redemption price, (iv) state that the Current Interest Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify the payment of the redemption price for the Current Interest Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

The District reserves the right to issue a conditional redemption, in which case it shall give notice of its election or direction to redeem Current Interest Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Current Interest Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, with respect to Current Interest Bonds, in the denomination of any integral multiple of \$5,000, and with respect to Premium Capital Appreciation Bonds, in the denomination of \$5,000

payment at maturity amounts or any integral multiple thereof. As provided in the Resolution, this Bond may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having any authorized denomination or denominations as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the District. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer or exchange with respect to Current Interest Bonds (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Current Interest Bond or any portion thereof that is to be redeemed prior to maturity, within forty-five days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of a Bond.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

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 Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Bonds.

THE DISTRICT and the Paying Agent/Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof, the premium, if any, due hereon, and the interest due hereon and for all other purposes; and neither the District nor the Paying Agent/Registrar shall be affected by any notice to the contrary.

THIS BOND and the other Bonds of the series of which it is a part, are payable (until all the territory within the District is annexed, all properties and assets of the District are taken over, and all debts, liabilities and obligations of the District, including this Bond, are assumed by one or more cities and the District is abolished pursuant to existing Texas law) from the proceeds of an ad valorem tax levied without legal limitation as to rate or amount upon all taxable property within the District and by a pledge of and lien on the Net Revenues of the District's System (as such terms are defined in the Resolution). Reference is hereby made to the Resolution for a complete description of the terms, covenants, and provisions pursuant to which this Bond and the series of Bonds of which it is a part are secured and made payable, the respective rights thereunder of the registered owners of Bonds and of the District and the Paying Agent/Registrar; and the terms upon which the Bonds are, and are to be, registered and delivered. By acceptance of this Bond, the registered owner hereof expressly assents to all of the provisions of the Resolution.

NO OTHER ENTITY, including the State of Texas, any political subdivision thereof other than the District, or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds of the series of which this Bond is a part, is encumbered by any lien for the benefit of the registered owner of this Bond.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly voted, authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a general obligation of said District, issued on the full faith and credit thereof; that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said District, and have been pledged irrevocably for such payment, without limit as to rate or amount; and that this bond is further secured by and payable from an irrevocable lien on and pledge of the Net Revenues of the District's water and wastewater system, all as defined in the Resolution authorizing this Series of bonds, or any bonds issued to refund such Bonds.

THE DISTRICT expressly reserves the right to issue additional bonds payable from taxes and also secured by a pledge of and lien on the Net Revenues to be derived from the operation of its water and wastewater system. Said additional tax and revenue bonds may be in all respects on a parity and of equal dignity with this bond and the Series of which it is apart.

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

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

(facsimile signature)
Secretary
Board of Directors

(facsimile signature)
President
Board of Directors

[SEAL]

FORM OF PAYING AGENT/REGISTRAR'S REGISTRATION CERTIFICATE

PAYING AGENT/REGISTRAR'S REGISTRATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution 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.

Paying Agent/Registrar

Dated _____

By: _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to

/_____/

(Assignee's Social
Security or Taxpayer
Identification Number)

(print or type Assignee's name and
address, including zip code)

and hereby irrevocably constitutes and appoints

attorney to transfer the registration of this Bond on the Paying Agent/Registrar's Registration Books
with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

Registered Owner

NOTICE: This signature must correspond with the name of the Registered Owner appearing on the
face of this Bond in every particular without alteration or enlargement or any change whatsoever.

FORM OF REGISTRATION CERTIFICATE OF
THE COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO.

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

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

[COMPTROLLER'S SEAL]

Section 7. BONDS ARE ADDITIONAL BONDS. The Bonds authorized to be issued and delivered by this Resolution are "Additional Bonds," as defined in Section 18 of the Series 1999 Bond Resolution authorizing the Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 1999. Therefore, except where inconsistent with the provisions of this Resolution, Sections 8, 9 and 11 through 17, inclusive, of the Series 1999 Bond Resolution are hereby adopted by reference, and the same shall apply with equal force to the Bonds ordered to be issued by this Resolution as if said Sections were fully set forth herein. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the ad valorem taxes and Net Revenues to payment of principal and interest on the Bonds granted by the District under this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the ad valorem taxes and Net Revenues to payment of principal and interest on the Bonds granted by the District is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 8. TAX LEVY. (a) All taxes levied and collected for an on account of said bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of said Bonds are outstanding and unpaid, the Board of Directors of the District shall compute and ascertain the rate and amount of ad valorem tax, based on the valuation of taxable property in the District, according to the latest approved tax rolls of said District, which will be sufficient to raise and produce the money required to pay the interest on and principal of said Bonds,

as such interest comes due, and such principal matures, with full allowances being made for tax delinquencies and costs of tax collections. Said rate and amount of ad valorem tax is hereby ordered to be levied and is hereby levied against all taxable property in said District for each year while any of said Bonds are outstanding and unpaid, and said ad valorem tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes necessary to pay the interest on and principal of said Bonds, as such interest comes due and such principal matures, are hereby pledged irrevocably for such purposes, without limit as to rate or amount.

(b) At such time as the Net Revenues from the operation of the System (herein pledged) together with money derived from taxes shall have accumulated a surplus in the Interest and Sinking Fund in an amount at least equal to the principal of and interest on the Bonds scheduled to mature and accrue in the year next succeeding, then the annual tax levy may be reduced to such rate as will produce not less than twenty five per cent (25%) of the principal and interest requirements for each of the next succeeding years, until an actual experience of three (3) successive years shall demonstrate that the Net Revenues are wholly adequate to pay the principal of and the interest on the Bonds as the same mature and accrue, at which time the District tax may be wholly abated until further experience may demonstrate the necessity again to exercise the District's taxing power in order to avoid default in the payment of said Bonds and the interest thereon as the same mature and accrue.

Section 9. CREATION OF FUNDS. (a) The District hereby establishes the following special funds or accounts: (i) the Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010, Interest and Sinking Fund (the "Interest and Sinking Fund"); (ii) the Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010 Construction Fund (the "Construction Fund") and (iii) the Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010, Escrow Fund (the "Escrow Fund").

(b) The Interest and Sinking Fund shall be maintained at a depository bank of the District and the Escrow Fund shall be maintained at The Bank of New York Mellon Trust Company, N.A. pursuant to the terms of the Escrow Agreement.

Section 10. INTEREST AND SINKING FUND. (a) The taxes levied under Section 6 shall be deposited to the credit of the Interest and Sinking Fund at such times and in such amounts as necessary for the timely payment of the principal of and interest on the Bonds.

(b) Money on deposit in the Interest and Sinking Fund shall be used to pay the principal of and interest on the Bonds as such become due and payable.

Section 11. ADDITIONAL BONDS. The District expressly reserves and shall hereafter have the right to issue in one or more installments such other combination unlimited tax and revenue

bonds as were authorized at the Confirmation Election and as may hereafter be authorized at subsequent elections. Such bonds may be payable from and equally secured by a pledge of and lien on the Net Revenues of the System to the same extent as pledged and in all things on a parity with the lien of these bonds.

Furthermore, the District expressly reserves and shall hereafter have the right to issue in one or more installments the following:

1) Additional Revenue Bonds. The District expressly reserved the right to issue additional bonds payable solely from Net Revenues of the System, as set forth above, for the purpose of completing, repairing, improving, extending, enlarging or replacing the System, and such bonds may be payable from and equally secured by a lien on and pledge of said net revenues on a parity with the pledge thereof for these Bonds. Provided, however, that before the District can issue additional parity bonds payable solely from the revenues of the District's System, an independent certified public accountant shall certify that the Net Revenues of the District's system for the previous fiscal year have been equal to at least 1.25 times the average annual requirements for principal and interest of the then outstanding bonds of the District payable in whole or in part from the net revenues of the District's system, and a registered professional engineer shall certify that the anticipated Net Revenues of the District's system will equal at least 1.50 times the average annual requirements for payment of the then outstanding bonds of the District payable in whole or in part from the revenues of the District's system plus the additional bonds proposed to be issued; however, such certificates shall not be required for the issuance of additional bonds payable solely from ad valorem taxes or for additional bonds payable from both ad valorem taxes and net revenues of the District's system.

2) Inferior Lien Bonds. The District also reserves the right to issue inferior lien bonds and to pledge the Net Revenues of the system to the payment thereof, such pledge to be subordinate in all respects to the lien of these bonds and any previously issued combination unlimited tax and revenue or revenue bonds on a parity with the bonds of this series.

3) Special Project Bonds. The District further reserves the right to issue special project bonds for the purchase, or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities, such special project bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to fund such bonds.

4) Refunding Bonds. The District further reserves the right to refund any of these bonds or additional combination unlimited tax and revenue or revenue bonds subject to prior redemption, or any bond the bearers of which have consented to have refunded, and the refunding bonds so issued shall enjoy complete equality of lien with the remaining bonds not refunded, if any such bonds remain, and the refunding bonds so issued shall enjoy the priority of lien enjoyed by the bonds being refunded.

Section 12. MAINTENANCE AND OPERATION; INSURANCE. While any of the Bonds or Additional Bonds are outstanding, the District covenants and agrees to maintain the System in good condition and operate the same in an efficient manner and at reasonable expense, and to maintain insurance on the System, for the benefit of the holder or holders of said bonds, of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business and which will insure the District against claims for which it can be liable under the Texas Tort Claims Act, or any amendment thereof, or any similar law.

Section 13. ACCOUNTS AND FISCAL YEAR. The District shall keep proper books of records and accounts, separate and apart from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and shall have said books audited once each fiscal year by a Certified Public Accountant. The District agrees to operate the System and keep its books of records and accounts pertaining thereto on the basis of its current fiscal year; provided, however, that the Board of Directors may change such fiscal year if such change is deemed necessary by the Board of Directors.

Section 14. ACCOUNTING REPORTS. Within ninety days after the close of each fiscal year hereafter, the District will furnish, without cost, to any holder of any outstanding Bonds, or Additional Bonds, who may so request, a signed or certified copy of a report by a Certified Public Accountant, covering the next preceding fiscal year, showing the following information:

- (a) A detailed statement of all gross revenues of the System and all expenses of operating and maintenance thereof for said fiscal year.
- (b) Balance sheet as of the end of said fiscal year.
- (c) Accountant's comment regarding in the manner in which the District has complied with the requirements of this Resolution and his recommendations, if any, for the changes or improvements in the operation and maintenance of the System.
- (d) List of insurance policies in force at the end of said fiscal year, showing as to each policy, the risk covered, the amount of the policy, the name of the insurer, and the expiration date.
- (e) The number of properties served by the System, if any, and the gross revenues from said System for said fiscal year.
- (f) The number of unmetered customers of the System at the end of said fiscal year.
- (g) The approximate number of gallons of water registered through the District's meters, and the number of gallons sold during said fiscal year.

Section 15. INSPECTION. Any holder or holders of any Bonds or Additional Bonds shall have the right at all reasonable times to inspect the System and all records, accounts, and data of the District relating thereto.

Section 16. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section 9, when payment of the principal of such Bond, plus interest thereon, to the due date (whether such due date be by reason of maturity, upon 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 the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon, shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any monies so deposited with the Paying Agent/Registrar 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 the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District, or deposited as directed in writing by the District.

(c) The term "Government Obligations" as used in this Section, shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.

(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 Resolution.

Section 17. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS AND SUPPLEMENTAL INTEREST CERTIFICATES.

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

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

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Bond, the 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 replacement Bond, provided security or indemnity is furnished as above provided in this Section.

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

(e) Authority for Issuing Replacement Bonds. In accordance with Subchapter D, Title 9, Government Code, this Section 16 of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the District or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 18. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; AND CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED. The President of the Board of Directors of the District is hereby

authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bond. The approving legal opinion of the District's Bond Counsel and the assigned CUSIP numbers may, at the option of the holder, be printed on the Initial Bond or on any Bonds issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the Insurer.

Section 19. NOTICES TO HOLDERS; WAIVER. Wherever this Resolution provides for notice to holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the address of each holder as it appears in the Registration Book.

In any case where notice to holders is given by mail, neither the failure to mail such notice to any particular holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to any other holders. Where this Resolution provides for notice in any manner, such notice may be waived in writing by the holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 20. COVENANTS REGARDING TAX EXEMPTION. The District covenants to take any action necessary to secure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the District covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in Section 141(b)(6) of the Code or, if more than 10 percent of the proceeds 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 Resolution, or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of Section 141(b)(2) of the Code;

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

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

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

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

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

(1) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of Section 1.103-13(b)(12) of the Treasury Regulations, and

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

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

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

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

(j) The District need not comply with the covenants and duties imposed by the provisions of Subsection h of this Section if:

(1) (a) the District is a governmental unit with general taxing powers;

(b) 95% of the Net Proceeds of the Bonds and all income from the investment thereof will be used for the governmental activities of the District;

(c) the aggregate face amount of all debt obligations issued or expected to be issued by the District or any subordinate entity in the calendar year in which the Bonds are issued (including the bonds but excluding obligations to be redeemed with proceeds of the Bonds within 90 days after the date on which the Bonds are to be issued) is not reasonably expected to exceed \$5,000,000; and

(d) the District otherwise satisfies the requirements of paragraph (4)(D) of Section 148(f) of the Code and the regulations and rulings thereunder, or

(2) the gross proceeds of the Bonds, not including gross proceeds which are held in a bona fide debt service fund, are expended for the purposes for which the Bonds were issued by no later than the day which is six (6) months after the date of issuance of the Bonds, and the rebate requirements are met with respect to amounts not required to be spent as provided in subclause (I) of paragraph 4(B)(i) of Section 148(f) of the Code. For the purpose of the foregoing sentence a bona fide debt service is a fund that is used primarily to achieve a proper matching of revenues and debt service within each bond year, and a bona fide debt service fund for a single issue must be depleted at least once a year except for a reasonable carryover amount (not to exceed the greater of (A) one (1) year's earnings on the fund or (B) one-twelfth of annual debt service). A bona fide debt service may be established for two or more issues, provided that the total amount in the fund at no time exceeds the total of the amounts that could be held in bona fide debt service funds established separately for each of the issues.

The District shall timely file the information required by Section 149(e) of the Code with the Secretary of the Treasury on form 8038G or such other form and in such place as the Secretary may prescribe.

In order to facilitate compliance with the above covenants (g), (h) and (i), the "Rebate Fund" is hereby established by the District for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with Section 148 of the Code.

For purposes of the foregoing (a) and (b), the District understands that the term “proceeds” includes “disposition proceeds” as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the District that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such modification or expansion, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In furtherance of such intention, the District hereby authorizes and directs the president 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 Bonds.

Section 21. **DISPOSITION OF PROJECT.** The District covenants that neither of the property constituting the projects financed with the proceeds of the new money bonds and the property constituting the projects financed with the proceeds of the Refunded Bonds will be sold or otherwise disposed in a transaction resulting in the receipt by the District of cash or other compensation, unless the District obtains an opinion of the District’s bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the District shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 22. **DESIGNATION AS QUALIFIED TAX-EXEMPT BONDS.** The District hereby designates the Bonds as “qualified tax-exempt bonds” as defined in Section 265(b)(3) of the Code. In furtherance of such designation, the District represents, covenants and warrants the following: (a) that 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 \$30,000,000 of “qualified tax-exempt obligations” being issued; and (b) that the District reasonably anticipates that the amount of tax-exempt obligations issued during the calendar year in which the Bonds are issued, by the District (or any subordinate entities) will not exceed \$30,000,000.

Section 23. **REMEDIES.** In addition to all rights and remedies of any holder of Bonds provided by the laws of the State of Texas, in the event the District defaults in the payment of the

principal of or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in this Resolution, any holder of Bonds 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 make such payment or to observe and perform any covenants, obligation, or condition prescribed in this Resolution. No delay or omission by any holder to exercise any right or power accruing to such holder 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 Resolution shall be available to any holder of Bonds and shall be cumulative of all other remedies.

Section 24. CANCELLATION. All Bonds surrendered for payment, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the District, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The District may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the District may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the District.

Section 25. RESOLUTION A CONTRACT; AMENDMENTS. The District acknowledges that the covenants and obligations of the District herein contained are a material inducement to the purchase of the Bonds. This Resolution shall constitute a contract with the holders of the Bonds from time to time, binding on the District and its successors and assigns whether or not so expressed, and shall not be amended or repealed by the District so long as any Bond remains outstanding except as permitted by this Section.

The District may, without the consent of or notice to any holders of Bonds, from time to time and at any time amend this Resolution in any manner not detrimental to the interests of the holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the District may, with the written consent (expressed as provided herein) of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution provided that, without the consent of the holders of all of the Bonds affected, no such amendment, addition, or rescission shall (i) extend time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

Whenever the District shall desire to make any amendment or addition to or rescission of this Resolution requiring the consent of holders of the Bonds, the District shall cause notice of the

amendment, addition, or rescission to be mailed to the holders of the Bonds in the manner provided for notice of redemption. Whenever, at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments in writing executed by the holders of a majority in aggregate principal amount of the Bonds then outstanding affected by any such amendment, addition, or rescission requiring the consent of holders of Bonds, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the District may adopt such amendment, addition, or rescission in substantially such form, except as herein provided. No Holder of Bonds may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

Section 26. SALE OF BONDS AND BOND PURCHASE AGREEMENT. The Bonds are hereby sold and shall be delivered to _____ (the "Purchaser"), at a price of \$ _____ representing the par amount of the bonds, \$ _____ plus a reoffering premium of \$ _____, less an underwriter's discount of \$ _____, plus accrued interest on the Current Interest Bonds, from the dated date until the date of closing, pursuant to the terms and provisions of the Bond Purchase Agreement in substantially the form presented to the Board and attached hereto as Exhibit B, which each of the President and Vice President of the Board of Directors of the District is hereby authorized to execute and deliver and which each of the Secretary and Assistant Secretary of the Board of Directors of the District is hereby authorized to attest. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonable obtainable. The Bonds shall initially be registered in the name _____.

Section 27. APPROVAL OF OFFICIAL STATEMENT. The District 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 Underwriters 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. The distribution and use of the Preliminary Official Statement dated July 5, 2005, prior to the date hereof is hereby ratified and confirmed.

Section 28. APPROVAL OF ESCROW AGREEMENT. Attached hereto as Exhibit C is substantially the final form of Escrow Agreement. Each of the President and Vice President are hereby authorized to amend, complete or modify such agreement as necessary and are further authorized to execute such agreement and each of the Secretary and the Assistant Secretary are hereby authorized to attest such agreement. The Escrow Fund described in the Escrow Agreement is hereby confirmed and approved.

Section 29. APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT. Attached hereto as Exhibit D is a substantially final form of Paying Agent/Registrar Agreement. Each the

President and the Vice President are hereby authorized to amend, complete or modify such agreement as necessary and are further authorized to execute such agreement and each of the Secretary and Assistant Secretary are hereby authorized to attest such agreement.

Section 30. APPLICATION OF BOND PROCEEDS AND TRANSFER OF CERTAIN OTHER FUNDS. Monies received from the Purchaser representing accrued interest on the Bonds shall be deposited into the Interest and sinking Fund. The appropriate proceeds of the Bonds shall be disbursed in accordance with the Verification Report and the closing instruction letter of the District. The District's manager is hereby authorized to transfer the debt service funds to the escrow required by the Verification Report. The remaining proceeds shall be used to pay costs of issuance and the proceeds remaining thereafter shall be deposited to the Construction Fund.

Section 31. TRANSFER AND APPROPRIATION OF FUNDS. The District hereby appropriates from current funds on hand, and directs the transfer to the Interest and Sinking Fund for the Bonds of, an amount of money sufficient, when added to the accrued interest received from the sale of the Bonds, to pay the interest scheduled to come due on the Bonds on February 15, 2010. Each of the President and the Vice President are hereby authorized to authorize the transfer of such funds of the District, if any, as may be necessary for deposit to the Escrow Fund for that fund to have sufficient funds to provide for the refunding of the Refunded Bonds.

Section 32. NOTICE OF REDEMPTION. Attached to this Ordinance, as Exhibit "D", and made a part hereof for all purposes, are copies of notices of deposit and prior redemption for the Refunded Bonds in substantially final form and such Refunded Bonds described in said notices of prior redemption are hereby called for redemption and shall be redeemed prior to maturity on the dates, places, and at the prices set forth therein. Each of the President and the Vice President are hereby authorized to amend, complete or modify such notices as necessary to call such Refunded Bonds for redemption.

Section 33. NOTICE TO PAYING AGENT. The Refunded Bonds described in Exhibit "D" attached hereto are so called for redemption, and The Bank of New York Mellon Trust Company is hereby directed to make appropriate arrangements so that such Refunded Bonds may be redeemed on the respective redemption dates. A copy of such notices of redemption shall be delivered to the respective paying agents so mentioned in the notices.

Section 34. CONTINUING DISCLOSURE UNDERTAKING.

(a) Annual Reports.

The District shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of any fiscal year, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section ____ of this Resolution, being the information described in Exhibit "A" hereto. Any

financial statements to be so provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "A" hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and (2) 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, then the District shall provide unaudited financial statements within such period, and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become 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 that is available to the public on the MSRB's internet web site or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(b) Material Event Notices.

The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws of debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Defeasances;

- (j) Release, substitution, or sale of property securing repayment of the Bonds; and
- (k) Rating changes.

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 subsection (a) of this Section by the time required by such subsection. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

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 the Rule, except that the District in any event will give the notice required by this Section of any Bond calls and defeasance that cause the District to be no longer such an "obligated person."

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The 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 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 HOLDER OR BENEFICIAL OWNER OR 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 constitute a breach of or default under the Resolution for purposes of any other provision of this Resolution.

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

The provisions of this Section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change

in the identify, nature, status, or type of operations of the District, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this Section if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing and selling Bonds in the primary offering of the Bonds. If the District so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

As used in this Section 34, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

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

"SEC" means the United Securities and Exchange Commission.

Section 35. ATTORNEY GENERAL MODIFICATION. In order to obtain the approval of the Bonds by the Attorney General of the State of Texas, any provisions of this resolution may be modified, altered or amended after the date of its adoption if required by the Attorney General in connection with the Attorney General's examination as to the legality of the Bonds and approval thereof in accordance with the applicable law. Such changes, if any, shall be provided to the District Secretary of the District and the District Secretary of the District shall insert such changes into this resolution as if approved on the date thereof.

Section 36. AUTHORITY OF OFFICERS. The President and the Secretary of the Board of the District, and all other officers, employees, 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 corporate 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 Bond Resolution and the Bonds. In case any officer whose signature shall appear on the Initial

Bonds shall cease to be such officer before the delivery of the Initial Bonds, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

Section 37. OPEN MEETINGS. It is hereby found and determined that the meeting at which this Resolution was adopted was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code and Chapter 49, Texas Water Code, as amended.

LIST OF EXHIBITS

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|-----------|---|
| EXHIBIT A | SCHEDULE OF ACCRETED VALUES OF PREMIUM CAPITAL APPRECIATION BONDS |
| EXHIBIT B | BOND PURCHASE AGREEMENT |
| EXHIBIT C | PAYING AGENT/REGISTRAR AGREEMENT |
| EXHIBIT D | ESCROW AGREEMENT |
| EXHIBIT E | CONTINUING DISCLOSURE UNDERTAKINGS |

EXHIBIT A

SCHEDULE OF ACCRETED VALUES OF PREMIUM CAPITAL
APPRECIATION BONDS

EXHIBIT B

BOND PURCHASE AGREEMENT

The Bond Purchase Agreement is omitted at this point as it appears in executed form elsewhere in this transcript.

EXHIBIT C

PAYING AGENT/REGISTRAR AGREEMENT

The Paying Agent/Registrar Agreement is omitted at this point as it appears in executed form elsewhere in this transcript.

EXHIBIT D

ESCROW AGREEMENT

The Escrow Agreement is omitted at this point as it appears
in executed form elsewhere in this transcript.

EXHIBIT E

CONTINUING DISCLOSURE UNDERTAKINGS

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 28 of this Resolution.

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 the Appendices or under the headings of the Official Statement referred to) below:

1. The financial information and operating data with respect to the District of the general type included in the Official Statement in Appendix A, Tables 1, 7, 8, 9, 10 and 12. The District will update and provide this information within six (6) months at the end of each fiscal year beginning after September 30, 2010.

Accounting Principles

The accounting principles 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.