

NOTICE OF MEETING
TAKE NOTICE THAT A MEETING OF
the Board of Directors of
SENNA HILLS MUNICIPAL UTILITY DISTRICT
Will be held at the offices of Willatt & Flickinger, PLLC,
12912 Hill Country Blvd., Suite F-232, Austin, Texas 78738 (**SEE NOTES BELOW**)
commencing at 7:10 a.m. on March 27, 2020 to consider and act upon the following:

PLEASE NOTE: THIS MEETING WILL BE HELD BY REMOTE ACCESS ONLY IN ACCORDANCE WITH THE MARCH 16, 2020 ORDER BY GOVERNOR ABBOTT TEMPORARILY SUSPENDING CERTAIN REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT TO ADVANCE THE GOAL OF LIMITING FACE-TO-FACE MEETINGS TO SLOW THE SPREAD OF COVID-19. NO PERSONS WILL BE AT THE MEETING LOCATION AND NO EQUIPMENT WILL BE AT THE MEETING LOCATION FOR ACCESS TO THE MEETING. HOWEVER, MEMBERS OF THE PUBLIC MAY ACCESS THIS MEETING BY TELEPHONE AND PARTICIPATE IN THE MEETING BY CALLING ONE OF THE FOLLOWING TOLL-FREE NUMBERS: (877) 853-5247 OR (888) 788-0099 AND ENTERING THE FOLLOWING INFORMATION: MEETING ID: 344 145 867 AND PASSWORD: 730849.

PLEASE SEE THE DISTRICT'S WEBSITE AT WWW.SENNAHILLSMUD.ORG FOR THE MEETING PACKET.

AGENDA

1. Call to Order.
2. Roll Call of Directors.
3. Public Comments.

This is an opportunity for members of the public to address the Board of Directors concerning any issue that is not on the agenda. The response of the Board to any comment under this heading is limited to making a statement of specific factual information in response to the inquiry, or, reciting existing policy in response to the inquiry. Any deliberation of the issues is limited to a proposal to place it on the agenda for a later meeting. Each speaker offering public comment must sign an Attendance Sheet at or prior to commencement of the meeting and shall be limited to 3 minutes, unless more than 10 members of the public have signed up to speak during this meeting. In such case, speakers offering public comment shall be limited to 1 minute each.

Note: Members of the public wishing to address the Board of Directors on specific agenda items will be required to sign an Attendance Sheet at or prior to commencement of the meeting indicating the agenda items on which they wish to speak. They will be given an opportunity to speak when the item is called and prior to consideration by the Board. Such comments shall be limited to 3 minutes per speaker for each agenda item. If more than 10 members of the public have signed up to speak, all speakers shall be limited to 1 minute each per item per person.

4. Minutes of prior meetings.
5. Temporary Moratorium on disconnection of water service for non-payment during COVID-19 virus crisis.
6. Payment plans for District customers during COVID-19 virus crisis.
7. Temporary Emergency Order Delegating Authority to the Board President to Approve Certain Actions Need to Continue Functioning of the District during COVID-19 Virus Crisis including Authorization for the Board Vice President to Act if the Board President is Unavailable or Unable to Act.

8. Resolution approving bond counsel engagement agreement with Orrick, Herrington & Sutcliffe LLP, Austin, Texas to obtain specialized legal services as bond and disclosure counsel in connection with the issuance of bonds and other public securities based on such firm's credentials as a nationally recognized law firm in the field of municipal law, among the largest municipal law firms in the nation advising governmental issuers on state and federal laws governing the issuance of bonds and other public securities, and the experience of the attorneys identified for the engagement as bond and disclosure counsel to the District; finding that (i) such legal services require specialized expertise and experience in state and federal laws governing the issuance of bonds and other public securities and therefore cannot be adequately performed by the attorneys and supporting personnel of the District, (ii) such legal services cannot be reasonably obtained from attorneys in private practice under a contract providing for the payment of hourly fees without contingency because the District will not be obligated to pay any legal fees unless the bonds or other public securities are issued and (iii) entering into a contingent fee contract for legal services is in the best interest of the District because bond and disclosure counsel will only be paid in the event that the bonds or other public securities are actually issued; and matters related thereto.
9. Resolution authorizing the issuance of Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds; levying an ad valorem tax in support of the bonds; authorizing preparation of an official statement; establishing procedures for selling and delivering the bonds; and authorizing execution of agreements and other matters related to the issuance of the bonds.
10. Report from Mr. Rip Miller on progress of approvals for and development of the 11.73-acre tract owned by Senna Hills, Ltd.
11. All matters related to West Travis County Public Utility Agency.
12. Engineer's Report on same or all of the agenda items.
13. Construction projects within the District, including advertisement for bids and approval, award, recommendation, administration of construction contracts, change orders and pay estimates.
14. MS4 Permit; maintenance of drainage easements and ponds.
15. Bookkeeper's report, including authorization of payment of bills; builder deposits.
16. District Manager's Report on operations.
 - a. Customer Requests
 - b. Landscape Maintenance Contracts; Additional landscaping services
 - c. Inspections of HOA effluent irrigation system
 - d. Possible repairs to areas of streets in Sections 5B and 6; Manholes, water meters and storm drains

- e. Drum screens; waste disposal process
 - f. Storage unit at wastewater treatment plant
 - g. Grinder Pump Letter to Residents
 - h. Proposal for irrigation repairs to effluent irrigation system
17. Badger Meter Beacon AMA Managed Solution Master Agreement (software); Pricing Sheet for Meter Purchase; Purchase of Electronic Meters
 18. Rate Order.
 19. Billing Adjustments.
 20. Taylor Lake Effluent Pond, the District's effluent disposal system; HOA's effluent irrigation system; Effluent Disposal Contract between the District and HOA.
 21. Dates for future board meetings.
 22. Administration of Contract by and among the District, Senna Hills Homeowners Association, Inc.; Senna Hills, Ltd. and The Senna Hills Trust; Additional Amendment to Contract; Storage of SHL materials on property near sheds; possible damage to District's irrigation system
 23. Inframark Contract.
 24. Adjourn.

The Board may go into closed session at any time when permitted by Chapter 551, Government Code. Before going into closed session a quorum of the Board must be assembled in the meeting room, the meeting must be convened as an open meeting pursuant to proper notice, and the presiding officer must announce that a closed session will be held and must identify the sections of Chapter 551, Government Code, authorizing the closed session.

(SEAL)



Attorney for the District

The District is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request. Please call Kristi Hester, INFRAMARK, LLC, Manager for the District at (512) 246-0498, for information. Hearing impaired or speech disabled persons equipped with telecommunications devices for the deaf may call (512) 272-9116, or may utilize the statewide Relay Texas program, 1-800-735-2988.

MINUTES OF MEETING
OF
SENNA HILLS MUNICIPAL UTILITY DISTRICT

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

A meeting of the Board of Directors of Senna Hills Municipal Utility District, open to the public, was held at 7:10 a.m. on February 28, 2020 at Willatt & Flickinger, PLLC, 12912 Hill Country Blvd., Ste. F-232, Austin, Texas 78738, pursuant to notice duly given in accordance with law.

1. CALL TO ORDER

The meeting was called to order.

2. ROLL CALL OF DIRECTORS

The Directors present were:

Chet A. Palesko - President
David I. Perl – Vice President
Lisa S. McKenzie – Secretary

thus constituting a quorum. Assistant Secretaries Joe Szoo and Corey Newhouse were absent.

Also present at the meeting were Bill Flickinger, Matt McPhail and Jeniffer Concienne of Willatt & Flickinger, PLLC, Robert Ferguson of Murfee Engineering, Jesse Kennis and Makenzi Scales of Inframark and Allen Douthitt of Bott & Douthitt, PLLC.

3. CITIZEN COMMENTS

No citizens were present.

4. MINUTES OF PRIOR MEETINGS

President Chet Palesko entertained a motion for approval of the Minutes. Motion was made by David I. Perl and seconded by Lisa McKenzie to approve the Minutes of the January 31, 2020 meeting as presented. The motion carried unanimously.

5. REPORT FROM MR. RIP MILLER ON PROGRESS OF APPROVALS FOR AND DEVELOPMENT OF THE 11.73-ACRE TRACT OWNED BY SENNA HILLS, LTD.

This item was not discussed.

6. MATTERS RELATED TO WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY

There has been good progress with the installation of the new raw waterline going in along Bee Cave Road. As discussed previously, this will be a second line from the lake that will help with the summer demands for water service.

7. ENGINEER'S REPORT ON SOME OR ALL OF THE AGENDA ITEMS

Engineer Robert Ferguson discussed his report as included in the agenda package. There was discussion of the repairs needed to the irrigation control wiring. Manager Jesse Kennis reported that he will be conducting a site visit after today's board meeting to review the findings from the contractor. As the Board is aware, there are cut wires throughout the system and most likely some under the concrete in the driveway aprons and buildings that were installed by SHL.

8. CONSTRUCTION PROJECTS WITHIN THE DISTRICT, INCLUDING ADVERTISEMENT FOR BIDS AND APPROVAL, AWARD, RECOMMENDATION, ADMINISTRATION OF CONSTRUCTION CONTRACTS, CHANGE ORDERS AND PAY ESTIMATES

This item was not discussed.

9. MS4 PERMIT; MAINTENANCE OF DRAINAGE EASEMENTS AND PONDS

This item was not discussed.

10. BOOKKEEPER'S REPORT, INCLUDING AUTHORIZATION OF PAYMENT OF BILLS; BUILDER DEPOSITS

Bookkeeper Allen Douthitt discussed the financials and fund transfers with the Board. The per diems for Joe Szoo and Corey Newhouse will be voided due to their absence. Mr. Douthitt discussed closing two accounts with ABC Bank, as they are no longer needed. The accounts are as follows: debt service account and the debt service interest & sinking account. After discussion, President Chet A. Palesko entertained a motion for approval. Motion was made by Lisa McKenzie and seconded by David I. Perl to approve payment of the invoices and per diems and authorize the three fund transfers and closing of ABC accounts presented. The motion carried unanimously.

11. DISTRICT MANAGER'S REPORT ON OPERATIONS

- a. Customer Requests
- b. Landscape Maintenance Contracts; Additional landscaping services
- c. Inspections of HOA effluent irrigation system
- d. Possible repairs to areas of streets in Sections 5B and 6; Manholes, water meters and storm drains
- e. Drum screens; waste disposal process
- f. Storage unit at wastewater treatment plant
- g. Grinder Pump Letter to Residents

h. Proposal for irrigation repairs to effluent irrigation system

Manager Jesse Kennis discussed his Executive Summary of the Manager's Report.

The wastewater plant is running at 70% capacity.

Mr. Kennis reported that the new motor for the effluent irrigation pump has been received and is being installed.

There was a 2.5% water gain this period. Mr. Kennis reported that Scott Manuel reached out to the PUA for the calibration records for the master meters. The PUA indicated that the last calibration occurred in August of 2019. There were 3.9 million gallons of water consumed for January.

There was discussion of the drum screen disposal system. Mr. Kennis stated that he is still working on this matter.

Mr. Kennis is also working on installing the storage unit at the wastewater plant.

Secretary Lisa McKenzie inquired about the status of purchasing new auto-dialers. Mr. Kennis will review that matter and report back at the next board meeting.

Mrs. McKenzie also discussed the District's past due receivables. At this time, there is only one account past due. Back in the summer, a resident moved out of the District and left a balance of \$177.81 after application of their security deposit. Inframark has been sending monthly invoices to them indicating the past due amount. As the Board is aware, past due accounts are not sent to a collection agency. Mrs. McKenzie asked that Inframark now send a certified letter to the resident indicating the past due balance in attempt to collect what is owed to the District. Mr. Kennis advised that he would have the letter drafted and sent out.

12. BADGER MASTER METER AGREEMENT (SOFTWARE); PRICING SHEET FOR METER PURCHASE

President Chet Palesko discussed the pricing of the electronic meters. Mr. Palesko and Corey Newhouse recently met with the Atlas representative. It was discovered that the pricing sheet did not include all the items needed for the changeover, such as the endpoints. That missing item added approximately \$50,000 to the overall cost. The system seems to be expensive. The Board discussed the pros and cons of electronic metering throughout the District. Mr. Palesko may like to entertain a mixed system of both electronic and mechanical meters. Vice President David I. Perl advised that he would like to move forward with all electronic meters in the District. President Palesko advised that Director Newhouse would like to push this item until next month for a decision. There was also discussion of a \$5,800 grant from the LCRA to help with the cost of the system. This item will be discussed further at next month's meeting. No action is needed at this time.

13. RATE ORDER

This item was not discussed.

14. BILLING ADJUSTMENTS

This item was not discussed.

15. TAYLOR LAKE EFFLUENT POND, THE DISTRICT'S EFFLUENT DISPOSAL SYSTEM; EFFLUENT DISPOSAL CONTRACT BETWEEN THE DISTRICT AND HOA; REQUEST FROM HOA FOR POSSIBLE DOG PARK

This item was not discussed.

16. CYBERSECURITY; H.B. 3834 REQUIRED TRAINING

Attorney Matt McPhail discussed H.B. 3834 in connection with cybersecurity. This bill was passed to help prevent cyberattacks and to provide education on developing security habits for detecting and addressing cyberattacks. This law was enacted in June of 2019, but the training and reporting programs are not yet finalized. However, within a few weeks, the programs should be up and running and at that point, the directors will be notified. The required training will be on an annual basis and must be completed by June 14th of each year. Once the directors complete the training, it will be reported to the appropriate authority. Mr. McPhail advised that the directors will receive a per diem for this training.

17. DATES FOR FUTURE BOARD MEETINGS

The meeting dates are as follows: March 27th, April 24th and May 29th.

18. CONTRACT BY AND AMONG THE DISTRICT, SENNA HILLS HOMEOWNERS ASSOCIATION, INC., SENNA HILLS, LTD. AND THE SENNA HILLS TRUST; STORAGE OF SHL MATERIALS ON PROPERTY NEAR SHEDS; POSSIBLE DAMAGE TO DISTRICT'S IRRIGATION SYSTEM

Attorney Bill Flickinger reported on the request from Rip Miller to have Robert Ferguson begin work on a proposal for amendment to the TCEQ permit. Mr. Flickinger advised that all parties should follow the ordered steps in the Contract, so that Mr. Ferguson would not start that work until SHL has received all of its required approvals. There was discussion of setting up a committee meeting with the District and HOA representatives.

19. INFRAMARK CONTRACT

Manager Jesse Kennis reported that Inframark and the MUD committee held another meeting to discuss the Inframark contract. There are still items that are being worked through,

such as the base fee versus the work orders. This matter will be presented at the next board meeting for consideration. No action is needed at this time.

20. ADJOURN

President Chet A. Palesko adjourned the meeting.

Chet A. Palesko, President

ATTEST:

Lisa S. McKenzie, Secretary

[SEAL]

SECTION 3. EXTENSION OF MORATORIUM ON WATER SERVICE DISCONNECTIONS. The Board President is hereby authorized to approve and extend moratoriums on water service disconnections for non-payment and for periods to be determined by the Board President.

SECTION 4. GRANTING OF EXTENDED PAYMENT PLANS FOR WATER SERVICE. The Board President is authorized to approve extended payment plans for customers of the District, on such terms as the Board President deems appropriate and to amend any current payment plans for customers to provide for durations in excess of payment plans approved by the Board or District Manager.

SECTION 5. AUTHORIZATION FOR ACQUISITION OF EQUIPMENT FOR REMOTE BOARD MEETINGS. The Board President is authorized to investigate, acquire and pay for any equipment or services that may be needed to facilitate video or audio conferencing of meetings of the Board and Committees.

SECTION 6. AUTHORIZATIONS. In the event the Board President is unavailable or unable to take action pursuant to this Temporary Emergency Order, the Vice President of the Board is hereby authorized to act instead of the Board President.

SECTION 7. EXPIRATION OF TEMPORARY EMERGENCY ORDER. This Temporary Emergency Order shall expire on the earlier of June 1, 2020 or upon termination by the Board.

ADOPTED this 27th day of March, 2020

Chet A. Palesko, President
Senna Hills MUD

ATTEST:

Lisa S. McKenzie, Secretary
Senna Hills MUD

[DISTRICT SEAL]

**RESOLUTION APPROVING
BOND COUNSEL ENGAGEMENT AGREEMENT**

WHEREAS, the Senna Hills Municipal Utility District (the "District") intends to issue its bonds and other public securities from time to time (collectively, "Obligations") to finance and refinance District facilities, projects and authorized purposes and, in connection with each issuance of Obligations, the District's Board of Directors (the "Board"), working with the District's consultants, advisors and attorneys, must prepare (or provide for the preparation of) a transcript of proceedings, including orders, resolutions, certificates, agreements and other instruments to evidence compliance with applicable state law, federal securities law and federal tax law governing the issuance of Obligations (collectively, "Proceedings");

WHEREAS, to assist and advise the Board in connection with the preparation of the Proceedings and to ensure that the Proceedings are prepared and approved in accordance with applicable law, the Board anticipates having a substantial need for legal counsel to advise the Board and the District in connection with, and to provide specialized legal services relating to, the preparation of the Proceedings and the implementation of procedures required in connection with the issuance of the Obligations and the use and disposition of the proceeds thereof, and such legal services cannot be adequately performed by the attorneys and supporting personnel of the District;

WHEREAS, the specialized legal services cannot reasonably be obtained from attorneys in private practice under a contract providing only for the payment of hourly fees, without regard to the outcome of the matter, because of the nature of the matter for which the services will be obtained: to wit, the matter comprises the issuance of Obligations which will serve as the sole source of payment for the legal services; and

WHEREAS, the Board wishes to obtain such specialized legal services from attorneys with substantial previous experience serving as bond counsel and disclosure counsel by engaging the law firm of Orrick, Herrington & Sutcliffe LLP, Austin, Texas ("Orrick"), a nationally recognized law firm in the field of municipal law and state and federal laws governing the issuance of bonds and other public securities;

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

Section 1. The declarations, determinations and findings declared, made and found in the preamble to this Resolution are hereby adopted, restated and made a part of the operative provisions hereof.

Section 2. The President of the Board is hereby authorized and directed to execute the engagement agreement by and between the District and Orrick in substantially the form attached to this Resolution as Exhibit A, for the purpose of engaging such firm as bond counsel to provide specialized legal services described in the engagement agreement relating to the preparation of the Proceedings in connection with the issuance of Obligations from time to time and the implementation of procedures required in connection therewith.

Section 3. It is officially found, determined and declared that the meeting at which this Resolution was adopted was open to the public and public notice of the time, place, and subject matter of this meeting and the notice required by Section 2254.1036, Texas Government Code, was given, all as required by Chapter 551, Texas Government Code.

Section 4. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

[Execution Page Follows]

APPROVED AND ADOPTED on March 27, 2020.

President, Board of Directors

EXHIBIT A



Jerry Kyle

E jkyle@orrick.com
D +1 512 582 6951
F +1 512-582-6949

March 27, 2020

Board of Directors
Senna Hills Municipal Utility District

Re: Engagement Letter Regarding Bond Counsel Services

Dear Board:

We are pleased to submit this proposed agreement for Orrick, Herrington & Sutcliffe LLP, Austin, Texas (“Orrick”) to serve as bond counsel with respect to bonds, notes and other debt obligations that Senna Hills Municipal Utility District (the “District”) intends to issue. (Such bonds, notes and other debt obligations are collectively referred to in this letter as the “Bonds.”) When approved by you, this letter will become effective and will evidence an agreement between the District and Orrick.

Client

The client for this engagement is Senna Hills Municipal Utility District. This engagement does not create an attorney client relationship with any related persons or entities, such as parents, subsidiaries, affiliates, employees, officers, directors, shareholders, or partners.

Scope of Engagement - Bond Counsel Services

We will perform services as bond counsel in connection with the authorization, issuance and sale of Bonds to be issued by the District. We understand that the District’s general counsel, Willatt & Flickinger, PLLC, will be responsible for processing bond applications through the Texas Commission on Environmental Quality (the “TCEQ”) and obtaining all necessary approvals from the TCEQ. We will commence work as bond counsel on a particular issuance of Bonds once the TCEQ has issued a staff memorandum for such Bonds; however, we will advise and assist the District with matters relating to the TCEQ applications, as requested by the District or an authorized representative of the District.



March 27, 2020

Our basic services as bond counsel (“Basic Services”) will consist of the following:

- (1) Attend meetings with your consultants in connection with the planning and authorization of such Bond issue, including consultation on federal securities and income tax matters;
- (2) Review the official statement prepared by the District’s financial advisor(s), underwriter(s) or securities counsel in connection with the sale of the Bonds, but only for the limited purposes described in such official statement;
- (3) Prepare legal documents comprising the transcript of legal proceedings for authorization and issuance of the Bonds;
- (4) Preparation and submission of the transcript of legal proceedings pertaining to the issuance of each series of the Bonds to the Attorney General of the State of Texas to obtain an approving opinion and to obtain the registration of the Bonds by the Comptroller of Public Accounts, as required by law;
- (5) Review the transcript of legal proceedings and perform such additional duties as are necessary for the delivery at the closing of each series of the Bonds, of an approving opinion, based on facts and law existing as of its date, generally to the effect that such series has been duly issued, executed and delivered in accordance with the Constitution and laws of the State of Texas, that the Bonds of each series constitute valid and legally binding obligations of the District as described in the respective bond resolution (subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect from time to time relating to or affecting the enforcement of rights of creditors of political subdivisions) and, when the Bonds are so delivered, that interest on such series of Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under then existing law;
- (6) Prior to and in connection with the closing of each series of the Bonds, advising the District and its consultants with respect to arbitrage requirements of the Internal Revenue Code of 1986 as they affect the Bonds, including yield restrictions and rebate requirements;
- (7) Coordinate, in conjunction with the District’s financial advisor, delivery of the Bonds to the initial purchaser; and
- (8) If appropriate, deliver at closing our approving opinion as to the validity of the Bonds under Texas law and the exclusion of interest on the Bonds from gross income of the holders thereof under federal income tax law.



March 27, 2020

In addition to the foregoing Basic Services, as bond counsel, we are prepared to undertake the following services as bond counsel (“Additional Services”), as directed by the District or an authorized representative of the District:

- (1) Preparation of necessary ordinances, resolutions, notices, Department of Justice submissions and other legal documents necessary to call and conduct an election to authorize issuance of the Bonds, if necessary;
- (2) Preparation of the “Blue Sky” surveys or securities registration services;
- (3) In the case of a series of Bonds, or a portion thereof, that is issued to refund prior bonds of the District, providing advice regarding federal income tax and other issues unique to refunding transactions;
- (4) Services rendered in connection with documentation related to credit or liquidity facilities or enhancements or other special structuring techniques or devices to be employed in connection with the issuance of variable rate obligations, unusual issues arising in connection with the District’s financial reports or audits, special federal income tax issues, and any other special services not ordinarily required in connection with the issuance of fixed rate obligations;
- (5) Services in connection with the obligation of the District to provide continuing disclosure pursuant to entered into pursuant to United States Securities and Exchange Commission Rule 15c2-12, as such rule may be amended from time to time, with respect to any bonds issued by the District. In connection with this engagement, we will advise the District of its continuing disclosure obligations, prepare resolutions to be adopted by the Board of Directors of the District in connection with the District’s continuing disclosure obligation, and prepare the District’s continuing disclosure filings with the assistance of the District’s bookkeeper, auditor, financial advisor, tax assessor/collector, operator, engineer and other District consultants;
- (6) Services and advice in connection with special projects;
- (7) Services rendered in connection with the issuance of bonds or other obligations by entities acting on behalf of the District; and
- (8) After the closing of any series of the Bonds and upon specific request of the District, providing assistance to the District concerning questions and issues that may arise prior to the maturity of the Bonds.

It is our understanding that the District will employ a recognized investment banking firm to serve as financial advisor to the District and that said firm will be responsible for



March 27, 2020

advising the District concerning the sale of the Bonds and will assist the District in the preparation of an official notice of sale and an official statement (the "Offering Documents") in connection with each issue of the Bonds offered for sale to the public.

In our capacity as bond counsel, we will review those portions of the Offering Documents which describe the District's legal authority for issuance of the Bonds to determine whether such description conforms to and fairly summarizes relevant provisions of Texas law and the order of the TCEQ approving the Bonds. We also will review those portions of the Offering Documents describing the resolution of the Board authorizing the Bonds to determine whether such description fairly summarizes the provisions of said resolution. In addition, if requested, we will review such other portions of the Offering Documents as describe matters of law and legal relationships of the District about which we have knowledge. We will not, however, undertake to independently verify any of the factual information contained in the Offering Documents, nor will we conduct any investigation of the affairs of the District for the purpose of passing on the accuracy or completeness of the Offering Documents. Since our role in connection with the Offering Documents will be of an advisory rather than an investigatory nature, said documents will contain a statement describing our services as outlined above and stating that our limited participation may not be relied upon as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained therein.

Unless specifically requested by the District, we will not be responsible for advising the District concerning the provisions of the various securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, and the securities laws of the various states in which the Bonds may be sold.

Scope of Engagement - Disclosure Counsel Services

Our firm will also serve as disclosure counsel in connection with the issuance of any Bonds. As disclosure counsel we will assist in performing the due diligence investigation of the District, the Bonds, any obligated persons on the Bonds the security for the Bonds and other information material to the offering of the Bonds. The investigation may include document and statutory review, conferences with District representatives including, accountants, engineers and counsel, the developers and other activities deemed appropriate to us. The amount and scope of due diligence depends on a number of factors related to the manner of offering, the type of security, appropriate reliance on particular sources of information, and the presence of any "red flags," etc. Accordingly, the scope of the due diligence investigation will appropriately vary widely among different transactions.



March 27, 2020

General Understandings

We understand and agree that this is not an exclusive agreement, and you are free to retain any other counsel of your choosing. We recognize that we shall be disqualified from representing any other client with interests materially and directly adverse to yours (1) in any matter which is substantially related to our representation of you and (ii) with respect to any matter where there is a reasonable probability that confidential information you furnished to us could be used to your disadvantage.

This engagement and our attorney-client relationship will be terminated when we have completed the services in the matters covered by this engagement letter and any written supplements to this engagement letter. If you later retain us to perform further or additional services, our attorney-client relationship will be established by another engagement letter.

Cooperation

To enable us to render effectively the legal services contemplated, the District has agreed to disclose fully and accurately all facts and keep us informed of all developments relating to our representation. We necessarily must rely on the accuracy and completeness of the facts and information you and your agents provide to us to the extent it is necessary for the District's representatives to attend meetings in connection with this matter, we will attempt to schedule them so that the convenience of those representatives can be served.

Fees

For Basic Services in connection with the authorization, issuance, and sale of Bonds, the District will pay, from the proceeds of sale of each issue or installment of Bonds, a fee equal to 2% of the principal amount of such Bonds. Our fee for Basic Services shall be applicable to each separate issue or installment of Bonds, but shall only be due with respect to Bonds actually issued, sold, and delivered. Our fee for Basic Services for any separate issue or installment of the Bonds shall not be less than \$60,000, plus charges for the actual expenses incurred.

Our fee for services as disclosure counsel will be \$8,000 per series of Bonds or such other amount as may be agreed to by the parties.

In the event the District determines that it is necessary or desirable to issue bond anticipation notes or to obtain other forms of short-term financing, we will render legal services necessary in connection therewith. The fee for such services will be 2% of the principal amount of such notes or such other amount as may be agreed to by the parties.

Fees for Additional Services will be based on hourly rates and will be based on the time spent by the lawyers, paralegals, and administrative personnel who work on the matter. Billing



March 27, 2020

rates vary according to the experience of the individuals. In an effort to reduce overall legal costs, we utilize paralegal and administrative assistant personnel whenever appropriate.

Other Charges

In addition to our fees, we will be reimbursed for our reasonable and actual out-of-pocket expenses incident to the performance of our legal services, such as photocopying, messengers, travel expenses, long distance telephone calls, facsimile transmissions, postage, overtime for secretaries and other non-legal staff, specialized computer applications such as computerized legal research, and filing fees.

Investment Disclosures

Many of the Firm's lawyers, directly or beneficially, own interests in corporations and other entities or in real property. If you are at all concerned about these individual investments, we will be pleased to canvass our lawyers about their individual investments in any entity or entities about which you may be concerned.

Withdrawal or Termination

Our relationship is based upon mutual consent and you may terminate our representation at any time, with or without cause, by notifying us. Your termination of our services will not affect your responsibility for payment of fees for legal services rendered and of other charges incurred before termination and in connection with an orderly transition of the matter. We are subject to the rules of professional conduct for the jurisdictions in which we practice, which list several types of conduct or circumstances that require or allow us to withdraw from representing a client, including for example, nonpayment of fees or costs, misrepresentation or failure to disclose material facts, fundamental disagreements, and conflict of interest with another client. We try to identify in advance and discuss with you any situation which may lead to our withdrawal, and if withdrawal ever becomes necessary, we give you written notice of our withdrawal. If we elect to withdraw for any reason, you will take all steps necessary to free us of any obligation to perform further, including the execution of any documents necessary to complete our withdrawal, and we will be entitled to be paid for all services rendered and other charges accrued on your behalf to the date of withdrawal.

Other Information

Submitted herewith as Appendix A is a notarized Certificate of Interested Parties - Form 1295, as completed and filed with the Texas Ethics Commission (the TEC') in accordance with the provisions of Section 2252.908, Texas Government Code, and the rules promulgated by the TEC.



March 27, 2020

As required by Texas Government Code, Section 2270.002, the Firm verifies that the Firm (1) does not "boycott Israel" (as defined in Texas Government Code Section 808.001), and (2) subject to or as otherwise required by applicable federal law, will not boycott Israel during the term of this letter.

Pursuant to Section 2252.152, Texas Government Code, the Firm is not a company currently listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code.

If the foregoing accurately reflects your understanding of the terms and conditions of our representation, please so indicate by executing the enclosed copy of this letter in the space provided below and return it to the undersigned.

We are pleased to have this opportunity to be of service and to work with you. Please contact me if you have any questions.

Yours very truly,

ORRICK, HERRINGTON & SUTCLIFFE LLP

A handwritten signature in blue ink, appearing to be "J. Kyle, Jr.", written over a horizontal line.

Jerry V. Kyle, Jr., Partner

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

(SEAL)



Appendix A

Certificate of Interested Parties - Form 1295

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

Orrick, Herrington & Sutcliffe LLP
Austin, TX United States

Certificate Number:
2020-598741

Date Filed:
03/13/2020

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

Senna Hills Municipal Utility District

Date Acknowledged:

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

Senna-2020-0030
Bond counsel, disclosure counsel and related services

4 Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
		Controlling	Intermediary
Zuklie, Mitchell	Menlo Park, CA United States	X	
Brown, Walter	San Francisco, CA United States	X	
Bicks, Peter	New York, NY United States	X	
Hermle, Lynne	Menlo Park, CA United States	X	

5 Check only if there is NO Interested Party.

6 UNSWORN DECLARATION

My name is JERRY V. KYLE, JR., and my date of birth is 01-03-1961.

My address is 300 W. 6TH ST., STE 1650 (street), AUSTIN (city), TX (state), 78701 (zip code), USA (country).

I declare under penalty of perjury that the foregoing is true and correct.

Executed in TRAVIS County, State of TEXAS, on the 13TH day of MARCH, 20 20 (month) (year)

Signature of authorized agent of contracting business entity (Declarant)

STANDARD TERMS OF ENGAGEMENT

Except as modified in writing by the accompanying engagement letter or in another agreement signed by the District and Orrick, the following provisions shall apply to the relationship between Orrick and the District.

Client

Our engagement is only on behalf of the person(s) or entity(s) identified in the engagement letter accompanying these Standard Terms of Engagement. Our representation of the District, does not encompass any officer, director, employee, owner, principal, member or partner of or any other person affiliated with the District; or any subsidiary, parent or other affiliate of the District. If any of these persons or entities require the services of counsel in connection with the Matter, we would be pleased to discuss whether we might be able to represent any of them, but any such representation would need its own engagement letter, and would depend on our review and disclosure to all concerned of any conflicts of interest that may arise in connection with any such concurrent representation, and on appropriate consents being obtained from the District and from those seeking such additional representation.

Scope of Engagement

The scope of Orrick's representation of the District is limited to the specific Matter identified in the accompanying engagement letter, and such additional matters as the District and Orrick may in their mutual discretion agree to from time to time. In each case, Orrick's agreement to any expansion of the scope of its representation of the District will be subject, among other things, to such additional conflict checks, waivers, retainers, approvals and other arrangements as Orrick may in its professional judgment deem necessary or appropriate in the circumstances. Except as otherwise expressly provided in any written engagement letter (or a written amendment of a prior engagement letter) between Orrick and District entered into in connection with such expansion of the scope of Orrick's representation, the agreement reflected in these Standard Terms of Engagement, and in the accompanying engagement letter, applies to Orrick's current representation of the District and to any subsequent matters that Orrick agrees to undertake on the District's behalf.

Waiver of Future Conflicts of Interest

Our agreement to represent the District is conditioned upon the understanding that we are free to represent any clients (including the District's adversaries) and to take positions adverse to either the District or an affiliate of the District in any matters (whether involving the same substantive area(s) of law for which the District has retained us or some other unrelated area(s), and whether involving business transactions, counseling, litigation or otherwise), which do not involve the same factual and legal issues as matters for which the District has retained us or may hereafter retain us. In this connection, the District should be aware that we provide services on a wide variety of legal subjects to a large number of clients both in the United States and internationally, some of whom are or may in the future operate in the same area(s) of business in which the District is operating or may operate. (A summary of Orrick's current practice areas and

the industries in which we represent clients can be found on Orrick's web site at www.orrick.com.) In particular, we currently represent, and may in the future represent, investment banks, broker dealers, and commercial lending institutions. We will, of course, hold in confidence the District's secrets and confidences. Similarly, the District understands that while Orrick may obtain confidential information from other clients that may be of interest to the District, Orrick cannot share such information with the District. The District consents to these other representations, agrees that it will not seek to disqualify Orrick from any such present or future representations, and waives any actual or potential conflict that might arise from such current or future representations so long as those other representations do not involve the same factual and legal issues as a current active engagement for the District.

Internal Communications

The occasion might arise for us, at our own expense, to consult regarding our engagement for the District with our own counsel (e.g., our Chief Legal Officer, other firm lawyers working with our Chief Legal Officer who do not perform work for the District on the Matter, or our own outside counsel). To the extent that we are addressing our own rights or responsibilities, a conflict of interest might be deemed to exist between Orrick and the District as to such consultation or resulting communications, particularly if a dispute were ever to arise between Orrick and the District regarding the Matter. A condition of this engagement is that the District hereby consents to such consultation occurring, and waives any claim of conflict of interest based on such consultation or resulting communications that could otherwise disqualify us from continuing to represent the District or from acting in our own behalf, even if such consultation or communications might be deemed adverse to the interests of the District. The District acknowledges and agrees that any such consulting and communications are protected, from disclosure to the District, by Orrick's own attorney-client privilege.

Responsibilities of Attorney and District

We will provide to the District legal counsel and assistance in accordance with the accompanying engagement letter. The District will not look to or rely upon Orrick for any investment, accounting, financial or other non-legal advice, including without limitation any advice regarding the character or credit of any person with whom the District may be dealing. Although we will at times communicate with the District by e-mail, letter, or other written form, we may provide much of our counsel and assistance in telephone conversations and meetings with the District. If the District ever wishes for us to confirm any oral advice in writing, please let us know.

For us to represent the District effectively, we need the District to provide us with complete and candid information regarding the subject matter of the Matter, to keep us informed of relevant developments, to make decisions necessary for us to fulfill our responsibilities in the Matter and otherwise to provide to us the District's reasonable assistance and cooperation.

We have a duty of confidentiality to the District and each of our other clients. We take this duty very seriously and, except to the extent permitted by the applicable rules of professional conduct, we will not disclose any confidential information of the District to any other client or

person. Similarly, we cannot disclose to the District the confidences of any other client even when such information relates to matters that might affect the District.

Fees, Costs and Disbursements

For any services provided on an hourly rate basis, we will bill the District on a monthly basis for our services. Our bills are payable promptly upon receipt, with payment required no later than 30 days following our invoice date.

For services billed on an hourly rate basis, each Orrick attorney, legal assistant and other timekeeper assigned to the Matter will have an hourly billing rate. These billing rates, which are set based upon seniority and expertise, are subject to adjustment annually, effective as of January 1 of each year, to reflect, among other factors, seniority advancements.

In addition to fees, we also will bill the District on a monthly basis for in-house services such as document reproduction, out-of-town travel and messenger services. More specific information relating to Orrick's disbursement policies is available upon request.

Unless special arrangements are made, Orrick does not take responsibility for paying fees and expenses of third parties, which will be the District's responsibility and may be billed directly to the District.

If any claim or action is brought against Orrick or any of its personnel which alleges negligence or wrongdoing of the District or a third party, or if Orrick or any current or former attorney or employee of Orrick is asked or required by a third party to testify or produce documents as a result of Orrick's representation of the District, the District agrees to pay Orrick for any resulting costs or expenses, including Orrick's time, even if Orrick's representation of the District has ended. This paragraph is not intended to apply to any claim brought by or on behalf of the District alleging wrongdoing by Orrick.

The obligation to timely pay our bills is solely the District's and is not contingent upon, nor shall the payment due date be extended or otherwise affected by any judgment or settlement; any right the District may have for reimbursement, indemnification or insurance; or the District's receipt of any other form of payment the District may claim or expect to receive from some other party. If the District has any question or issue regarding any bill, the District should notify us promptly of any such question or issue, and must in any event promptly pay any portion of such bill that is not the subject of a question or issue.

Although Orrick may furnish estimates of fees or costs that are anticipated will be incurred, these estimates shall not be binding, are subject to unforeseen circumstances, and are by their nature inexact.

Engagement Termination

The District may terminate this representation at any time, with or without cause, but in the case of litigation, court approval may be necessary. Subject to the application of the applicable rules of professional responsibility, Orrick also reserves the right to withdraw, if among other things, the District fails to make timely payments of any invoice, the District fails to cooperate or

follow Orrick's advice on a material matter, or any fact or circumstance arises that, in Orrick's view, renders our continuing representation unlawful or unethical, or we otherwise have the right to withdraw pursuant to applicable rules of professional responsibility. Any termination of our representation of the District would be subject to such approval as may be required from any court(s) in which we are appearing on the District's behalf. In the event of termination by either of us, the District agrees to pay us fees and costs for work performed prior to termination, to the extent permitted by law.

Date of Termination

Orrick's representation of the District will be considered terminated at the earliest of (i) the District's termination of the representation, (ii) Orrick's withdrawal from the representation, (iii) the substantial completion of Orrick's substantive work for the District, or (iv) our sending you our final statement for services rendered in the matter.

District Files (Cloud Storage, Retention and Disposition)

Orrick recognizes that cloud computing services offer valuable tools to its clients and has entered into arrangements with certain providers of those services to host, process, and analyze data, including client data. Like online services or platforms, cloud computing services are not immune from security compromises. While Orrick maintains a cyber security vendor risk management program, Orrick cannot guarantee the security of any cloud computing service, including third-party cloud computing services utilized by Orrick. If the District does not wish to have its information and data stored with third party cloud service providers, please advise Orrick not to do so. Orrick is not responsible for security or confidentiality breaches that occur with respect to any cloud computing service.

Once our engagement in this Matter ends, we will send you a written notice advising you that this engagement has concluded.

Unless otherwise required by outside counsel guidelines or specific client instruction, Orrick will retain all hardcopy and electronic records for a period of years consistent with its internal Record Retention policy. When that time expires, Orrick's policy is to destroy all records related to the Matter in a manner that preserves confidentiality. Orrick will make best efforts to contact you, using the most up to date contact information in its possession, 60 days prior to the destruction of any records so that you may provide alternate retention instructions as necessary. You understand, and agree, that records related to the Matter will be destroyed in the absence of such alternate instruction or if Orrick is unable to establish contact with you. If you have a Records Retention Policy in place with which outside counsel will need to comply, please advise us so that we may so inform our Records Department.

You should understand that "materials" include paper files as well as information in other mediums of storage including voicemail, email, printer files, electronic document files, facsimiles, dictation recordings, video files, and other formats. We reserve the right to make, at our expense, certain copies of all documents generated or received by us in the course of our representation. When you request copies of documents from us, copies that we generate will be made at your expense. We will maintain the confidentiality of all documents throughout this process.

Our own files pertaining to the Matter will be retained by the firm (as opposed to being sent to you) or destroyed. These firm files include, for example, internal communications, firm administrative records, time and expense reports, personnel and staffing materials, and credit and account records. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any of our own files within a reasonable time after the engagement has concluded.

Arbitration

Although we think it is unlikely, a dispute could arise between us regarding some aspect of the engagement and Orrick's representation of the District. Any such dispute, whether a claim by the District against Orrick or by Orrick against the District, including claims for unpaid fees and charges, negligence, quality of services, breach of contract or fiduciary duty, fraud or any other claims arising out of or relating to any aspect of the engagement, this agreement, or our representation of the District is referred to herein as a "Dispute." If we are not able to resolve a Dispute among ourselves, the District and Orrick agree to resolve such Dispute through confidential binding arbitration as set forth below.

The State Bar of Texas investigates and prosecutes professional misconduct committed by Texas attorneys. Although not every complaint against or dispute with a lawyer involves professional misconduct, the State Bar Office of General Counsel will provide you with information about how to file a complaint. For more information, please call toll free 1.800.932.1900.

To the extent permitted by law, the arbitration provisions of this Section 10 shall apply to all Disputes and shall survive termination of this agreement or the engagement. The District understands the consequences of agreeing to binding arbitration under this Section 10, including giving up any constitutional or statutory rights to have the Dispute determined by a court of law or by a jury; that discovery of information in arbitration may be limited; that the application of the rules of evidence may be relaxed; that the arbitration decision will be final and binding and there will be no right of appeal, judicial or otherwise; and that arbitration is more private than a court trial.

The party wishing to initiate arbitration hereunder (the "initiating party") will deliver to the other party (the "other party") a written demand for arbitration setting forth the basis of the initiating party's claim and the dollar amount of damages sought. Once an initiating party initiates an arbitration, hereunder, the initiating party and the other party will engage in a good faith, one-day non-binding mediation before a sole mediator selected from the panel of mediators of JAMS (or its successor) before proceeding with the arbitration. Each party in the mediation will pay such party's own costs and fees, and the parties will split the fees of the mediator. The mediation will take place in the location where Orrick performed the work at issue. Orrick and the District may mutually agree to extend the mediation beyond one day.

To the extent that the Dispute is not resolved through the mediation process described above, an arbitration hereunder will (i) be heard and determined by an arbitrator (who will be a retired state or federal judge with at least five years judicial experience), selected by the parties from a list of neutrals provided by JAMS, and if the parties cannot agree, by JAMS itself; (ii) take

place in the city in the United States where Orrick spent the most time working on the engagement; and (iii) conducted in accordance with JAMS Arbitration Rules and Procedures (or any successor rules and procedures), in effect at the time the initiating party delivers to the other party the demand for arbitration required hereunder. The scope and enforceability of this arbitration agreement shall be governed by the Federal Arbitration Act and the arbitration proceedings shall be conducted by JAMS in accordance with JAMS Arbitration Rules and Procedures. In determining a claim, the arbitrator will apply the laws of the State of Texas. In the event of any conflict between this arbitration agreement and any rules or authorities referenced herein (including, without limitation, the Federal Arbitration Act, JAMS Arbitration Rules and Procedures, and the laws of the State of Texas), this arbitration agreement shall control. The arbitration proceedings and the decision of the arbitrator will be confidential. Each party in the arbitration will pay such party's own costs and fees, and the parties will split the fees of the arbitrator. The ruling of the arbitrator will be final and binding on both parties, and no appeal may be taken. The ruling of the arbitrator may be entered and enforced as a judgment by a court of competent jurisdiction. The arbitration provisions of this agreement may be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the party against whom enforcement is ordered.

Binding Agreement

The engagement letter and these Standard Terms of Engagement represent the entire understanding and agreement between the District and Orrick with respect to the subject matter referred to herein. By signing below, the District acknowledges that the engagement letter and these Standard Terms of Engagement have been carefully reviewed and their content understood and that the District agrees to be bound by all of the terms and conditions. Furthermore, the District acknowledges that Orrick has made no representations or guarantees to the District regarding the outcome of the Matter or the time necessary to complete the Matter. The provisions of this letter may only be amended in writing and signed by both parties.

Acceptance of Engagement Terms

By signing below, you acknowledge and represent that you have read the engagement letter and these Standard Terms of Engagement, that you understand and agree to the terms and provisions, and that you are authorized to do so on behalf of the District.

ORRICK, HERRINGTON & SUTCLIFFE
LLP

SENNA HILLS MUNICIPAL UTILITY
DISTRICT

By: _____
Jerry V. Kyle, Jr.
Partner

By: _____
President, Board of Directors

RESOLUTION AUTHORIZING THE ISSUANCE OF SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT; ESTABLISHING PROCEDURES FOR SELLING AND DELIVERING THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

Adopted March 27, 2020

TABLE OF CONTENTS

Page

ARTICLE ONE

PREAMBLE

SECTION 1.01 INCORPORATION OF PREAMBLE2

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01 DEFINITIONS.....2

SECTION 2.02 INTERPRETATIONS6

ARTICLE THREE

AUTHORIZATION, REGISTRATION, EXECUTION,
AND AUTHENTICATION OF BONDS

SECTION 3.01 NAME, PURPOSE, AND AUTHORIZATION.....6

SECTION 3.02 DELEGATION TO PRICING OFFICER7

SECTION 3.03 PAYMENT OF PRINCIPAL AND INTEREST9

SECTION 3.04 SUCCESSOR REGISTRARS9

SECTION 3.05 SPECIAL RECORD DATE10

SECTION 3.06 REGISTERED OWNERS10

SECTION 3.07 EXECUTION OF BONDS10

SECTION 3.08 AUTHENTICATION10

ARTICLE FOUR

REGISTRATION, TRANSFER, AND EXCHANGE

SECTION 4.01 REGISTRATION, TRANSFER, AND EXCHANGE11

SECTION 4.02 MUTILATED, LOST, OR STOLEN BONDS11

SECTION 4.03 CANCELLATION OF BONDS12

SECTION 4.04 BOOK-ENTRY-ONLY SYSTEM12

ARTICLE FIVE

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 5.01 REDEMPTION OF BONDS14

ARTICLE SIX

FORM OF BOND

SECTION 6.01 FORM OF BOND.....14
SECTION 6.02 CUSIP REGISTRATION14
SECTION 6.03 LEGAL OPINION AND BOND INSURANCE14

ARTICLE SEVEN

SECURITY FOR THE BONDS

SECTION 7.01 SECURITY OF BONDS AND PERFECTION OF LIEN15
SECTION 7.02 LEVY OF TAX.....15
SECTION 7.03 PAYMENT OF BONDS AND PERFORMANCE OF
OBLIGATIONS.....16
SECTION 7.04 CONSOLIDATION OR DISSOLUTION OF DISTRICT16

ARTICLE EIGHT

FLOW OF FUNDS AND INVESTMENTS

SECTION 8.01 FUNDS, FLOW OF FUNDS, APPLICATION OF FUNDS AND
INVESTMENTS.....17
SECTION 8.02 SECURITY OF FUNDS.....17
SECTION 8.03 DEBT SERVICE FUND; TAX LEVY.....17
SECTION 8.04 INVESTMENTS; EARNINGS18

ARTICLE NINE

APPLICATION OF BOND PROCEEDS; REFUNDING ARRANGEMENTS

SECTION 9.01 BOND PROCEEDS.....18
SECTION 9.02 DEFEASANCE OF REFUNDED BONDS.....19
SECTION 9.03 REDEMPTION PRIOR TO MATURITY OF REFUNDED
BONDS19
SECTION 9.04 PURCHASE OF DEFEASANCE SECURITIES.....19

SECTION 9.05	ESCROW FUND	19
--------------	-------------------	----

ARTICLE TEN

PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

SECTION 10.01	COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.....	19
SECTION 10.02	DESIGNATION AS QUALIFIED TAX-EXEMPT BONDS	22

ARTICLE ELEVEN

ADDITIONAL BONDS AND REFUNDING BONDS

SECTION 11.01	ADDITIONAL BONDS	22
SECTION 11.02	OTHER BONDS AND OBLIGATIONS ..	Error! Bookmark not defined.
SECTION 11.03	REFUNDING BONDS	Error! Bookmark not defined.

ARTICLE TWELVE

DEFAULT PROVISIONS

SECTION 12.01	DEFAULT AND REMEDIES.....	24
SECTION 12.02	BOND RESOLUTION IS CONTRACT	25

ARTICLE THIRTEEN

DISCHARGE BY DEPOSIT

SECTION 13.01	DEFEASANCE OF BONDS.....	25
---------------	--------------------------	----

ARTICLE FOURTEEN

MISCELLANEOUS PROVISIONS

SECTION 14.01	DISTRICT’S SUCCESSORS AND ASSIGNS	27
SECTION 14.02	NO RECOURSE AGAINST DISTRICT OFFICERS OR DIRECTORS	27
SECTION 14.03	REGISTRAR	27
SECTION 14.04	REGISTRAR MAY OWN BONDS.....	27
SECTION 14.05	BENEFITS OF PROVISIONS	27
SECTION 14.06	UNAVAILABILITY OF AUTHORIZED PUBLICATION.....	27
SECTION 14.07	SEVERABILITY CLAUSE	27
SECTION 14.08	ACCOUNTING	28

SECTION 14.09	FURTHER PROCEEDINGS	28
---------------	---------------------------	----

ARTICLE FIFTEEN

SALE AND DELIVERY OF BONDS
AND APPROVAL OF DOCUMENTS

SECTION 15.01	SALE OF BONDS	28
SECTION 15.02	APPROVAL, REGISTRATION, AND DELIVERY	28
SECTION 15.03	APPROVAL OF OFFERING DOCUMENTS, AND THE FORM OF A PAYING AGENT/REGISTRAR AGREEMENT AND ESCROW AGREEMENT	28

ARTICLE SIXTEEN

OPEN MEETING AND EFFECTIVE DATE

SECTION 16.01	OPEN MEETING	29
SECTION 16.02	EFFECTIVE DATE OF BOND RESOLUTION	30

ARTICLE SEVENTEEN

AMENDMENTS

SECTION 17.01	AMENDMENTS	30
---------------	------------------	----

ARTICLE EIGHTEEN

OTHER ACTIONS AND MATTERS

SECTION 18.01	OTHER ACTIONS	31
SECTION 18.02	ADDITIONAL BOND INSURANCE PROVISIONS	32
SECTION 18.03	PAYMENT OF ATTORNEY GENERAL FEE	32

ARTICLE NINETEEN

CONTINUING DISCLOSURE

SECTION 19.01	CONTINUING DISCLOSURE UNDERTAKING	32
REGISTRATION OF INITIAL BOND BY STATE COMPTROLLER AND CERTIFICATE		10
FORM OF AUTHENTICATION CERTIFICATE		10
FORM OF ASSIGNMENT		11

Exhibit A Form of Bond

Exhibit B Continuing Disclosure Undertaking

RESOLUTION AUTHORIZING THE ISSUANCE OF SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX REFUNDING BONDS; LEVYING AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT; ESTABLISHING PROCEDURES FOR SELLING AND DELIVERING THE BONDS; AND AUTHORIZING OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

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 Article XVI, 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 District on January 21, 1995, by a vote of 2 to 0 (the "Confirmation Election"); and

WHEREAS, the City of Austin (the "City") 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 (the "Consent Agreement"); and

WHEREAS, the District currently has outstanding various series of bonds including its Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010 (the "Series 2010 Bonds"); and

WHEREAS, the District now desires to issue refunding bonds to refund all or part of the Series 2010 Bonds (the "Refundable Bonds," and those Refundable Bonds designated by the Pricing Officer in the Pricing Certificate, each as defined herein, to be refunded are herein referred to as the "Refunded Bonds"); 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 refunding bonds hereafter authorized are being issued and delivered pursuant to Chapter 1207, Texas Government Code, as amended ("Chapter 1207"); and

WHEREAS, 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 eligible trust

company or commercial bank, 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 respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the District and such escrow agent may agree, provided that such deposits may be invested and reinvested in Defeasance Securities, as defined herein; and

WHEREAS, prior to the sale and delivery of the Bonds, the District will obtain the City's approval to issue the Bonds in accordance with the Consent Agreement; and

WHEREAS, the Board of Directors of the District deems it advisable and in the best interest of the District to refund the Refunded Bonds in order to achieve debt service savings in accordance with the provisions of Chapter 1207;

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

ARTICLE ONE

PREAMBLE

SECTION 1.01 **INCORPORATION OF PREAMBLE.** The Board of Directors of the District hereby incorporates the recitals set forth in the preamble hereto as if set forth in full at this place and further finds and determines that the recitals are true and correct.

ARTICLE TWO

DEFINITIONS AND INTERPRETATIONS

SECTION 2.01 **DEFINITIONS.** When used in this Resolution, except in Article Six, and in any resolution, order or amendatory or supplemental order hereto, the terms listed below shall have the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

“Accreted Value” 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 accrued and compounded to the particular date of calculation, as determined in accordance with the Pricing Certificate and the Accretion Table attached as an exhibit to the Pricing Certificate relating to the Bonds that shows the Accreted Value per \$5,000 maturity amount on the calculation date of maturity to its maturity.

“Accretion Table” means the exhibit attached to the Pricing Certificate that sets forth the rounded original principal amounts at the Issuance Date for the Premium Capital Appreciation Bonds and the Accreted Values and maturity amounts thereof as of each Compounding Date until final maturity.

“Additional Bonds” means the additional parity bonds payable from ad valorem taxes which the Board expressly reserves the right to issue in Article Eleven of this Resolution.

“Authorized Denominations” means the denomination of \$5,000 or any integral multiple thereof with respect to the Current Interest Bonds and in the denomination of \$5,000 in maturity amount or any integral multiple thereof with respect to the Premium Capital Appreciation Bonds.

“Authorized Investments” means such investments authorized pursuant to the investment policy of the District and Chapter 2256 of the Texas Government Code, as amended.

“Audit” means the audited financial statements of the District prepared by an independent auditor in accordance with the rules of the TCEQ in effect at such time.

“Blanket Issuer Letter of Representations” means the Blanket Issuer Letter of Representations between the District, the Registrar and DTC.

“Board of Directors” or “Board” means the governing body of the District.

“Bond Insurer” means the insurer of the bonds, if any, as designated in the Pricing Certificate.

“Bonds” shall mean and include collectively the Premium Capital Appreciation Bonds and Current Interest Bonds initially issued and delivered pursuant to this Resolution and the Pricing Certificate and all substitute Bonds and 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.

“Business Day” means any day which is not a Saturday, Sunday or a day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed.

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

“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 accrued and compounded to the particular date of calculation.

“Compounding Date” means the amounts as of any February 15 and August 15 as set forth in the Accretion Table.

“Current Interest Bonds” shall mean the Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Pricing Certificate.

“Defeasance Securities” means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than

“AAA” or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than “AAA” or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds.

“District” means Senna Hills Municipal Utility District and any other public agency succeeding to the powers, rights, privileges, and functions of the District and, when appropriate, the Board of Directors of the District.

“DTC” means The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Escrow Agent” means the escrow agent designated by the Pricing Officer in the Pricing Certificate, or any successor escrow agent under the Escrow Agreement.

“Escrow Agreement” means the agreement by and between the District and the Escrow Agent relating to the defeasance of the Refunded Bonds.

“Exchange Bonds” means Bonds registered, authenticated, and delivered by the Registrar, as provided in Section 4.01 of this Resolution.

“Federal Securities” means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

“Fiscal Year” means the twelve-month accounting period for the District, which presently is the twelve-month period beginning on October 1 of each year and ending on September 30 of the following year, but which may be changed from time to time by the Board of Directors.

“Initial Bond” means the Bond authorized, issued, and initially delivered as provided in Section 3.02 of this Resolution.

“Interest and Sinking Fund” means the fund created in this Resolution.

“Interest Payment Date” means a date on which interest on the Current Interest Bonds is due and payable as set forth in the Pricing Certificate.

“Issuance Date” means the date of delivery of the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenues” means all gross revenues of the System, after deducting the expenses of operation and maintenance thereof. Depreciation and payments into and out of the Interest and Sinking Fund shall never be considered expenses of operation and maintenance.

“Outstanding” when used with reference to Bonds, means, as of a particular date, all Bonds theretofore and thereupon delivered except; (a) any Bond canceled by or on behalf of the District at or before said date, (b) any Bond defeased or no longer considered Outstanding pursuant to the provisions of this Resolution or otherwise defeased as permitted by applicable law and (c) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to this Resolution.

“Parity Bonds” means, collectively, the Bonds, the Series 2010 Bonds, the Series 2014 Bonds, the 2016 Bonds and all bonds issued as Additional Bonds.

“Premium Capital Appreciation Bonds” shall mean the Bonds on which no interest is paid prior to maturity, maturing in various amounts and in the aggregate principal amount as set forth in the Pricing Certificate.

“Pricing Certificate” means the Pricing Certificate of the District’s Pricing Officer to be executed and delivered pursuant to Section 3.02 hereof in connection with the issuance of the Bonds.

“Pricing Officer” means any member of the Board, acting as the designated pricing officer of the District pursuant to this Resolution.

“Purchaser” means the senior managing underwriter or initial purchaser as selected by the Pricing Officer, and such additional investment banking firms as the Pricing Officer deems appropriate.

“Record Date” means the fifteen (15) days prior to the next preceding Interest Payment Date, whether or not such dates are Business Days as set forth in the Pricing Certificate.

“Redemption Date” means a date fixed for redemption of any Bond pursuant to the terms of this Resolution and the Pricing Certificate.

“Refundable Bonds” means the outstanding Series 2010 Bonds.

“Refunded Bonds” means those Refundable Bonds designated by the Pricing Officer in the Pricing Certificate.

“Register” means the registry system maintained on behalf of the District by the Registrar in which are listed the names and addresses of the Registered Owners and the principal amount of Bonds registered in the name of each Registered Owner.

“Registered Owner” means any person or entity in whose name a Bond is registered.

“Registrar” or “Paying Agent/Registrar” means the bank, trust company, financial institution, or other entity named in the Pricing Certificate to act as paying agent and registrar for the Bonds in accordance with the terms of this Resolution.

“Replacement Bonds” means the Bonds authorized by the District to be issued in substitution for lost, apparently destroyed, or wrongfully taken Bonds as provided in Section 4.02 of this Resolution.

“Resolution” means this Resolution of the Board of Directors authorizing the issuance of the Bonds.

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

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

“Series 2010 Bonds” means the Senna Hills Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010.

“Series 2014 Bonds” means the Senna Hills Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2014.

“Series 2016 Bonds” means the Senna Hills Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016.

“Special Record Date” means the new Record Date for the payment of a respective interest payment established by the Paying Agent/Registrar in the event of a non-payment of interest on a scheduled payment date.

“System” means the District’s Waterworks and Sewer Systems, together with all present and future improvements, extensions, and additions thereto, and replacement thereof.

SECTION 2.02 **INTERPRETATIONS.** The titles and headings of the articles and sections and the page numbers of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the taxes levied in payment thereof.

ARTICLE THREE

AUTHORIZATION, REGISTRATION, EXECUTION, AND AUTHENTICATION OF BONDS

SECTION 3.01 **NAME, PURPOSE, AND AUTHORIZATION.** The Bonds shall be issued from time to time, in one or more series, for the purpose of refunding the Refunded Bonds and paying certain costs of issuing the Bonds. The name and designation of the Bonds (which shall include the year in which the Bonds are sold) shall be set forth in the Pricing Certificate.

The authority of the Pricing Officer to execute a Pricing Certificate pursuant to Section 3.02 of this Resolution shall expire at 11:59 p.m. on the 180th day following the date of this Resolution (the "Expiration Date"). Bonds delivered pursuant to a Pricing Certificate executed on or before the Expiration Date may be delivered after such date.

SECTION 3.02 **DELEGATION TO PRICING OFFICER.**

(a) There initially shall be issued, sold and delivered fully registered bonds, without interest coupons, which may be in the form of Current Interest Bonds or Premium Capital Appreciation Bonds, numbered consecutively from R-1 upward, in the case of Current Interest Bonds, and from PC-1 upward, in the case of Premium Capital Appreciation Bonds (except the initial Bonds delivered to the Attorney General of the State of Texas which shall be numbered T-1 and TPC-1, respectively) payable to the respective initial Registered Owners thereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof, in Authorized Denominations, maturing serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Pricing Certificate to be executed and delivered by the Pricing Officer pursuant to subsection (b) of this Section. The Pricing Certificate is hereby incorporated in and made a part of this Resolution.

(b) As authorized by Section 1207.007, Texas Government Code, as amended, the Pricing Officer is hereby authorized to act on behalf of the District in selling and delivering the Bonds of each series, determining which of the Refundable Bonds shall be refunded and constitute "Refunded Bonds" under this Resolution and carrying out the other terms, conditions and procedures specified in this Resolution, including determining the number of series of the Bonds and their date(s), any additional or different designation or title by which the Bonds shall be known, the aggregate principal amount of and the price at which the Bonds will be sold, the years in which the Bonds will mature and the final maturity for the Bonds of each series, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Premium Capital Appreciation Bonds, the rate of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District, as well as any mandatory redemption provisions, and all other terms, details and matters relating to the Bonds and their issuance, sale and delivery and the refunding of the Refunded Bonds, all of which shall be specified in the Pricing Certificate; provided that:

- (i) the aggregate principal amount of Bonds issued pursuant to this Resolution shall not exceed \$3,135,000;
- (ii) no Bond shall mature later than August 15, 2033;
- (iii) the refunding must produce gross debt service savings of at least \$_____, net of any District contribution to the refunding and costs of issuance;
- (iv) the price to be paid for the Bonds shall not be less than 95% of the aggregate original principal amount thereof plus accrued interest thereon from their dated date to the date of their delivery; and

(v) the true interest cost for the Bonds shall not exceed 5.00%.

(c) In establishing the aggregate principal amount of the Bonds, the Pricing Officer shall establish an amount not to exceed the amount authorized in Section 3.01, which shall be sufficient to provide for the purposes for which the Bonds are authorized and to pay the costs of issuing the Bonds.

(d) To achieve advantageous borrowing costs for the District, the Bonds shall be sold on a negotiated, placement or competitive basis as determined by the Pricing Officer in the Pricing Certificate. In determining whether to sell the Bonds by negotiated, placement or competitive sale, the Pricing Officer shall take into account any material disclosure issues which might exist at the time, the market conditions expected at the time of the sale and any other matters which, in the judgment of the Pricing Officer, might affect the net borrowing costs on the Bonds.

If the Pricing Officer determines that the Bonds should be sold at a competitive sale, the Pricing Officer shall cause to be prepared a notice of sale and official statement in such manner as the Pricing Officer deems appropriate, to make the notice of sale and official statement available to those institutions and firms wishing to submit a bid for the Bonds, to receive such bids, and to award the sale of the Bonds to the bidder submitting the best bid in accordance with the provisions of the notice of sale.

If the Pricing Officer determines that the Bonds should be sold by a negotiated sale or placement, the Pricing Officer shall designate the placement purchaser or the senior managing underwriter for the Bonds and such additional investment banking firms as the Pricing Officer deems appropriate to assure that the Bonds are sold on the most advantageous terms to the District. The Pricing Officer, acting for and on behalf of the District, is authorized to enter into and carry out a purchase agreement or other agreement for the Bonds to be sold by negotiated sale or placement, with the Purchaser(s) at such price, with and subject to such terms as determined by the Pricing Officer pursuant with Section 3.02(b) above.

In satisfaction of Section 1201.022(a)(3), Texas Government Code, the Board hereby determines that the delegation of the authority to the Pricing Officer to approve the final terms and conditions of the Bonds as set forth in this Resolution, and the decisions made by the Pricing Officer pursuant to such delegated authority and incorporated in the Pricing Certificate will be, in the best interests and shall have the same force and effect as if such determination were made by the Board and the Pricing Officer is hereby authorized to make and include in the Pricing Certificate an appropriate finding to that effect. If Bonds are issued in more than one series, the provisions of this Resolution shall apply to each such series in the manner, to the extent and subject to such terms and conditions as shall be specified in the Pricing Certificate therefor.

The Pricing Officer may approve modifications to this Resolution to conform to the terms of the Bonds, as approved by the Pricing Officer, and execute any instruments, agreements and other documents as the Pricing Officer shall deem necessary or appropriate in connection with the issuance, sale and delivery of Bonds pursuant to this Resolution.

(e) The Current Interest Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BOND set forth in this Resolution to their respective dates of maturity or redemption at the rates per annum set forth in the Pricing Certificate.

The Premium Capital Appreciation Bonds 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 on the Compounding Dates as set forth in the Pricing Certificate, and payable, together with the principal amount thereof, in the manner provided in the Form of Bond at the rates set forth in the Pricing Certificate. Attached to the Pricing Certificate, if Premium Capital Appreciation Bonds are to be issued, shall be the Accretion Table. The Accreted Value with respect to any date other than a Compounding Date is the amount set forth on the Accretion Table with respect to the last preceding Compounding Date, plus the portion of the difference between such amount and the amount set forth on the Accretion Table with respect to the next succeeding Compounding Date that the number of days (based on 30-day months) from such last preceding Compounding Date 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 Compounding Date to the next succeeding Compounding Date.

SECTION 3.03 **PAYMENT OF PRINCIPAL AND INTEREST.** The principal of the Bonds, shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they become due and payable, whether at maturity or by prior redemption in the case of the Bonds, at the designated office for payment of the Registrar. The interest on each Bond shall be payable on such date as set forth in the Pricing Certificate by check payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Registered Owner as shown on the Register on the Record Date or, at the request of a Registered Owner, and at the Registered Owner's risk and expense, in such other manner as may be acceptable to the Registered Owner and the Registrar. Any accrued interest payable at maturity or earlier redemption, in the case of the Bonds, shall be paid upon presentation and surrender of the Bond to which such interest appertains.

If the date for payment on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

SECTION 3.04 **SUCCESSOR REGISTRARS.** The District covenants that at all times while any Bonds are outstanding it will provide a bank, trust company, financial institution or other entity duly qualified and duly authorized to act as Registrar for the Bonds. The District reserves the right to change the Registrar on not less than 30 days written notice to the Registrar, so long as any such notice is effective at such time as to not disrupt payment on the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Registered Owner, by United States mail, first-class postage prepaid, of such change and of the address of the new Registrar. Each

Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

SECTION 3.05 **SPECIAL RECORD DATE.** If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class, postage prepaid, not later than 5 days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

SECTION 3.06 **REGISTERED OWNERS.** The District, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Registered Owner of such Bond for the purpose of making payment of principal or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the District, nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Bond in accordance with this Section 3.07 shall be valid and effectual and shall discharge the liability of the District and the Registrar upon such Bond to the extent of the sums paid.

SECTION 3.07 **EXECUTION OF BONDS.** The Bonds shall be signed on behalf of the District by the President or Vice-President of the Board of Directors and attested by the Secretary or Assistant Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. The facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and the facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds. If any officer of the District whose manual or facsimile signature appears on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

SECTION 3.08 **AUTHENTICATION.** The Initial Bond shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially in the form provided in Section 6.02 of this Resolution, manually executed by the Comptroller or a duly authorized deputy. All other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 6.03 of this Resolution, manually executed by an authorized officer of the Registrar. No Bond shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the authentication certificate of the Registrar has been signed by a duly authorized officer thereof.

ARTICLE FOUR

REGISTRATION, TRANSFER, AND EXCHANGE

SECTION 4.01 **REGISTRATION, TRANSFER, AND EXCHANGE.** So long as any Bonds remain Outstanding, the Registrar shall keep at its designated office for payment the Register, in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Resolution.

Each Bond shall be transferable only upon the presentation and surrender thereof at the designated office for payment of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or an authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond for transfer, the Registrar shall authenticate and deliver in exchange therefor, within 72 hours after such presentation, a new Bond or Bonds of the same type, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount, and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the designated office for payment of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 4.01. Each Bond delivered in accordance with this Section 4.01 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

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

SECTION 4.02 **MUTILATED, LOST, OR STOLEN BONDS.** Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

The District or the Registrar may require the Registered Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide

purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like amount, bearing a number not contemporaneously outstanding.

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

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

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

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

Each replacement Bond delivered in accordance with this Section 4.02 shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement is delivered.

SECTION 4.03 **CANCELLATION OF BONDS.** All Bonds paid in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated, registered, and delivered in accordance herewith, shall be canceled and destroyed upon the making of proper records regarding such payment, redemption, exchange, or replacement. This Registrar shall furnish the District with appropriate certificates of destruction of such Bonds.

SECTION 4.04 **BOOK-ENTRY-ONLY SYSTEM.**

(a) The Bonds issued in exchange for the Initial Bond issued as provided in Section 3.02 shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust

Company of New York (“DTC”) and except as provided in subsection (b) 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 to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants (the “DTC Participant”) 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, as shown on the Register, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any person, other than a Registered Owner, as shown in the Register of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, but to the extent permitted by law, 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 Register as the absolute owner of such Bond for the purpose of payment of principal of and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bond, and for all other purposes of registering transfers with respect to such Bonds, 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 respective Registered Owners, as shown in the Register 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 Register, shall receive a Bond 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 word “Cede & Co.” in this Resolution shall refer to such new nominee of DTC.

(b) In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) 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 Register 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 the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Resolution.

(c) 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 Blanket Issuer Letter of Representations of the District to DTC.

(d) The District confirms execution of a Blanket Issuer Letter of Representations with DTC establishing the Book-Entry-Only System which will be utilized with respect to the Bonds.

(e) The Bonds herein authorized shall be initially issued as a fully registered bond, being one Bond, and the Initial Bond shall be registered in the name of the Purchaser or the designees thereof. The Initial Bond shall be the Bond 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 Bond on the closing date, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor Bonds in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC and except as provided in Section 3.02, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

ARTICLE FIVE

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 5.01 **REDEMPTION OF BONDS.** The Bonds are subject to redemption as set forth in the Pricing Certificate.

ARTICLE SIX

FORM OF BOND

SECTION 6.01 **FORM OF BOND.** The Bonds authorized by this Resolution shall be in substantially the form attached as Exhibit A, with such omissions, insertions, and variations, including variations in form, spacing, and style, as may be necessary and desirable and consistent with the terms of this Resolution and the Pricing Certificate. The District shall provide sufficient printed bond forms, duly executed by the District, to the Registrar for registration, authentication, and delivery of the Bonds in accordance with the provisions of this Resolution.

SECTION 6.02 **CUSIP REGISTRATION.** The Pricing Officer may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau.

SECTION 6.03 **LEGAL OPINION AND BOND INSURANCE.** The approving opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas may be printed on the back of the Bonds over the certification of the Secretary or Assistant Secretary of the Board of Directors which may be executed in facsimile. In addition, if any bond insurance is obtained, any statement of insurance may be placed on the Bonds.

ARTICLE SEVEN

SECURITY FOR THE BONDS

SECTION 7.01 **SECURITY OF BONDS AND PERFECTION OF LIEN.** The Bonds, together with all outstanding Parity Bonds, and all interest thereon, are and shall be secured by and payable from the levy of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property within the District, and are further secured by an irrevocable lien on and pledge of the Net Revenues. Said Net Revenues are further pledged irrevocably to the establishment and maintenance of the funds as hereinafter provided.

SECTION 7.02 **LEVY OF TAX.**

(a) During each year while any of the Bonds or interest thereon, are outstanding and unpaid, the Board shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest comes due, to provide and maintain a sinking fund adequate to pay the principal of the Bonds as such principal matures, and to pay the expenses of assessing and collecting the tax and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds; and said tax shall be based on the latest approved tax rolls of the District, with full allowance being made for tax delinquencies. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, without limit as to rate or amount, against all taxable property in the District for each year while any of the Bonds or interest thereon are outstanding and unpaid; and said 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 sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures, and to pay the expenses of assessing and collecting the tax and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds, are hereby pledged for such payment, 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 percent (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.

(c) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of ad valorem taxes granted by the District under this Resolution, 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 ad valorem taxes granted by the District under

this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the 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, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

SECTION 7.03 **RATES.** The District covenants and agrees with the holders of the Bonds and all other Parity Bonds, as follows:

(a) That it will at all times collect for services rendered by the System such amounts as will be at least sufficient to pay all expense of operation and maintenance, and to provide Net Revenues which will be, together with the funds to be derived from taxation as hereinabove provided, adequate to pay promptly all of the principal of and interest on the Bonds, and all other parity Bonds, and to make all deposits now or hereafter required to be made into the funds created and established by this Resolution, and any resolution authorizing other Parity Bonds.

(b) If the System should become legally liable for any other indebtedness, the Board shall fix, maintain, charge and collect additional rates and services rendered by the System, sufficient to establish and maintain funds for the payment thereof.

SECTION 7.04 **PAYMENT OF BONDS AND PERFORMANCE OF OBLIGATIONS.** The District covenants to pay promptly the principal of and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings, and agreements contained in this Resolution, or in any Bond executed, authenticated, and delivered hereunder.

SECTION 7.05 **CONSOLIDATION OR DISSOLUTION OF DISTRICT.** To the extent provided by law, the pledge of taxes set forth in Section 7.02 will terminate if a city takes over all properties and assets, assumes all debts, liabilities, and obligations, and performs all functions and services of the District, and the District is abolished pursuant to law.

The laws of the State of Texas permit the District to be consolidated with one or more conservation and reclamation districts. In the event the District is consolidated with another district or districts, the District reserves the right to:

(a) Consolidate the System with a similar system of one or more districts with which the District is consolidating and operate and maintain the systems as one consolidated system (herein for purposes of this section the "Consolidated System").

(b) Apply the net revenues from the operation of the Consolidated System to the payment of principal, interest, redemption price and bank charges on the revenue bonds or the combination tax and revenue bonds (herein for purposes of this section the "Revenue Bonds") of the District and of the district or districts with which the District is consolidating (herein collectively the "Consolidating Districts") without preference to any series of bonds (except subordinate lien revenue bonds which shall continue to be subordinate to the first lien Revenue Bonds of the Consolidating Districts).

(c) Pledge the net revenues of the Consolidated System to the payment of principal, interest, redemption price and bank charges on Revenue Bonds which may be issued by the Consolidating Districts on a parity with the outstanding first lien Revenue Bonds of the Consolidating Districts.

ARTICLE EIGHT

FLOW OF FUNDS AND INVESTMENTS

SECTION 8.01 FUNDS, FLOW OF FUNDS, APPLICATION OF FUNDS AND INVESTMENTS.

(a) Designation of Funds. The creation of the following special funds is hereby confirmed and ratified and such funds shall be maintained by a depository Bank of the District, so long as any of the Parity Bonds, or interest thereon, are outstanding and unpaid.

- (i) the Revenue Fund;
- (ii) Interest and Sinking Fund for the Bonds.

Each fund is hereby created or confirmed. The Interest and Sinking Fund shall be kept separate and apart from all other funds of the District. The Interest and Sinking Fund shall constitute a trust fund which shall be held in trust for the benefit of the owners of the Bonds. All other funds shall be used solely as provided in this Resolution until all of the Bonds have been retired, both as to principal and interest.

(b) Revenue Fund. All gross revenues of every nature received from the operation and ownership of the System shall be deposited from day to day as collected into the Revenue Fund, and the reasonable, necessary and proper expenses of operation and maintenance of the System shall be paid from the Revenue Fund. The revenues of the System not actually required to pay said expenses shall be deposited from the Revenue Fund into the Interest and Sinking Fund and such other funds to the extent provided by this Resolution.

SECTION 8.02 SECURITY OF FUNDS. Any cash balance in any fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, shall be continuously secured in the manner provided by law for the security of funds of counties of the State of Texas.

SECTION 8.03 INTEREST AND SINKING FUND; TAX LEVY. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the District, and shall be used only for paying the interest on and principal of the Bonds and all other Parity Bonds, the expenses of assessing and collecting such tax, and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds and all other Parity Bonds. There shall be deposited into the Interest and Sinking Fund the following:

(a) Such amounts, beginning on the 20th day of each month, in equal monthly installments, which, together with other monies on deposit therein, as will be sufficient to pay the

interest scheduled to come due on the Bonds and all other Parity Bonds on the next interest payment date; and

(b) Such amounts, in equal monthly installments, which together with other monies on deposit therein, made on the 20th day of each month, as will be sufficient to pay the next maturing principal of the Bonds and all other Parity Bonds.

The Interest and Sinking Fund shall be used to pay the principal of and interest on the Bonds and all other Parity Bonds, as such principal matures and such interest comes due.

SECTION 8.04 **INVESTMENTS; EARNINGS.** Moneys deposited into the Interest and Sinking Fund the Revenue Fund and any other fund or funds which the District may lawfully create may be invested or reinvested in Authorized Investments. All investments and any profits realized from and interest accruing on investments made from any fund may be transferred to the Interest and Sinking Fund. If any moneys are so invested, the District shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such fund. After such sale the moneys resulting therefrom shall belong to the fund from which the moneys for such investments were initially taken. The District shall not be responsible to the Registered Owners for any loss arising out of the sale of any investments.

SECTION 8.05 **DEFICIENCIES IN FUNDS.** If in any month, the District shall fail to deposit into any fund created by this Resolution the full amounts required, amounts equivalent to such deficiencies shall be set apart and paid into said funds from the first available and unallocated taxes and/or Net Revenues for the following month or months and such payments shall be in addition to the amounts otherwise required to be paid into said funds during such month or months. To the extent necessary, the District shall increase the rates and charges for services of the System to make up for any such deficiencies.

SECTION 8.06 **EXCESS REVENUES.** Net Revenues, in excess of those necessary to establish and maintain the funds as required in this Resolution, or as hereafter may be required in connection with the issuance of Additional Bonds, may be used for any lawful purpose.

ARTICLE NINE

APPLICATION OF BOND PROCEEDS; REFUNDING ARRANGEMENTS

SECTION 9.01 **BOND PROCEEDS.** Proceeds from the sale of the Bonds of each series shall, promptly upon receipt by the District, be applied in accordance with the provisions set forth in the Pricing Certificate. In addition, in furtherance of the authority conferred by this Resolution, the Pricing Officer may direct that lawfully available funds of the District be applied (in such amounts as the Pricing Officer shall direct), deposited and invested to effect the purposes of this Order, including to effect the defeasance and redemption of the Refunded Bonds.

SECTION 9.02 **DEFEASANCE OF REFUNDED BONDS.** Pursuant to Section 1207.007, Texas Government Code, as amended, the Board hereby authorizes and directs that the Refunded Bonds shall be paid in the amounts and on the dates determined by the Pricing Officer, and the Pricing Officer is hereby authorized and directed to identify the specific maturities of the Refunding Candidates to be refunded and the amount, if any, of available funds to be deposited in the Escrow Fund for the Refunded Bonds. In addition, the Pricing Officer may execute and deliver an escrow agreement, a deposit agreement or a similar agreement, a letter of instructions or any other instrument relating to the safekeeping, investment, administration and disposition of moneys deposited to effect the defeasance of the Refunded Bonds in such form and subject to such terms and conditions as the Pricing Officer determines may be necessary or convenient to carry out the intent and purpose of this Resolution.

SECTION 9.03 **REDEMPTION PRIOR TO MATURITY OF REFUNDED BONDS.** To maximize the District's present value savings and to minimize the District's costs of refunding, the Board hereby authorizes and directs that certain of the Refunded Bonds shall be called for redemption prior to maturity in the amounts, at the dates and at the redemption prices set forth in the Pricing Certificate, and the appropriate officials of the District are hereby authorized and directed to take all necessary and appropriate action to give or cause to be given a notice of redemption to the holders or paying agent/registrars, as appropriate, of such Refunded Bonds, in the manner required by the documents authorizing the issuance of such Refunded Bonds.

SECTION 9.04 **PURCHASE OF DEFEASANCE SECURITIES.** The Pricing Officer and the Escrow Agent are hereby authorized (a) to subscribe for, agree to purchase, and purchase securities that are permitted investments for a defeasance escrow established to defease the Refunded Bonds, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and any actions heretofore taken for such purpose are hereby ratified and approved, and (b) to direct and provide for such contributions to the escrow fund as are provided in the Escrow Agreement.

SECTION 9.05 **ESCROW FUND.** The proceeds from the sale of the Bonds after making the deposit hereinbefore provided and paying or making provisions for the payment of the costs in connection with issuing the Bonds, shall be deposited into the Escrow Fund as described in the Escrow Agreement.

ARTICLE TEN

PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

SECTION 10.01 **COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.** The District intends that the interest on the Bonds shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and all applicable temporary, proposed and final regulations (the "Regulations") and procedures promulgated thereunder and applicable to the Bonds, the District covenants that it will monitor and control the receipt, investment, expenditure and use of all gross proceeds of the

Bonds (including all property the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Bonds) and take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause interest on the Bonds to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the owners of the Bonds for federal income tax purposes. Without limiting the generality of the foregoing, the District shall comply with each of the following covenants:

(a) The District will use all of the proceeds of the Bonds to (i) provide funds for the purposes described in introduction hereof, which will be owned and operated by the District and (ii) to pay the costs of issuing the Bonds.

(b) The District will not directly or indirectly take any action, or omit to take any action, which action or omission would cause the Bonds to constitute "private activity bonds" within the meaning of Section 141(a) of the Code.

(c) Principal of and interest on the Bonds will be paid solely from ad valorem taxes collected by the District and investment earnings on such collections.

(d) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an "arbitrage bond" within the meaning of Section 148 of the Code.

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

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

(g) The District represents that not more than fifty percent (50%) of the proceeds of the Bonds will be invested in nonpurpose investments (as defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the District reasonably expects that at least eighty-five percent (85%) of the spendable proceeds of the Bonds will be used to carry out the governmental purpose of the Bonds within the three-year period beginning on the date of issue of the Bonds.

(h) The District will take all necessary steps to comply with the requirement that certain amounts earned by the District on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government. Specifically, the District will (i) maintain records

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

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

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

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

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

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