RESOLUTION AUTHORIZING THE ISSUANCE OF SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS; AWARDING THE SALE OF THE BONDS; AUTHORIZING THE LEVY OF AN AD VALOREM TAX IN SUPPORT OF THE BONDS; APPROVING AN OFFICIAL STATEMENT; AND OTHER MATTERS RELATED TO THE ISSUANCE OF THE BONDS

THE STATE OF TEXAS §
COUNTY OF TRAVIS §
SENNA HILLS MUNICIPAL UTILITY DISTRICT §

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

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

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

WHEREAS, the 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 ("Consent Agreement"); and

WHEREAS, the City has approved the issuance of the Bonds by Resolution No. _____, dated _____, 2016 in accordance with the Consent Agreement; and

WHEREAS, the Texas Commission on Environmental Quality (the "Commission") has approved the issuance by the District of $1,105,000 principal amount of bonds upon the terms and conditions as outlined in the Commission's Order dated _____, 2016 (the "Commission Order"); and

WHEREAS, the District has previously issued bonds in the amount of $14,895,000 pursuant to the authorization at the Confirmation Election; and

WHEREAS, the District now deems it necessary and advisable at this time to issue $1,105,000 of bonds for improvements to the District's waterworks, sewer and drainage systems, leaving no additional bonds authorized at the Confirmation Election and in accordance with the Consent Agreement.

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

Section 1. **AMOUNT AND PURPOSE OF THE BONDS.** 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. The Bonds of the District are hereby authorized to be issued and delivered in the aggregate principal amount of $1,105,000 for the purpose or purposes authorized by the Confirmation Election and the Commission Order including (a) construction and acquisition of water, wastewater, drainage and water quality facilities and interests in land and to expand the Issuer's wastewater treatment plant (the "Projects"); (b) engineering and permitting; and (c) certain costs associated with the issuance of the Bonds.

Section 2. **DEFINITIONS**. In addition to other words and terms defined in this Resolution (except those defined and used in the Form of the Bonds in Exhibit A) and unless a different meaning or intent clearly appears in the context, the following words and terms shall have the following meanings, respectively:

"Bonds" shall mean and include collectively the bonds initially issued and delivered pursuant to this Resolution 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.

"Bond Resolution" or "Resolution" shall mean this Resolution of the Board of Directors authorizing the issuance of the Bonds.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commission" shall mean the Texas Commission on Environmental Quality and any successor thereto.

"Commission Order" shall mean the Order of the Commission dated as of _____, 2016 approving the issuance of the Bonds.

"Defeasance Securities" means (i) direct non-callable obligations of the Unites States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable 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 provide 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, and (iii) non-callable 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 provide 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.

"Interest and Sinking Fund" shall have the meaning as set forth in Section 7.

"MSRB" means the Municipal Securities Rulemaking Board.

"Paying Agent/Registrar" shall mean BOKF, NA, Austin, Texas, and such other bank or trust company as may hereafter be appointed in substitution therefor or in addition thereto to perform the duties of Paying Agent/Registrar in accordance with this Resolution.

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

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

"Security Documents" shall mean the resolution, trust agreement, ordinance, loan agreement, bond, note and/or any additional or supplemental document executed in connection with the Bonds.

Section 3. <u>DESIGNATION, DATE, DENOMINATIONS, NUMBERS, PRIOR REDEMPTION AND MATURITIES OF BONDS</u>. Each Bond issued pursuant to this Resolution shall be designated: "SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016" and initially there shall be issued, sold and delivered hereunder fully registered Bonds, without interest coupons, with the Bonds being dated _____, 2016 in the respective denominations and principal amounts hereinafter stated, being numbered

consecutively from R-1 upward (except the initial Bond delivered to the Attorney General of the State of Texas which shall be numbered T-1), payable to the respective initial registered owners thereof (as designated in Section 14 hereof), or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the "Registered Owner"), and, unless redeemed prior to their respective maturities as provided in the FORM OF BOND, the Bonds shall mature and be payable serially on August 15 in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

YEAR OF MATURITY	PRINCIPAL AMOUNT
2018	$40,000
2019	40,000
2020	45,000
2021	45,000
2022	45,000
2023	50,000
2024	50,000
2025	50,000
2026	55,000
2027	55,000
2028	60,000
2029	60,000
2030	65,000
2031	65,000
2032	70,000
2033	70,000
2034	75,000
2035	80,000
2036	85,000

Section 4. **INTEREST.** The 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 earlier redemption at the following rates per annum:

YEAR OF MATURITY	RATE
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	

2027
2028
2029
2030
2031
2032
2033
2034
2035
2036

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

Section 5. CHARACTERISTICS OF THE BONDS.

(a) Registration, Transfer, Conversion and Exchange; Authentication. The District shall keep or cause to be kept at the designated office for payment of BOKF, NA, Austin, Texas (the "Paying Agent/Registrar") in Austin, Texas, books or records for the registration of the transfer, conversion and exchange of the Bonds (the "Registration Books"), and the District hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the District and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Bonds shall be made within three business days after request and presentation thereof. The District shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds shall be paid as provided in the FORM OF BOND set forth in this Resolution. Registration or assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Resolution. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need

be passed or adopted by the Board of Directors of the District or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or potion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and the Bonds shall be of typewritten, photocopied, printed, lithographed, engraved or produced in any other similar manner, all as determined by the officers executing such Bond as evidenced by their execution thereof. Pursuant to Chapter 1201 of the Texas Government Code, as amended, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The District hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the District and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and replacements of Bonds, as provided in this Resolution. However, in the event of a nonpayment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed, sealed, executed and authenticated, (vi) shall be payable as to the principal of and interest, (vii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar at least 30 calendar days prior to any such redemption date), and (viii) shall be administered, and the Paying Agent/Registrar and the District shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Resolution. The Bonds initially issued and delivered pursuant to this Resolution are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Resolution the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(d) Substitute Paying Agent/Registrar. The District covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the District will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act

as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The District reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 30 days written notice to the Paying Agent/Registrar, to be effective at such time which will not disrupt or delay payment on the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the District covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the District. Upon any change in the Paying Agent/Registrar, the District promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

(e) Book-Entry-Only System. The Bonds issued in exchange for the Bonds initially issued as provided in Section 3 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 (f) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created 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 Registration Books, 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 Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, 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 Registration Books 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 Bonds, 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 Registration Books as provided in this Resolution, or their

respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond 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.

(f) Successor Securities Depository; Transfer Outside-Book-Entry-Only System. 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 Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Resolution.

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

(h) Initial Bond. The Bonds herein authorized shall be initially issued as a fully registered Bond, being on Bond, and the initial Bond shall be registered in the name of the initial 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 initial 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 5, all of the outstanding Bonds shall be registered in the name of Cede & Co., and nominee of DTC.

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

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

Section 7. PRIOR RESOLUTION. The Bonds authorized to be issued and delivered by this Resolution are "Additional Bonds," as defined in Section 18 of the Series 1999 Bond Resolution authorizing the Senna Hills Municipal Utility District Unlimited Tax and Water Works and Sewer System Revenue Bonds, Series 1999. Therefore, except where inconsistent with the provisions of this Resolution, Sections 8, 9 and 11 through 17, inclusive, of the Series 1999 Bond Resolution are hereby adopted by reference, and the same shall apply with equal force to the Bonds ordered to be issued by this Resolution as if said Sections were fully set forth herein.

Section 8. TAX LEVY AND INTEREST AND SINKING FUND.

(a) A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Bonds, and the Interest and Sinking Fund shall be established and maintained by the District at an official depository bank of the District. 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, the expenses of assessing and collecting such tax, and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds. All ad valorem taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Bonds or interest thereon, are outstanding and unpaid, the governing body of the District 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 its 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, 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, and 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 per cent (25%) of the principal and

interest requirements for each of the next succeeding years, until an actual experience of three (3) successive years shall demonstrate that the Net Revenues are wholly adequate to pay the principal of and the interest on the Bonds as the same mature and accrue, at which time the District tax may be wholly abated until further experience may demonstrate the necessity again to exercise the District's taxing power in order to avoid default in the payment of said Bonds and the interest thereon as the same mature and accrue.

(c) There is hereby appropriated, from current funds on hand and legally available therefor, funds sufficient to pay the debt service coming due on the Bonds prior to receipt of taxes levied therefor.

Section 9. **MAINTENANCE AND OPERATION; INSURANCE**. While any of the Bonds or Additional Bonds are outstanding, the District covenants and agrees to maintain the System in good condition and operate the same in an efficient manner and at reasonable expense, and to maintain insurance on the System, for the benefit of the holder or holders of said bonds, of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business and which will insure the District against claims for which it can be liable under the Texas Tort Claims Act, or any amendment thereof, or any similar law.

Section 10. **PERFECTION**. Chapter 1208 of the Texas Government Code applies to the issuance of the Bonds and the pledge of taxes and revenues granted by the District under Section 7 of 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 taxes and revenues granted by the District under Section 7 of this Resolution is to be subject to the filing requirements of Chapter 9 of the Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9 of the Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 11. **DEFEASANCE OF BONDS**.

(a) Any Bond and interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in sections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or an eligible trust company or commercial bank made by the District with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its

services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeased Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with this Resolution. Any money so deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank as provided in this Section may at the discretion of the Board of Directors also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

(c) Notwithstanding any provision of any other Section of this Resolution which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by this Resolution.

(d) Notwithstanding anything elsewhere in this Resolution, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bond affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, to the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the district retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of the Resolution authorizing its issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Section 12. **INVESTMENT OF FUNDS.** The Board may place money in any fund created by this Resolution in time or demand deposits or invest such moneys as authorized by

law at the time of such deposit. The District hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued. Obligations purchased as an investment of money in any fund shall be deemed to be a part of such fund. Except as otherwise provided by law or by this Resolution, amounts received from the investment of any money in any fund created by this Resolution, except the Interest and Sinking Fund, which shall be applied as set forth in Section 7 of this Resolution, may be placed into any fund of the District as determined by the Board. All funds created by this Resolution shall be secured in the manner and to the fullest extent required by law for the security of funds of the District.

Section 13. APPLICATION OF BOND PROCEEDS.

(a) Bond Proceeds. Proceeds from the sale of the Bonds will be disbursed in accordance with this Section.

(b) Capital Projects Fund. Proceeds of the Bonds necessary to complete the purposes set forth in Section 1 herein and to pay the costs of issuance of the Bonds shall be deposited in the Capital Projects Fund. Any surplus bond proceeds after completion of the projects authorized in the Commission Order, shall be used in accordance with the Commission rules and in conformance with the Election.

(c) Interest. Interest earnings derived from the investment of proceeds from the sale of the Bonds deposited in the Capital Projects Fund shall be used for the purpose for which the Bonds are issued; provided that after completion of the purposes set forth in Section 1 of this Resolution any interest earnings remaining on hand shall be deposited in the Interest and Sinking Fund or used to pay any rebate in accordance with Section 13 of this Resolution.

Section 14. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED. The President of the Board of Directors of the District is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the District's Bond Counsel and the assigned CUSIP numbers may, at the option of the District, be printed on the Bonds issued and delivered under this Resolution, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if a municipal bond insurance policy is obtained, the Bonds may bear an appropriate legend as provided by the such bond insurer.

Section 15. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.

(a) Definitions. When used in this Section 13, the terms listed below shall have the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

"Code" means the Internal Revenue Code of 1986, as amended by any amendments thereto enacted prior to the Issue Date.

"Computation Date" has the meaning set forth in section 1.148-3(e) of the Regulations.

"Gross Proceeds" has the meaning set forth in section 1.148-1(b) of the Regulations.

"Investment" has the meaning stated in section 1.148-1(b) of the Regulations and includes:

(1) Stock: a share of stock in a corporation or a right to subscribe for or to receive such a share;

(2) Debt: any indebtedness or evidence thereof, including without limitation United States Treasury bonds, notes, and bills (whether or not of the State and Local Government Series) and bank deposits (whether or not certificated or interest bearing or made pursuant to a depository contract);

(3) Annuities and Deferred Payments: any annuity contract, or any other deferred payment contract acquired to fund an obligation of the District; or

(4) Other Property: any other investment-type property.

"Issue Date" means the date on which the Bonds are initially authenticated and delivered to the Underwriter against payment therefor.

"Issue Price" of the Bonds of any series and stated maturity means the amounts set out in the Certificate of Underwriters executed on the Issue Date.

"Net Sale Proceeds" has the meaning set forth in section 1.148-1(b) of the Regulations.

"Proceeds" has the meaning set forth in section 1.148-1(b) of the Regulations.

"Rebate Amount" has the meaning set forth in section 1.148-3 of the Regulations.

"Regulations" shall mean the final or temporary Income Tax Regulations applicable to the Bonds issued pursuant to sections 141 through 150 of the Code. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to sections 141 through 150 of the Code and applicable to the Bonds.

"Sale Proceeds" has the meaning set forth in section 1.148-1(b) of the Regulations.

"Taxable Investment" means any Investment other than:

(1) Non-AMT Tax Exempt Obligations: an obligation the interest on which is excluded from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes (or, when such obligation was issued, was purported by the evidence of such obligation to be so excluded) and which is not a preference item, as defined in section 57 of the Code;

(2) Tax Exempt Mutual Funds: an interest in a regulated investment company to the extent that at least 95% of the income to the holders of such interest is interest that is excludable from gross income under section 103(a) of the Code;

(3) Demand SLGS: one-day certificates of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program described in 31 C.F.R. part 344, if the District in good faith attempts to comply with all the requirements of such program relating to the investment of Gross Proceeds; and

(4) Exempt Temporary Investments: Taxable Investments which are held for the credit of the 2015 Debt Service Fund.

"Yield" of:

(1) Taxable Investments: Taxable Investments to any date means the actuarial "yield" of all such Taxable Investments on or before such date as "yield" is defined in section 1.148-5(b) of the Regulations; and

(2) Bonds: Any series of bonds means the actuarial "yield" of such Bonds, as defined in section 1.148-4 of the Regulations, and for the Bonds shall be specified in a certificate executed by an officer of the Board on the Issue Date.

(b) Not to Cause Interest to Become Taxable. The District shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property acquired, constructed, or improved with Gross Proceeds) in a manner which, if made or omitted, respectively, (or take or omit to take any other action which if taken or omitted, respectively), would cause interest on any Bond to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes. The District shall adopt and comply with the provisions of such amendments hereof and supplements hereto as may, in the opinion of nationally recognized bond counsel, be necessary to preserve or perfect such exclusion. Without limiting the generality of the foregoing, the District shall comply with each of the specific covenants in this Section at all times prior to the last maturity of the Bonds, unless and until the District shall have received a written opinion of nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the excludability of interest on any Bond from the gross income of the owner thereof for federal income tax purposes, and thereafter such covenant shall no longer be binding upon the District to the extent described in such opinion, anything in any other Subsection of this Section to the contrary notwithstanding.

(c) No Private Use or Payments. At all times prior to the last maturity of the Bonds, the District shall neither:

(1) use nor permit the use of Gross Proceeds (or any property acquired, constructed or improved with Gross Proceeds or income from the investment thereof) in any trade or business carried on by any Person (or in any activity of any Person other than an individual) other than a state or local government, nor

(2) directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds (or use of any property acquired, constructed, or improved with Gross Proceeds or income from the investment thereof) in any trade or business carried on by any Person (or in any activity of any Person other than an individual) other than a state or local government,

unless either (i) such use is merely as a member (and, except possibly for the amount of use and any corresponding rate adjustment, is extended by the District on the same terms as to all other members) of the general public or (ii) such charge or payment consists of taxes of general application within the District or interest earned on temporary Investments acquired with Gross Proceeds pending application of such Gross Proceeds for their intended purposes. For purposes of this Subsection B, property is considered to be "used" by a Person if:

(u) Sale or Lease: it is sold or otherwise disposed of, or leased, to such Person;

(v) Management Contract: it is operated, managed, or otherwise physically employed, utilized, or consumed by such Person, excluding operation or management pursuant to an agreement which meets the conditions described in I.R.S. Rev. Proc. 97-13, as modified by Notice 2014-67;

(w) Capacity, Output, or Service Commitment: capacity in or output or service from such property is reserved or committed to such Person under a take-or-pay, output, incentive payment, or similar contract or arrangement;

(x) Preferential Service: such property is used to provide service to (or such service is committed to or reserved for) such Person on a basis or terms which (except possibly for the amount of use and any corresponding rate adjustment) are different from the basis or terms on which such service is provided (or committed or reserved) to members of the public generally;

(y) Developer: such Person is a developer and a significant amount of property acquired, constructed, or improved with proceeds from the sale of a series of bonds of which the Bonds are a part serves only a limited area substantially all of which is owned by such Person, or a limited group of developers, unless such property carries out an essential governmental function, use by such Person is during an initial development period, and such property is developed and sold to (and occupied by) members of the general public in accordance with the Regulations; or

(z) Other Incidents of Ownership: substantial burdens and benefits of ownership of such property are otherwise effectively transferred to such Person,

but the temporary investment of Gross Proceeds pending application for their intended purposes shall not constitute "use" of Gross Proceeds.

(d) No Private Loan. The District shall not use Gross Proceeds to make or finance loans to any Person other than a state or local government, excluding loans consisting of temporary investments of Gross Proceeds pending application of such Gross Proceeds for their intended purposes. For purposes of this Subsection 13(d), Gross Proceeds are considered to be "loaned" to a Person if (1) property acquired, constructed, or improved with Gross Proceeds is sold or leased to such Person in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such Person under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of Gross Proceeds or such property are otherwise transferred to such Person in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. The District shall not, at any time prior to the final maturity of the Bonds, directly or indirectly invest Gross Proceeds in any Taxable Investment (or use Gross Proceeds to replace money so invested), if, as a result of such investment, the Yield of all Taxable Investments acquired with (or representing an investment of) Gross Proceeds (or money replaced thereby), whether then held or previously disposed of, to the date of such investment exceeds the Yield of the Bonds. Notwithstanding the foregoing, however, the following Investments shall be excluded from the limitation described in this Subsection 13(e):

(1) Three-year Period for Certain Sale Proceeds: Taxable Investments acquired with (or representing an investment of) Net Sale Proceeds of the Bonds or earnings from the investment thereof;

(2) 2016 Debt Service Fund Deposits: Taxable Investments acquired with (or representing an investment of) amounts held for the credit of the Debt Service Fund for the payment of the debt service on the Bonds during the then current bond year (the "2016 Debt Service Fund"), but only during the first 13 months after the date of deposit of such amounts to the Debt Service Fund;

(3) Debt Service Fund Deposits: Taxable Investments acquired with (or representing an investment of) amounts held for the credit of the Debt Service Fund in excess of the amounts held for the credit of the 2016 Debt Service Fund to the extent such Taxable Investments are held during the first 30 days after the date of deposit of such amounts to the Debt Service Fund or, if held more than 30 days after deposit, do not exceed 10% of the stated principal amount of the Bonds; and

(4) Other Investments: any other Taxable Investments acquired with (or representing an investment of) Gross Proceeds described in Clause (3) of the definition thereof, to the extent the aggregate amount of Gross Proceeds invested in such Taxable

Investments does not exceed the lesser of $100,000 or 5% of the proceeds from sale of the Bonds.

The District shall not use any money to pay principal of or interest on the Bonds, or pledge (or permit to be pledged) or otherwise restrict any money, funds, or Taxable Investments so as to give reasonable assurance of their availability for such purpose, except in each case amounts deposited to the Debt Service Fund.

(f) No Federal Guarantees, Etc. The District shall not either (a) use Gross Proceeds in an amount which exceeds 5% of the proceeds from the sale of the Bonds (i) to make loans which are guaranteed in whole or in part by the United States or any agency or instrumentality thereof, including any entity with statutory authority to borrow from the United States, or (ii) to invest in any deposit or account in a financial institution to the extent such deposit or account is insured under federal law by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or any similar federally-chartered corporation, or (b) otherwise permit payment of principal of or interest on the Bonds to be directly or indirectly guaranteed in whole or in part by the United States or any agency or instrumentality thereof, including any entity with statutory authority to borrow from the United States (e.g., by the investment of amounts held for the credit of the Debt Service Fund in federally-guaranteed or federally-insured obligations). Notwithstanding the foregoing, however, the District may acquire:

(1) Certain Temporary Investments: Investments described in Subsections (e)(1), (e)(2), and (e)(3) of this Section, whether or not federally-guaranteed or federally-insured, to the extent such Investments are held during the period described in such Subsection;

(2) Treasury Investments: Investments issued by the United States Treasury; and

(3) Investments Permitted by Regulations: Any other Investments permitted by regulations of the United States Department of Treasury issued under section 149(b)(3)(B)(v) of the Code.

(g) Not to Divert Arbitrage Profits. Prior to the final maturity of the Bonds, the District shall not at any time invest amounts held for the credit of the Capital Projects Fund or the Debt Service Fund in any Investment purchased at other than an arm's length price or for which there is not an established market at the time of investment, except possibly for Investments described in Subsection (e)(2) of this Section to the extent such Investments are acquired and mature or are disposed of during the period described in such Subsection.

(h) To File Informational Report. The District shall execute and file with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Issue Date occurs (or by such later date as such Secretary may permit for reasonable cause or may prescribe with respect to any portion of such statement), a statement containing the information and in the form required by section 149(e) of the Code or the Regulations promulgated thereunder.

(i) Not to Cause Bonds to Become Hedge Bonds. The District warrants and represents that:

(1) the District reasonably expects that at least 85% of the Net Sale Proceeds of the Bonds will be used to carry out the governmental purposes of the Bonds within three years from the date each series of the Bonds was issued, and

(2) not more than 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.

(j) Payment of Rebate Amount. Except to the extent otherwise provided in section 148(f) of the Code and the regulations and rulings thereunder:

(1) The District shall account for all Gross Proceeds (including all receipts and expenditures thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and shall maintain all records of such accounting with the transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of the Bonds with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;

(2) Not less frequently than each Computation Date, the District shall either (i) cause to be calculated by a nationally recognized accounting or financial advisory firm or (ii) calculate and cause its calculations to be verified by a nationally recognized accounting or financial advisory firm, in either case in accordance with rules set forth in section 148(f) of the Code and section 1.148-3 of the Regulations and rulings thereunder, the Rebate Amount with respect to the Bonds. The District shall maintain such calculations with the official transcript of the proceedings relating to the issuance of the Bonds until four years after the final Computation Date;

(3) As additional consideration for the purchase of the Bonds by the Purchaser and the loan of money represented thereby, and in order to induce such purchase by measures designed to preserve the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the District shall remit to the United States the amount described in paragraph (2) above and the amount described in paragraph (4) below, at the times, in the installments, to the place, in the manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder; and

(4) The District shall exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (2) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by section 1.148-3(h) of the Regulations.

(k) Rebate Fund. In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the District for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(l) Designation as Qualified Tax-Exempt Bonds. The District hereby designates the Bonds as "qualified tax-exempt bonds" as defined in Section 265(b)(3) of the Code. In furtherance of such designation, the District represents, covenants and warrants the following: (a) that during the calendar year in which the Bonds are issued, the District (including any subordinate entities) has not designated nor will designate Bonds, which when aggregated with the Bonds, will result in more than $10,000,000 of "qualified tax-exempt bonds" being issued; (b) that the District reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Bonds are issued, by the District (or any subordinate entities) will not exceed $10,000,000; and (c) that the District will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bonds will not be considered "private activity bonds" within the meaning of Section 141 of the Code.

Section 16. SALE OF BONDS. The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to _____ (the "Purchaser") at a price of _____% of the par amount ($_____). It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable and the Purchaser's sealed bid produced the lowest net effective interest rate to the District as required by Section 49.183, Texas Water Code. The Initial Bond shall be registered in the name of the Purchaser.

Section 17. GENERAL COVENANTS OF THE DISTRICT. The District covenants and represents that:

(a) It has lawful power to issue the Bonds and has lawfully exercised such power under the Constitution and laws of the State of Texas.

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

(c) It has obtained or will obtain and will comply with the terms and conditions of all franchises, permits, and authorizations and will maintain same in full force and effect.

(d) It will proceed to acquire and construct with all due diligence and dispatch so much of the District's facilities as shall have been financed with the proceeds of the Bonds.

(e) It will levy an ad valorem tax that will be sufficient to provide funds to pay the interest on the Bonds and to provide the necessary sinking fund, all as described in Section 7 of this Resolution.

(f) It shall keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year. Such

audit shall be in accordance with applicable law, rules, and regulations in effect from time to time, including particularly Section 49.191 et seq. of the Texas Water Code, as amended, and the Water District Accounting Manual adopted by the Commission. A copy of such audit shall be filed in the office of the District and shall be open to inspect by any interested person during normal office hours. The District shall allow any holder or holders of not less than 25% in principal amount of the bonds then outstanding to inspect the District's facilities and all records, accounts, and data of the District relating thereto at all reasonable times and shall furnish a copy of such audit report to any such holder or holders upon payment to the District of the charge therefor as prescribed by law.

(g) The President, the Vice President, the Secretary, and all other officers of the Board from time to time, or any of them, are hereby authorized and directed to do any and all things required for the construction of the District's facilities and are further authorized and directed to make money of the District available for the payment of the Bonds in the manner provided by law and herein.

(h) So long as any of the Bonds or the Additional Bonds remain outstanding, the District covenants that it will at all times maintain its facilities or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound management principles. In operating and maintaining the District's facilities, the District will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body having jurisdiction over the District.

Section 18. REMEDIES OF REGISTERED OWNERS. In addition to all rights and remedies of any registered owner of the Bonds provided by the laws of the State of Texas, the District and the Board covenant and agree that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make the payments required by this Resolution to be made into the Interest and Sinking Fund, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in this Resolution, the registered owner of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board and other officers of the District to observe and perform any covenant, obligation, or condition prescribed in this Resolution. No delay or omission by any registered owner upon default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies mentioned in this Resolution shall be available to the registered owners of the Bonds as provided herein and shall be cumulative of all other existing remedies.

Section 19. ADDITIONAL BONDS, SPECIAL PROJECT BONDS AND REFUNDING BONDS. The District expressly reserves and shall hereafter have the right to issue in one or more installments such other combination unlimited tax and revenue bonds as were authorized at the Confirmation Election and as may hereafter be authorized at subsequent elections. Such bonds may be payable from and equally secured by a pledge of and lien on the

Net Revenues of the System to the same extent as pledged and in all things on a parity with the lien of these bonds.

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

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

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

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

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

Section 20. APPROVAL OF OFFERING DOCUMENTS. An "Official Notice of Sale," and "Official Bid Form," and a "Preliminary Official Statement," dated _____, 20__, were prepared and distributed in connection with the sale of the Bonds together with the Final Official Statement dated _____, 2016 (said documents are hereinafter referred to as the "Offering Documents"). Said Offering Documents, and any addenda, supplement, or amendment thereto, are hereby approved by the Board of Directors of the District, and their use

in the offer and sale of the Bonds is hereby approved.

Section 21. DAMAGED, MUTILATED, LOST, STOLEN OR DESTROYED BONDS.

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

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

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Bond, the District may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

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

(e) Authority for Issuing Replacement Bonds. In accordance with Subchapter B of Chapter 1206 of the Texas Government Code, as amended, this Section of this Resolution shall constitute authority for the issuance of any such replacement Bond without necessity of further action by the governing body of the District or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 5(a) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 22. **ORDER A CONTRACT**. The District acknowledges that the covenants and obligations of the District herein contained are a material inducement to the purchase of the Bonds. This Resolution shall constitute a contract with the holders of the Bonds from time to time, binding on the District and its successors and assigns, and shall not be amended or repealed by the District so long as any Bond remains outstanding except as permitted in Section 23.

Section 23. **PARTIES INTEREST HEREIN**. Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the District shall be for the sole and exclusive benefit of the District and the registered owners of the Bonds.

Section 24. **OPEN MEETING**. It is hereby officially found and determined that the meeting at which this Resolution is adopted, was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551 of the Texas Government Code, as amended and Section 49.064 of the Texas Water Code, as amended.

Section 25. **APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT**. The Paying Agent/Registrar Agreement by and between the District and BOKF, NA, Austin, Texas ("Paying Agent Agreement"), in substantially the form and substance presented with this Resolution is hereby approved and the President or Vice President is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement, as necessary, and the Secretary or Assistant Secretary is authorized and directed to attest such agreement.

Section 26. **AMENDMENTS**.

(a) Amendment with Consent of Owners of 51% of Bonds. The owners of 51% in aggregate principal amount of then outstanding Bonds shall have the right from time to time to approve any amendments to this Bond Resolution which may be deemed necessary or desirable by the District; provided however, that, other than as permitted by subsection (f) of this Section 24, nothing herein contained shall permit or be construed to permit the amendment, without the consent of the owner of each of the outstanding Bonds affected thereby, of the terms and conditions of this Bond Resolution or the Bonds so as to:

(i) change debt service requirements, interest payment dates or the maturity or maturities of the outstanding Bonds;

(ii) reduce the rate of interest borne by any of the outstanding Bonds;

(iii) reduce the amount of the principal of, redemption premium, if any, or interest on the outstanding Bonds or impose any conditions with respect to such payments;

(iv) modify the terms of payment of principal of, redemption premium, if any, or interest on the outstanding Bonds, or impose any conditions with respect to such payments;

(v) affect the right of the Registered Owners of less than all of the Bonds then outstanding; or

(vi) decrease the minimum percentage of the principal amount of Bonds necessary for consent to any such amendment.

(b) Notice of Amendment. If at any time the District shall desire to amend this Bond Resolution and such amendment requires notice, the District may cause a written notice of the proposed amendment to be published at least once on a business day in a financial newspaper, journal, or publication of general circulation in the City of New York, New York, or in the State of Texas. If, because of temporary or permanent suspension of the publication or general circulation of all such newspapers, journals, or publications, it is impossible or impractical to publish such notice in the manner provided herein, then such publication in lieu thereof as shall be made by the Registrar shall constitute a sufficient publication of notice. In addition to such publication, the Registrar shall cause a written notice of the proposed amendment to be given by registered or certified mail to Registered Owners of the Bonds as shown on the Registration Books maintained by the Registrar; provided, however, that failure to receive such written notice of the proposed amendment, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding in connection with, or the adoption of, such amendment. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file in the principal office of the Registrar for inspection by all Registered Owners of Bonds.

(c) Consent to Amendment. Whenever at any time not less than 30 days, and within one year, from the date of the first publication of said notice or other services of written notice the District shall receive an instrument or instruments executed by the Registered Owners of at least 51% in aggregate principal amount of all Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and shall specifically consent to and approve such amendment, the District may adopt the amendatory resolution or order in substantially the same form.

(d) Effect of Amendment. Upon the adoption of any amendatory resolution or other pursuant to the provisions of this Section, this Bond Resolution shall be deemed to be amended in accordance with such amendatory resolution or order, and the respective rights, duties, and obligations under such amendatory resolution or other of all the Registered Owners shall thereafter be determined and exercised subject in all respects to such amendments.

(e) Consent of Registered Owners. Any consent given by a Registered Owner pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the Bonds during such period. Such consent may be revoked by the Registered Owner who gave such consent at any time after six months from the date of the first giving of such notice, or by a successor in title, by filing notice thereof with the Registrar and the District, but such revocation shall not be effective if the Registered Owners of 51% in aggregate principal amount of the then outstanding Bonds have, prior to the attempted revocation, consented to and approved the amendment.

(f) Amendments Without Consent. Notwithstanding the provisions of (a) through (e) of this Section, and without notice of the proposed amendment and without the consent of the Registered Owners, the District may, at any time, amend this Bond Resolution to cure any ambiguity or to cure, correct, or supplement any defective or inconsistent provision contained therein, or to make any other change that does not in any respect materially and adversely affect the interest of the Registered Owners, provided that no such amendment shall be made contrary to the provision of Section 24(a), and a duly certified or executed copy of each such amendment shall be filed with the Registrar.

Section 27. DISTRICT'S SUCCESSORS AND ASSIGNS. Whenever in this Bond Resolution the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Bond Resolution by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

Section 28. NO RECOURSE AGAINST DISTRICT OFFICERS OR DIRECTORS. No recourse shall be made for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Bond Resolution against any officer or director of the District or any person executing the Bonds.

Section 29. PAYING AGENT/REGISTRAR. The Paying Agent/Registrar shall act as agent for the payment of principal of and interest on the Bonds and shall maintain the Register for the Bonds, all in accordance with the terms of this Bond Resolution. If the Paying Agent/Registrar or its successors becomes unable for any reason to act as Paying Agent/Registrar hereunder, or if the Board of Directors of the District determines that a successor Paying Agent/Registrar should be appointed, a successor Paying Agent/Registrar shall be selected by the District. Any successor Paying Agent/Registrar shall be either a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Section 30. PAYING AGENT/REGISTRAR MAY OWN BONDS. The Paying Agent/Registrar, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Registrar.

Section 31. BENEFITS OF ORDER PROVISIONS. Nothing in this Bond Resolution or in the Bonds, expressed or implied, shall give or be construed to give any person, firm or corporation, other than the District, the Registrar, and the Registered Owners, any legal or equitable right or claim under or in respect to this Bond Resolution, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Bond Resolution or in the Bonds being for the sole benefit of the District, the Registrar, and the Registered Owners.

Section 32. UNAVAILABILITY OF AUTHORIZED PUBLICATION. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Bond Resolution shall be given in such other manner and at such time or times as in the judgment of the District

shall most effectively approximate such required publication, and the giving of such notice in such manner shall for all purposes of this Bond Resolution be deemed to be in compliance with the requirements for publication thereof.

Section 33. **SEVERABILITY CLAUSE**. If any word, phrase, clause, sentence, paragraph, section, or other part of this Bond Resolution, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Bond Resolution and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Bond Resolution to any other persons or circumstances shall not be affected thereby.

Section 34. **FURTHER PROCEEDINGS**. The President and Secretary of the Board of Directors and other appropriate officials of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Bond Resolution.

Section 35. **CONTINUING DISCLOSURE UNDERTAKING**. The District makes the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB") through its electronic municipal market access system. Information will be available free of charge by MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

(a) The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in the Official Statement in Appendix A and Appendix C, and (2) if not provided as part of such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in the official statement, and (ii) audited, if the District commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements become available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify any SID of the change.

(b) The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) consummation of a

merger, consideration or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definite agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports."

(c) The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB and will be available to the public free of charge at www.emma.msrb.org.

(d) The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners may seek a writ of mandamus to compel the District to comply with its agreement.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The District makes no representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing their obligations under this Section shall constitute a breach of or default under this Bond Resolution for purposes of any other provision of this Bond Resolution.

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

The provisions of this Section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the

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

(e) Format, Identifying Information, and Incorporation by Reference. All financial information, operating data, financial statements, and notices required by this Section to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB.

Section 36. PAYMENT OF ATTORNEY GENERAL FEE. The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds or (ii) $9,500, provided that such fee shall not be less than $750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

[Execution page follows.]

ADOPTED this _____ day of _____, 2016

By:_____
President, Board of Directors

ATTEST:

_____
Secretary, Board of Directors

[SEAL]

EXHIBIT "A"

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF TEXAS

SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS, SERIES 2016

NO. R **PRINCIPAL AMOUNT**
$_____

INTEREST RATE	DATED DATE	MATURITY DATE	CUSIP NO.
	_____, 2016		

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE specified above, SENNA HILLS MUNICIPAL UTILITY DISTRICT NO. 1 (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "registered owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360-day year of twelve 30-day months, from the Dated Date, payable on February 15, 2017 and semiannually on each August 15 and February 15 thereafter to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then its Bond shall bear interest from the date to which such interest has been paid in full. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository. The date of initial delivery of this bond is printed on the back of this Bond.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at the designated office for payment of BOKF, NA (the "Paying Agent/Registrar") in Austin, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on or before each such interest payment date, to the registered owner hereof, at its address on the close of business on the fifteenth calendar day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if any when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner as it appears on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

THIS BOND is one of a series of Bonds dated as of _____, 2016 and authorized to be issued pursuant to the Bond Resolution adopted by the Board of Directors of the District in the principal amount of $1,105,000 for the purpose or purposes authorized by the Election and the Commission Order including (a) construction and acquisition of water, wastewater, drainage

and water quality facilities and interests in land and to expand the Issuer's wastewater treatment plant (the "Projects"); (b) engineering and permitting; and (c) certain costs associated with the issuance of the Bonds. The Bonds are issued under the authority of the constitution and laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; the bond election and an order issued by the Texas Commission on Environmental Quality.

ON AUGUST 15, 2026 OR ON ANY DATE THEREAFTER, the Bonds maturing on and after August 15, 2027, may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

THE BONDS MATURING ON AUGUST 15 in the years 20__, 20__, and 20__ (the "Term Bonds") are subject to mandatory sinking fund redemption by lot prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date on the respective dates and in principal amounts as follows:

Term Bond Maturing on August 15, 20__

Redemption Date	**Principal Amount**

Term Bond Maturing on August 15, 20__

Redemption Date	**Principal Amount**

Term Bond Maturing on August 15, 20__

Redemption Date	**Principal Amount**

THE PRINCIPAL AMOUNT of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District by the principal amount of any Term Bonds of the stated maturity which, at least 45 days prior to a mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with monies in the Interest and Sinking Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

NOT LESS THAN THIRTY (30) DAYS prior to a redemption date, a notice of redemption will be sent by U.S. mail, first class postage prepaid, in the name of the District to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the registration books of the Registrar at the close of business on the business day next preceding the date of mailing. When Bonds or portions thereof have been called for redemption and due provision has been made to redeem the same, the amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the Bonds or portions thereof called for redemption shall terminate on the date fixed for redemption.

WITH RESPECT to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

THE PAYING AGENT/REGISTRAR AND THE DISTRICT, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised on any such notice. Redemption of portions of the Bond by the District will reduce the outstanding principal amount of such Bonds held by DTC.

IN SUCH AN EVENT, DTC may implement, through its Book-Entry-Only System, a redemption of such Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

ANY SUCH SELECTION of Bond to be redeemed will not be governed by the Bond Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bond or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the bond for redemption.

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the denominations of any integral multiple of $5,000. As provided in the Bond Resolution, this Bond may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having any authorized denomination or denominations as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The Form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charged for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the District. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within forty-five (45) calendar days prior to its redemption date.

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

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

THE BONDS are payable from the proceeds of a tax, without legal limit as to rate or amount, levied upon all taxable property within the District. The Bond Resolution provides that the pledge of taxes to the payment of the Bonds shall terminate at such time, if ever, as money and/or direct obligations of the United States or obligations unconditionally guaranteed by the United States in an amount sufficient to defease the Bonds is deposited with or made available to the Paying Agent/Registrar in accordance with the Bond Resolution.

THE BONDS are issued pursuant to the Bond Resolution, whereunder the District covenants to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, on taxable property within the District, for each year while any part of the Bonds are considered outstanding under the provisions of the Bond Resolution, in sufficient amount, together with revenues and receipts available from other sources which are equally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due the other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax, all as more specifically provided in the Bond Resolution. Reference is hereby made to the Bond Resolution for provisions with respect to the operation and maintenance of the District's facilities, the custody and application of funds, remedies in the event of a default hereunder or thereunder, and the other rights of the registered owners of the Bonds. By acceptance of this Bond the registered owner hereof consents to all of the provisions of the Bond Resolution, a certified copy of which is on file in the office of the District.

THE OBLIGATION to pay the principal of and the interest on this Bond is solely and exclusively the obligation of the District until such time, if ever, as the District is abolished and this Bond is assumed as described above. No other entity, including the State of Texas, any political subdivision thereof other than the District, or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds, is encumbered by any lien for the benefit of the registered owner of this Bond.

THE DISTRICT RESERVES THE RIGHT to issue (i) additional bonds equally secured by a pledge of taxes; (ii) bonds, notes, and other obligations of inferior liens; and (iii) revenue bonds, payable solely from contracts with other persons, including private corporations, municipalities, and political subdivisions to finance facilities needed in performing any such contracts. Reference is made to the Bond Resolution for a complete description of the right to issue additional obligations.

TO THE EXTENT permitted by and in the manner provided in the Bond Resolution, the terms and provisions of the Bond Resolution and the rights of the registered owners of the Bonds may be modified with, in certain circumstances, the consent of the registered owners of a majority in aggregate principal amount of the Bonds affected thereby; provided, however, that, without the consent of the registered owners of all of the Bonds affected, no such modification shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over

any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required for consent to any such modification.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Bond Resolution unless this Bond either (a) is registered by the Comptroller of Public Accounts of the State of Texas as evidenced by execution of the registration certificate endorsed hereon or (b) is authenticated as evidenced by execution of the authentication certificate endorsed hereon by the Paying Agent/Registrar.

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular and due time, form, and manner, as required by law; that provision has been made for the payment of the principal of and interest on the Bonds by the levy of a continuing, direct annual ad valorem tax upon all taxable property within the District; and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In the event that any provisions herein contained do or would, presently or prospectively, operate to make any part hereof void or voidable, such provisions shall be without effect or prejudice to the remaining provisions hereof, which shall nevertheless remain operative, and such violative provisions, if any, shall be reformed by a court of competent jurisdiction within the limits of the laws of the State of Texas.

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

SENNA HILLS MUNICIPAL UTILITY DISTRICT

Secretary, Board of Directors [DISTRICT SEAL]	President, Board of Directors

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE
(To be executed if this Bond is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a Bond, Bonds, or a portion of a Bond or Bonds of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

BOKF, NA
Paying Agent/Registrar

Dated:

By:_____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

_____

_____

Please insert Social Security or Taxpayer
Identification Number of Transferee

_____

_____

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

_____

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.	NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Bond in every particular, without alteration of enlargements or any change whatsoever.

FORM OF REGISTRATION CERTIFICATE OF THE COMPTROLLER OF PUBLIC ACCOUNTS

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this

_____

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

The date of initial delivery of this Bond was_____, 2016.

INSERTIONS FOR THE INITIAL BOND

The initial Bond shall be in the form set forth in this Section, except that:

A. immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO." shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"**ON THE MATURITY DATE SPECIFIED BELOW,** Senna Hills Municipal Utility District (the "District"), being a political subdivision, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner") on August 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

Maturity	Principal Amount	Rate

(Information from Sections 3 and 4 to be inserted)

The District promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Dated Date of this Bond. Interest is payable on February 15, 2017 and semiannually on each August 15 and February 15 thereafter to the date of payment of the principal installment specified above; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

C. The initial Bond shall be numbered "T-1."