

X.

Adopt an order authorizing the issuance of \$5,535,000.00 Southwest Williamson County Road District No. 1 Special Assessment Refunding Bonds, Series 2003.

Moved: **Judge Doerfler**

Seconded: **Commissioner Boatright**

Motion: To adopt an order authorizing the issuance of \$5,535,000.00 Southwest Williamson County Road District No. 1 Special Assessment Refunding Bonds, Series 2003.

Vote: **3 – 0**

< Attachment >

AN ORDER AUTHORIZING THE ISSUANCE OF SOUTHWEST WILLIAMSON COUNTY ROAD DISTRICT NO. 1 SPECIAL ASSESSMENT REFUNDING BONDS, SERIES 2003; PROVIDING FOR THE PAYMENT OF SAID BONDS BY A PLEDGE OF REVENUES DERIVED FROM SPECIAL ASSESSMENTS LEVIED AGAINST ALL TAXABLE REAL PROPERTY IN SAID DISTRICT; AUTHORIZING THE REDEMPTION PRIOR TO MATURITY OF CERTAIN OUTSTANDING BONDS; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, AND DELIVERY OF SAID BONDS, INCLUDING THE APPOINTMENT OF A TRUSTEE

WHEREAS, Southwest Williamson County Road District No. 1 (the "District") has heretofore issued its Special Assessment Refunding Bonds, Series 1993 (the "Outstanding Bonds"); and

WHEREAS, the District desires to refund the Outstanding Bonds in advance of their maturities (the "Refunded Bonds"); and

WHEREAS, Chapter 1207, Texas Government Code, as amended, authorizes the District to issue refunding bonds for the purpose of refunding the Refunded Bonds in advance of their maturities, and to accomplish such refunding by depositing directly with the Trustee for the Refunded Bonds the proceeds of such refunding bonds, together with other available funds, in an amount sufficient to provide for the payment or redemption of the Refunded Bonds, and provides that such deposit shall constitute the making of firm banking and financial arrangements for the discharge and final payment or redemption of the Refunded Bonds; and

WHEREAS, upon the issuance of the refunding bonds herein authorized and the deposit of funds referred to above, the Refunded Bonds shall no longer be regarded as being outstanding, except for the purpose of being paid pursuant to such deposit, and the pledges, liens, trusts and all other covenants, provisions, terms and conditions of the Order authorizing the issuance of the Refunded Bonds shall be, with respect to the Refunded Bonds, discharged, terminated and defeased; therefore,

BE IT ORDERED BY THE COMMISSIONERS' COURT OF WILLIAMSON COUNTY, TEXAS:

ARTICLE I

RECITALS; CONSIDERATION

Section 1.01. Recitals; Consideration. It is hereby found and determined that the matters and facts set out in the preamble to this Order are true and correct.

It is hereby found and determined that the transactions contemplated in this Order will benefit the District by reducing interest costs and creating a present value savings in debt service, and that the issuance of the refunding bonds is in the best interests of the District.

ARTICLE II

DEFINITIONS AND INTERPRETATIONS

Section 2.01. Definitions. For all purposes of this Order the following words and terms, whenever the same appear herein without qualifying language, are defined to mean as follows:

Act - means Chapter 1207, Texas Government Code, as amended.

Administrative Expense Fund - means the fund described in Section 7.05 of this Order.

Administrative Expense Fund Requirement- means the amount estimated by the Trustee, after consultation with the District, as of the Issue Date and as of the first day of each Fiscal Year thereafter to be required to pay all Administrative Expenses coming due in the next year.

Administrative Expenses - means the costs associated with the administration of this Order and the Assessment Order, including, without limitation, the costs of: (a) collecting Special Assessments or the installments thereof, (b) maintaining the record of installments of the Special Assessments and the system of registration and transfer of the Bonds, (c) paying and redeeming the Bonds, (d) investing or depositing monies as required by this Order, (e) complying with the Code with respect to the Bonds, and (f) paying the fees and expenses of the Trustee.

Assessment Fund - means the fund described in Section 7.01 of this Order.

Assessment Order - means the Order Approving An Assessment Plan For Southwest Williamson County Road District No. 1; Levying Special Assessments Against All Taxable Real Property Within The District To Provide Funds To Pay Principal And Interest On Refunding Bonds To Be Issued By The District; Providing For The Payment Of Said Special Assessments In Annual Installments With Interest; And Providing For The Acceleration Of The Unpaid Balance Of An Assessment Upon Default adopted by the Commissioners' Court on June 28, 1993, and any amendment or supplement thereto that may be hereafter adopted by the Commissioners' Court.

Assessment Plan - means the Assessment Plan attached as Exhibit A to the Assessment Order, as amended from time to time in accordance with the Act, which shows, among other things, the properties within the District subject to Special Assessments, the owner of the property assessed, the amount assessed, and the installment payments due on the Special Assessments.

Authorized Investments - means obligations that are eligible for investment by the District pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code.

Bond or Bonds - means any Bond or Bonds and, when appropriate, all Bonds of the Southwest Williamson County Road District No. 1 Special Assessment Refunding Bonds, Series 2003, dated April 1, 2003, authorized by this Order.

Bond Purchase Agreement - means the agreement between the District and the Underwriter described in Section 13.02 of this Order.

Business Day - means any day which is not a Saturday, Sunday, or a day on which banks in the City of Dallas, Texas, are authorized by law or executive order to be closed.

Closing Date - means the date on which the Bonds are delivered to the Underwriters.

Code - means the Internal Revenue Code of 1986, as amended.

Commissioners' Court - means the Commissioners' Court of Williamson County, Texas, which is the governing body of the District.

Comptroller - means the Comptroller of Public Accounts of the State of Texas.

County Clerk - means the County Clerk of Williamson County, Texas.

County Judge - means the County Judge of Williamson County, Texas.

Debt Service Fund - means the debt service fund described in Section 7.02 of this Order.

Debt Service Requirements - means, as of any particular date of computation, and with respect to any period, the aggregate of the amounts to be paid by the Trustee on behalf of the District for the payment of the principal amount of Bonds to be redeemed on such date or within such period pursuant to Section 4.03 hereof, plus the interest due on the Bonds on such date or within such period.

District - means the Southwest Williamson County Road District No. 1, a political subdivision of the State of Texas created pursuant to the Act.

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

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

Exchange Bonds - means Bonds registered, authenticated, and delivered by the Trustee, as provided in Section 3.11 of this Order.

Fiscal Year - means the twelve (12) month accounting period used by the District which currently ends on September 30 of each year, but which may be changed from time to time by the District.

Foreclosure Proceeds - means the amounts received by the District from the judicial sale of assessed property within the District, including past due installments of principal and interest on the Special Assessments, accelerated principal balances of the Special Assessments, interest on past due amounts, and costs of collection.

Initial Bond - means the Bond authorized, issued, and initially delivered as provided in Section 3.03 of this Order.

Interest Payment Date - means a date on which interest on the Bonds is due and payable, as provided in Section 3.02 of this Order.

Issue Date - means the date on which the Bonds are delivered to and paid for by the Underwriter.

Maturity Date - means the date on which the principal of a Bond is scheduled to be paid, as provided in Section 3.02 of this Order.

MSRB - means the Municipal Securities Rulemaking Board.

NRMSIR - means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

Order - means this Bond Order and all amendments and supplements hereto.

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

Owner or Registered Owner - means the Person who is the registered owner of any Outstanding Bond or Bonds.

Person or Persons - means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

Prepaid Principal - means any principal amount of a Special Assessment that is paid prior to its original due date, either as the result of a Voluntary Prepayment or upon acceleration and foreclosure.

Rebate Fund - means the rebate fund described in Section 8.06 of this Order.

Record Date - means, for any Interest Payment Date, the fifteenth (15th) calendar day of the month next preceding such Interest Payment Date.

Redemption Fund - means the redemption fund described in Section 7.04 of this Order.

Refunded Bonds - means the outstanding bonds of the District's Special Assessment Refunding Bonds, Series 1993.

Register - means the books of registration kept by the Trustee in which are maintained the names and addresses of, and the principal amounts registered to, the Registered Owners.

Replacement Bond - means a Bond authorized by the District to be issued in substitution for a lost, apparently destroyed, or wrongfully taken Bond as provided in Section 3.13 of this Order.

Required Reserve Amount - means \$500,000.

Reserve Fund - means the reserve fund described in Section 7.03 of this Order.

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

SEC - means the United States Securities and Exchange Commission.

SID - means the Municipal Advisory Council of Texas, which has been designated by the State of Texas as, and determined by the SEC staff to be, a state information depository within the meaning of the Rule.

Special Assessments - means the assessments levied against all taxable real property in the District, as provided in the Assessment Order. The Special Assessments are payable in annual installments, and interest accrues on the unpaid principal balance thereof, all as provided in the Assessment Order.

Special Assessment Revenues - means the monies collected from Special Assessments, including interest on Special Assessments and also including Voluntary Prepayments and Foreclosure Proceeds. Earnings and income derived from the investment or deposit of monies in the special funds or accounts created and established pursuant to Article VII hereof for the payment and security of the Bonds shall also constitute Special Assessment Revenues, except for any earnings or income required to be deposited into the Rebate Fund for payment to the federal government.

Supplemental Order - means a subsequent order of the Commissioners Court setting forth certain conditions regarding the sale of the Bonds as set forth in this Order.

Trustee - means JPMorgan Chase Bank, and any successor bank or financial institution designated to act as Trustee for the Registered Owners pursuant to the provisions of this Order.

Underwriter - means the GMS Group, L.L.C.

Voluntary Prepayment - means the payment of the principal of a Special Assessment prior to maturity, together with accrued interest on such principal and any prepayment fee specified by the District, as provided in Sections 6.05 and 6.06 hereof.

Section 1.02. Interpretations. All terms defined herein and all pronouns used in this Order shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms and provisions hereof. This Order and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein.

ARTICLE III

TERMS OF THE BONDS

Section 3.01. Authorization. The Bonds shall be issued in fully registered form in a total authorized aggregate amount not to exceed five million five hundred thirty-five thousand dollars (\$5,535,000) for the purpose of refunding the outstanding bonded indebtedness of the District as authorized by the Act.

Section 3.02. Selling and Delivering Bonds. Upon receipt of satisfactory terms and conditions from the Underwriter, the County shall adopt a Supplemental Order approving the sale of the Bonds and specifying the following terms and conditions for the Bonds: the price at which the Bonds will be sold, the issuance date and initial interest payment date for the Bonds, the form in which the Bonds shall be issued, the years in which the Bonds will mature, the principal amount to mature in each of such years, the rate of interest to be borne by each such maturity, any mandatory sinking fund redemption provisions for the Bonds, and all other matters not expressly provided in this Order, relating to the issuance, sale and delivery of the Bonds, and the refunding of the Refunded Bonds; provided that:

- (i) the price to be paid for the Bonds shall not be less than 90% of the aggregate original principal amount of the current interest bonds or 90% of the present value of any capital appreciation bonds plus accrued interest thereon from their date to their delivery;
- (ii) the net effective interest rates on the Bonds shall not exceed 6% per annum;
- (iii) the sum of the principal amounts of the Bonds, which may not exceed the maximum principal amount authorized in Section 3.01 hereof, plus any net premium from the sale of the Bonds, plus other available funds of the District

to be used for the refunding, must be sufficient to provide amounts necessary to fund the costs and expenses of refunding the Refunded Bonds and the estimated costs of issuance of the Bonds, including underwriter's discount; and

- (iv) the final maturity date of the Bonds shall be no later than March 1, 2010.

Section 3.03. Designation, Date, Interest Payment Dates and Maturity. The Bonds shall be designated as "Southwest Williamson County Road District No. 1 Special Assessment Refunding Bonds, Series 2003" and shall be dated April 1, 2003. The Bonds shall bear interest from April 1, 2003, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rates set forth in the Supplemental Order, calculated on the basis of a 360-day year of twelve 30-day months, payable on September 1, 2003, and semiannually thereafter on March 1 and September 1 of each year until maturity or prior redemption. The Bonds shall be subject to prior redemption as provided herein. The Bonds shall mature on March 1 in each of the years and in the amounts as provided in the Supplemental Order.

The Initial Bond shall be numbered I-1 and all other Bonds shall be numbered in sequence beginning with R-1. Bonds delivered on transfer of or in exchange for other Bonds shall be numbered in order of their authentication by the Registrar, shall be in the denomination of \$5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Bond or Bonds in lieu of which they are delivered.

On the Closing Date, the Initial Bond, being a single bond payable in stated installments to the appropriate Underwriter or its designee as specified in Section 14.01, executed by manual or facsimile signature of the County Judge and attested to by the County Clerk, approved by the Attorney General, and registered and manually signed by the Comptroller, shall be delivered to the appropriate Underwriter or its designee. Upon payment for the Initial Bond, the Registrar shall cancel the Initial Bond and definitive Bonds shall be delivered to DTC.

Section 3.04. Execution of Bonds; Seal. The Bonds shall be signed on behalf of the District by the County Judge, and attested by the County Clerk, by their manual, lithographed, or facsimile signatures, and the official seal of the Commissioners' Court shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Commissioners' Court had been manually impressed upon each of the Bonds. If any officer of the County whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 3.05. Approval, Registration and Delivery. It shall be the duty of the County Judge to deliver the Initial Bond and all pertinent records and proceedings to the Attorney General of Texas, for examination and approval by the Attorney General. After the Initial Bond shall have been approved by the Attorney General, they shall be delivered to the Comptroller for registration. Upon

registration of the Initial Bond, the Comptroller (or a deputy lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificate prescribed herein to be attached or affixed to the Initial Bond, and the seal of the Comptroller shall be impressed, or placed in facsimile, thereon.

Section 3.06. Authentication. Except for the Initial Bond, only such Bonds as shall bear thereon a certificate of authentication, substantially in the form provided in Section 5.01 of this Order, manually executed by an authorized representative of the Trustee, shall be entitled to the benefits of this Order or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Bond so authenticated was delivered by the Trustee hereunder. The signed certificate of registration of the Comptroller shall constitute the certificate of authentication for the Initial Bond.

Section 3.07. Payment of Principal and Interest. The Trustee is hereby appointed as the registrar and paying agent for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable at maturity or at their earlier redemption date, at the principal payment office of the Trustee in Dallas, Texas. The interest on the Bonds shall be payable by check, mailed by the Trustee, first class, postage prepaid, on each Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Register. Any accrued interest payable at maturity or prior redemption shall be paid upon presentation and surrender of the Bond to which such interest appertains.

If the date for any payment of principal or interest shall be a day other than a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

Section 3.08. Successor Trustees. The District covenants that at all times while any Bonds are Outstanding it will provide a legally qualified bank, trust company, financial institution or other agency to act as Trustee for the Bonds. Each successor Trustee hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Order. Promptly upon the appointment of any successor Trustee, the previous Trustee shall deliver the Register or a copy thereof to the new Trustee, and the new Trustee shall notify each Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Trustee.

Section 3.09. Special Record Date. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty (30) days thereafter, the Trustee shall establish a new Record Date for the payment of such interest, to be known as a special Record Date. The Trustee shall establish a special Record Date when funds to make such interest payment are received from or on behalf of the District. Such special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the special Record Date shall be sent by United States mail, first class postage prepaid, not later than five (5) days prior to the special Record Date, to each Owner of record as of the close of business on the day prior to the mailing of such notice.

Section 3.10. Ownership; Unclaimed Principal and Interest. The District, the Trustee, and any other Person shall treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes, whether or not such Bond is overdue, and neither the District nor the Trustee shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the Owner of any Bond in accordance with this Section shall be valid and effectual and shall discharge the liability of the District and the Trustee upon such Bond to the extent of the sums paid.

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

Section 3.11. Book-Entry Only System. (a) The Initial Bond shall be registered in the name of Cede & Co. Except as provided in Section 3.14 hereof, all other Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such DTC Participant holds an interest in the Bonds, except as provided in this Order. Without limiting the immediately preceding sentence, the District and the 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 an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, the District and the Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this Order, 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 payments of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the District to make payments of amounts due pursuant to this Order. Upon delivery by DTC to the 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 of this Order with respect to interest checks being mailed to the

Owner of record as of the Record Date, the phrase "Cede & Co." in this Order shall refer to such new nominee of DTC.

Section 3.12. Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the District, in its sole discretion, determines that the beneficial owners of the Bonds should be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the District shall (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, as identified by DTC, 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, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall not longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Order.

Section 3.13. Payments to Cede & Co. Notwithstanding any other provision of this Order to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Blanket Letter of Representations.

Section 3.14. Registration, Transfer, and Exchange. So long as any Bonds remain Outstanding, the Trustee shall keep the Register at its principal payment office, in which, subject to such reasonable regulations as it may prescribe, the Trustee shall provide for the registration and transfer of Bonds in accordance with the terms of this Order.

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

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

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

Section 3.15. Cancellation of Bonds. All Bonds paid in accordance with this Order, and all Bonds in lieu of which Exchange Bonds or Replacement Bonds are authenticated and delivered in accordance herewith, shall be cancelled and held by the Trustee in accordance with its records retention policy.

Section 3.16. Replacement Bonds. Upon the presentation and surrender to the Trustee of a mutilated Bond, the Trustee shall authenticate and deliver in exchange therefor a Replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. The District or the Trustee may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Trustee.

If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Trustee shall authenticate and deliver a Replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner thereof shall have:

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

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

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

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

ARTICLE IV

REDEMPTION AND PURCHASE

Section 4.01. Optional Redemption. The Bonds may be redeemed by the District prior to maturity, in whole or in part, at the option of the District, on any Business Day after delivery of the Bonds to the Underwriter at a price of par plus accrued interest to the redemption date.

Section 4.02. Non-Scheduled Mandatory Redemptions. The Bonds are subject to mandatory redemption, in whole or in part, on any Business Day prior to their maturity, at a price of par plus accrued interest to the redemption date, from amounts on deposit in the Redemption Fund. The Trustee shall be required to make a mandatory redemption at the price specified in this Section any time there is at least fifty thousand dollars (\$50,000) available in the Redemption Fund with which to redeem Bonds. Unless otherwise specified in writing by the District, the Trustee shall select the first day of a calendar month as the redemption date for redemptions pursuant to this Section.

Section 4.03. Scheduled Mandatory Redemptions. The Bonds shall be subject to mandatory redemption on March 1 in the years and in the principal amounts shown in the Supplemental Order, at a price of par plus accrued interest to the redemption date; provided, however, that any Bonds redeemed pursuant to Section 4.01 or 4.02 shall be credited, to the extent of the par value thereof, against such mandatory redemption schedule, with such credits to be applied first against the earliest scheduled redemption requirement and thereafter to the requirements of succeeding years in chronological order.

Section 4.04. Additional Provisions with Respect to Redemption. Bonds may be redeemed in any amount which is an integral multiple of five thousand dollars (\$5,000). If less than all of the Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed by lot or other customary random selection method, treating each five thousand dollar (\$5,000) amount of Bonds as a single Bond for such purpose.

Section 4.05. Notice of Redemption. Notice of redemption shall be given at least thirty (30) days prior to the redemption date by sending such notice to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register by first-class mail, postage prepaid. Such notice shall state the identification numbers of the Bonds to be redeemed, CUSIP numbers, and any other information appropriate to identify sufficiently the Bonds being redeemed, the redemption date, the principal amount of the Bonds to be redeemed and, if less than all of the then Outstanding Bonds are to be redeemed, the identification numbers (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, the amount of accrued interest payable on the redemption date, the redemption agent's name and address, and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section

shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the redemption date, due provision shall be made with the Trustee for the payment of the redemption price of the Bonds to be redeemed, plus accrued interest thereon to the redemption date. When Bonds have been called for redemption, in whole or in part, as provided above and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as Outstanding except for the purpose of receiving payment from the funds provided for redemption, and the right of the Registered Owners to collect interest on such Bonds or portions thereof which would otherwise accrue after the redemption date shall be terminated.

ARTICLE V

FORM OF BONDS AND CERTIFICATES

Section 5.01. Forms. (a) The form of the Bonds, including the form of the Trustee's authentication certificate, the form of assignment, and the form of the Comptroller's Registration Certificate for the Initial Bond, shall be substantially as follows, with such additions, deletions, and variations as may be necessary or desirable and consistent with the terms of this Order and the Supplemental Order:

Form of Bond

(Face of Bond)

United States of America
State of Texas

NUMBER

DENOMINATION

REGISTERED

\$ _____
REGISTEREDSOUTHWEST WILLIAMSON COUNTY ROAD DISTRICT NO. 1
Special Assessment Refunding Bond
Series 2003

INTEREST RATE:

MATURITY DATE:

ISSUE DATE: CUSIP:

April 1, 2003

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

SOUTHWEST WILLIAMSON COUNTY ROAD DISTRICT NO. 1 (the "District") for value received, promises to pay, but solely from the Special Assessment Revenues hereafter described, to the registered owner identified above or registered assigns, on the date specified above, upon presentation and surrender of this bond at the principal payment office in Dallas, Texas, of JPMorgan Chase Bank (the "Trustee"), the principal amount identified above, in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay interest thereon at the rate shown above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of April 1, 2003, or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this bond is payable on September 1, 2003, and semi-annually thereafter on each September 1 and March 1 until maturity or prior redemption. Interest on this bond will be paid by check mailed on or before each such interest payment date to the registered owner of record as shown on the books of registration kept by the Trustee as of the 15th calendar day of the month next preceding each interest payment date.

THIS BOND IS NOT A GENERAL OBLIGATION OF THE DISTRICT, DOES NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE DISTRICT, AND IS NOT PAYABLE EXCEPT AS PROVIDED HEREUNDER. THE OWNER OF THIS BOND SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THIS OBLIGATION OUT OF ANY FUNDS OF THE DISTRICT OTHER THAN SPECIAL

ASSESSMENT REVENUES. NEITHER THE STATE OF TEXAS, WILLIAMSON COUNTY, NOR ANY POLITICAL SUBDIVISION THEREOF EXCEPT THE DISTRICT IS OBLIGATED TO MAKE PAYMENT ON THIS BOND.

THIS BOND IS ONE OF A DULY AUTHORIZED ISSUE OF BONDS aggregating \$ _____¹, issued pursuant to an Order and a Supplemental Order adopted by the Commissioners' Court of Williamson County, Texas (collectively, the "Order") for the purpose of refunding the District's outstanding Special Assessment Refunding Bonds, Series 1993.

THIS BOND AND THE SERIES OF WHICH IT IS A PART are special obligations of the District and are payable as to both principal and interest solely from the Special Assessment Revenues (as defined and more fully described in the Order) to be received by the District from special assessments levied pursuant to the provisions of Chapter 257, Texas Transportation Code, as amended (formerly Article 726, Section 2.018, Vernon's Texas Civil Statutes). Reference is hereby made to the Order for a more complete statement of the covenants and provisions securing the payment of this bond and the series of which it is a part.

THIS BOND is transferable only upon presentation and surrender at the principal payment office of the Trustee in Dallas, Texas, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, subject to the terms and conditions of the Order.

THE BONDS may be redeemed by the District prior to maturity, in whole or in part, at the option of the District, on any Business Day, at a price of par plus accrued interest to the redemption date.

THE BONDS ARE SUBJECT TO MANDATORY REDEMPTION, in whole or in part, on any Business Day prior to maturity, at a price of par plus accrued interest to the redemption date. The Trustee is required to redeem bonds from the funds on deposit in the District's Redemption Fund at any time there is at least \$50,000 on deposit in such fund as a result of the prepayment of special assessments, either by voluntary prepayment or upon acceleration and foreclosure, all as more fully provided in the Order.

THE BONDS ARE FURTHER SUBJECT TO MANDATORY REDEMPTION on March 1 in the years and in the principal amounts shown on the schedule below, at a price of par plus accrued interest to the redemption date:

<u>Principal Amount</u> ²	<u>Year</u> ³
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¹ As Provided in the Supplemental Order.

² As Provided in the Supplemental Order.

³ As Provided in the Supplemental Order.

Any bonds redeemed with funds on deposit in the Redemption Fund shall be credited, to the extent of the par value thereof, against the above mandatory redemption schedule, with such credits to be applied first against the earliest scheduled redemption requirement and thereafter to the requirements of succeeding years in chronological order.

THE BONDS may be redeemed in part in any amount which is an integral multiple of \$5,000. Upon surrender of any bond for redemption in part, the Trustee, in accordance with the provisions of the Order, shall authenticate and deliver in exchange therefor a bond or bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the bond so surrendered.

THE BONDS are exchangeable at the principal payment office of the Trustee in Dallas, Texas, for bonds of a like principal amount and maturity date.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Order unless this bond either (i) is registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) is authenticated by the Trustee by due execution of the authentication certificate endorsed hereon.

THE DISTRICT HAS APPOINTED JPMorgan Chase to act as Trustee for the registered owners of the bonds as provided in the Order. Reference is made to the Order for a complete description of the powers and duties of the Trustee.

THE REGISTERED OWNER of this bond, by acceptance hereof, acknowledges and agrees to be bound by all the terms and conditions of the Order.

THE DISTRICT has covenanted in the Order that it will at all times provide a legally qualified trustee for the bonds and will cause notice of any change of trustee to be mailed to each registered owner.

IT IS HEREBY CERTIFIED, RECITED, AND REPRESENTED that this bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance and delivery of this bond have been performed, exist, and been done in accordance with law; that the bonds do not exceed any statutory or constitutional limitation; and that provision has been made for the payment of the principal of and interest on this bond by the pledge of the Special Assessment Revenues.

IN WITNESS HEREOF, this bond has been signed with the manual or facsimile signature of the County Judge and attested with the manual or facsimile signature of the County Clerk, and the official seal of the Commissioners' Court of Williamson County has been duly impressed, or placed in facsimile, on this bond as of April 1, 2003.

(AUTHENTICATION
CERTIFICATE)

(SEAL)

SOUTHWEST WILLIAMSON COUNTY
ROAD DISTRICT NO. 1

John C. Dauffer 3-4-03
County Judge
Williamson County, Texas

ATTEST:

Nancy E. Rister
County Clerk
Williamson County, Texas

(Back Panel of Bond)

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

COMPTROLLER'S REGISTRATION CERTIFICATE: REG ISTER 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 OF OFFICE THIS _____

Comptroller of Public Accounts
of the State of Texas

[SEAL]

FORM OF AUTHENTICATION CERTIFICATE

AUTHENTICATION CERTIFICATE

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

JPMORGAN CHASE BANK
As Trustee

By: _____
Authorized Signature
Date of Authentication _____

FORM OF ASSIGNMENT

ASSIGNMENT

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

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

(Please insert Social Security or Taxpayer Identification Number of Transferee)
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney to transfer said Bond on the books kept for registration thereof, with full power of
substitution in the premises.

DATED: _____

Signature Guaranteed: _____

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

Registered Owner

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

(b) The Initial Bond shall be in the form set forth above, except for the following alterations:

(i) 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 the word "CUSIP" deleted;

(ii) in the first paragraph of the Bond, the words "on the date specified above" and "at the rate shown above" shall be deleted and the following shall be inserted at the end of the first sentence "..., with such principal to be paid in installments on March 1 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:"

[Information to be inserted from maturity schedule in Supplemental Order]

Section 5.02. Legal Opinion; CUSIP; Bond Insurance. CUSIP Numbers may be printed on the Bonds, but errors or omissions in the printing of such numbers shall have no effect on the validity of the Bonds. If bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the insurer.

ARTICLE VI

SECURITY FOR THE BONDS

Section 6.01. Pledge of Special Assessment Revenues. The District hereby irrevocably pledges the Special Assessment Revenues to the payment of the Bonds and the Administrative Expenses, and covenants and agrees to the establishment and maintenance of the special funds created for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that

the pledge of the Special Assessment Revenues to the payment of the Bonds be valid and binding without any physical delivery thereof or further act by the District, and the lien upon such revenues created for the payment and security of the Bonds shall be, except as otherwise provided by law, prior in right and claim to any other indebtedness, liability, or obligation of the District.

Section 6.02. Special Obligations. The Bonds are special obligations of the District payable from the Special Assessment Revenues, as to the extent provided in this Order. The Bonds do not give rise to a charge against the general credit or taxing powers of the District and are not payable except as provided in this Order. The Owners of the Bonds shall never have the right to demand payment thereof out of any funds of the District other than the Special Assessment Revenues.

Section 6.03. Assessment Plan. The Special Assessments are shown in the Assessment Plan. Reference is made to the Assessment Plan for a description of the lots or parcels of land and the amount of the Special Assessment on each.

Section 6.04. Annual Installments of Special Assessments. The Special Assessments, together with interest thereon, are payable in annual installments established by the Assessment Order. The annual installments of the Special Assessments, if collected, will be sufficient to pay the Debt Service Requirements on the Bonds and the Administrative Expenses. The annual installment of a Special Assessment coming due in any year, together with interest thereon as provided in the Assessment Order, is payable in the same manner and at the same time as the general ad valorem taxes of the District are payable, and become delinquent at the same time and bear interest at the same rate after delinquency as do the general ad valorem taxes of the District, all as shown in the Assessment Order. The unpaid principal balance of a Special Assessment is subject to acceleration by the District if an annual installment is not paid when due.

Section 6.05. Voluntary Prepayments. Whenever an owner of assessed land elects to pay a Special Assessment in full prior to maturity, the District shall collect from such owner the total of the following sums:

- (a) The unpaid principal of such Special Assessment; and
- (b) Accrued interest on such Special Assessment through the date of the prepayment and a reasonable fee, fixed by the District and payable by the land owner, for the cost of administering the prepayment and the corresponding mandatory redemption of the Bonds.

Section 6.06. Partial Voluntary Prepayments. Partial prepayments of Special Assessments shall be accepted by the Trustee only in cases where the partial prepayment will allow the Special Assessment lien to be removed from part of the assessed property, as provided in the Assessment Order. Whenever an owner of assessed property elects to pay a portion of a Special Assessment prior to maturity for the purpose of removing the Special Assessment lien from a part of the property, the Trustee shall collect from such owner the total of the following sums:

- (a) The specified portion of the unpaid principal of such Special Assessment; and

(b) Accrued interest on the prepaid principal portion of such Special Assessment through the date of prepayment and a reasonable fee, fixed by the District and payable by the land owner, for the cost of administering the prepayment and the corresponding mandatory redemption of the Bonds.

Section 6.07. Removal of Lien. When a Special Assessment has been paid in full (either as the result of a Voluntary Prepayment or otherwise), the District shall issue a revised record for that parcel, a copy of which shall be filed with the County Clerk, showing that the parcel has had the lien for such Special Assessment removed. When a Special Assessment has been partially prepaid in accordance with Section 6.06, the District shall issue a revised record for that parcel, a copy of which shall be filed with the County Clerk, showing the proportionate reduction in the Special Assessment installments and the portion of the parcel which has had the lien for such Special Assessment removed.

ARTICLE VII

FUNDS AND ACCOUNTS, INITIAL DEPOSITS AND APPLICATION OF MONEY

Section 7.01. Assessment Fund. The District hereby covenants and agrees that all Special Assessment Revenues (other than interest and investment earnings in the Debt Service Fund) shall be deposited, as collected and received, into a separate account to be maintained with the Trustee, known as the "Southwest Williamson County Road District No. 1 Special Assessment Refunding Bonds, Series 2003 Assessment Fund." Special Assessment Revenues deposited into the Assessment Fund representing Prepaid Principal shall be transferred promptly to the Redemption Fund. Special Assessment Revenues deposited into the Assessment Fund, other than Prepaid Principal, shall be transferred to the following Funds at the times and in the amounts indicated and in the following order of priority:

FIRST: To the Administrative Expense Fund, an amount required to cause the balance in such Fund to equal the Administrative Expense Fund Requirement, such transfer to be made each year from the first available funds after determination of the Administrative Expense Fund Requirement for that year.

SECOND: To the Debt Service Fund, an amount necessary, if any, to increase the balance in the Debt Service Fund to an amount equal to the aggregate amount of all scheduled Debt Service Requirements during the next 12-month period, such transfers to be made promptly upon receipt of Special Assessment Revenues in the Assessment Fund.

THIRD: To the Reserve Fund, the amount, if any, required to accumulate and maintain the Required Reserve Amount in accordance with the provisions of this Order, such transfers to be made to the extent Special Assessment Revenues are available in the Assessment Fund after making the required transfers to the Debt Service Fund.

FOURTH: To the Redemption Fund, any remaining amounts.

Section 7.02. Debt Service Fund. The District agrees to maintain with the Trustee a separate account to be known as the "Southwest Williamson County Road District No. 1 Special Assessment Refunding Bonds, Series 2003 Debt Service Fund." The Trustee shall deposit into the Debt Service Fund all amounts required to be transferred to such fund from the Assessment Fund pursuant to and at the times specified in Section 7.01. Funds on deposit in the Debt Service Fund shall be used only for the payment of (i) Debt Service Requirements and (ii) the payment of accrued interest on any Bonds redeemed or purchased with amounts on deposit in the Redemption Fund.

Section 7.03. Reserve Fund. The District agrees to maintain a separate account with the Trustee known as the "Southwest Williamson County Road District No. 1 Special Assessment Refunding Bonds, Series 2003 Reserve Fund." The Trustee shall deposit into the Reserve Fund such amounts as are available to be transferred to the Reserve Fund from the Assessment Fund pursuant to and at the times specified in Section 7.01. The Trustee shall transfer from the Reserve Fund to the Debt Service Fund such amounts at such times as are required to pay the Debt Service Requirements on the Bonds as they become due, when and to the extent the funds available for such purpose in the Debt Service Fund are insufficient. The Trustee shall also make transfers from the Reserve Fund to the Administrative Expense Fund if the balance in the Administrative Expense Fund is insufficient to pay the Administrative Expenses when due. In addition, amounts in the Reserve Fund may be used to retire the last maturity or interest on the Bonds that remain Outstanding.

When and so long as the cash and investments in the Reserve Fund total not less than the Required Reserve Amount, no deposits need be made to the Reserve Fund; but, if the Reserve Fund at any time contains less than the Required Reserve Amount, the Trustee shall transfer funds, if any are available for such purpose, from the Assessment Fund to the Reserve Fund until the Reserve Fund again contains the Required Reserve Amount.

Section 7.04. Redemption Fund. The District agrees to maintain a separate account with the Trustee to be called the "Southwest Williamson County Road District No. 1 Special Assessment Refunding Bonds, Series 2003 Redemption Fund." The Trustee shall deposit into the Redemption Fund all amounts received as Prepaid Principal. In addition, the Trustee shall deposit into such fund all amounts required to be transferred to such Fund from the Assessment Fund pursuant to, and at the times specified in, Section 7.01 hereof. The Trustee shall apply all such amounts in the Redemption Fund, subject to the fifty thousand dollar (\$50,000) limitation specified in Section 4.02 hereof, to redeem Bonds in accordance with Section 4.02 hereof. Amounts on deposit in the Redemption Fund shall only be used to pay the principal portion of Bonds redeemed pursuant to this section. Accrued interest on any Bonds so redeemed shall be paid from the Debt Service Fund.

Section 7.05. Administrative Expense Fund. The District agrees to maintain a separate account with the Trustee called the "Southwest Williamson County Road District No. 1 Special Assessment Refunding Bonds, Series 2003 Administrative Expense Fund." The District shall initially deposit into the Administrative Expense Fund from available funds of the District an amount equal to the Administrative Expense Fund Requirement. Thereafter, the Trustee shall deposit into the Administrative Expense Fund all amounts required to be transferred to such Fund from the Assessment Fund pursuant to, and at the times specified in, Section 7.01 hereof. Such amounts shall be applied by the Trustee to pay Administrative Expenses as they become due. Upon each

recalculation of the Administrative Expense Fund Requirement, the Trustee shall transfer any amounts in the Administrative Expense Fund in excess of the Administrative Expense Fund Requirement to the Assessment Fund.

Section 7.06. Lien Forgiveness upon Payment of Bonds. When there are monies in the Assessment Fund, the Debt Service Fund, the Reserve Fund, the Redemption Fund, and the Administrative Expense Fund sufficient to pay all Debt Service Requirements and Administrative Expenses due and to become due to the Maturity Date or redemption date of all the Bonds, no further payments need to be made into such funds, and such funds shall be used to redeem the Bonds.

After all Bonds and any bonds issued to refund the Bonds are paid or provision is made for their payment, the District shall forgive the owners of assessed property of the payment of any further Special Assessments and the lien for the Special Assessments shall be removed from all property in the District.

Any amount remaining in any of the Funds created hereunder upon the final payment of the Bonds shall be paid to the District.

Section 7.07. Deposit and Investment of Funds. Monies in the Assessment Fund, the Debt Service Fund, the Reserve Fund, the Administrative Expense Fund, and the Redemption Fund may be invested in Authorized Investments. Any income or interest earned on any fund or account held by the Trustee under this Order shall be deposited in the Assessment Fund, except that income or interest earned on investments in the Debt Service Fund shall be retained in that fund. Interest and investment earnings on any fund or account which is required to be paid to the federal government pursuant to Section 8.06, shall be deposited into the Rebate Fund. The Trustee shall be entitled to receive instructions from the District as to each deposit or investment prior thereto, and to have such instructions confirmed in writing within two Business Days. In the absence of prior instructions, the Trustee shall invest monies as they become available in certificates of deposit.

Section 7.08. Payment of Bonds. While any of the Bonds are Outstanding, the Trustee shall cause to be paid solely from Special Assessment Revenues on deposit in the Funds created hereunder amounts sufficient to fully pay and discharge promptly the Debt Service Requirements on the Bonds as such payments become due.

ARTICLE VIII

PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

Section 8.01. General Tax Covenant. The District intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Income Tax Regulations (the "Regulations"). The District covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in

section 61 of the Code, for federal income tax purposes. In particular, the District covenants and agrees to comply with each requirement of this Article; provided, however, that the District shall not be required to comply with any particular requirement of this Article if the District has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the District has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Article will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article.

Section 8.02. No Private Use or Payment and No Private Loan Financing. The District shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Bonds have not been used, and that proceeds of the Refunded Bonds and the Bonds will not be used, in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the District covenants and agrees that it will make such use of the proceeds of the Refunded Bonds and the Bonds including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and Regulations promulgated thereunder.

Section 8.03. No Federal Guaranty. The District covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and applicable regulations thereunder, except as permitted by section 149(b)(3) of the Code and such regulations.

Section 8.04. The Bonds Are Not Hedge Bonds. The District represents that not more than 50 percent of the proceeds of the Refunded Bonds was invested, or is to be invested, in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code. Furthermore, the District reasonably expected that at least 85 percent of the spendable proceeds of the Refunded Bonds would be used to carry out the governmental purposes of the Bonds within the three-year period beginning on the date the Refunded Bonds were issued.

Section 8.05. No-Arbitrage Covenant. The District shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the District will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and applicable regulations thereunder. Moreover, the District covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds

will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and applicable regulations thereunder.

Section 8.06. Arbitrage Rebate. There is hereby created with the Trustee a special fund to be known as the "Southwest Williamson County Road District No. 1, Special Assessment Refunding Bonds, Series 2003 Rebate Fund," into which shall be deposited all interest and earnings from investing Special Assessment Revenues required to be rebated to the federal government. The District, or the Trustee at the direction of and on behalf of the District, will take all necessary steps to comply with the requirement that certain amounts earned by the District on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the District will (a) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the District allocable to other obligations of the District or monies which do not represent gross proceeds of any obligations of the District, (b) calculate at such times as are required by applicable regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (c) pay, not less often than every 5th anniversary date of the delivery of the Bonds, or on such other dates as may be permitted by applicable regulations, all amounts required to be rebated to the federal government from monies in the Rebate Fund. Further, the District will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any Person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or larger loss than would have resulted if the arrangement had been at arms length and had the yield on the issue not been relevant to either party.

Section 8.07. Information Reporting. The District covenants and agrees to file or cause to be filed 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 Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and applicable regulations thereunder.

ARTICLE IX

MISCELLANEOUS COVENANTS AND COLLECTION PROCEDURES

Section 9.01. District to Pursue Collections. The District hereby covenants for the benefit of the Owners to promptly and diligently pursue the following collection procedures:

(a) prepare and mail at the time and in the manner required by the provisions of this Order and the Assessment Order statements for the collection of all Special Assessments levied by the Assessment Order and any orders supplemental thereto;

(b) prepare and mail statements of delinquent Special Assessments at the time and manner required by the Assessment Order;

- (c) prepare and mail notices of intent to accelerate the unpaid principal balance of delinquent Special Assessments at the time required by the Assessment Order;
- (d) prepare and mail notice of acceleration of the unpaid principal of delinquent Special Assessments at the time required by the Assessment Order;
- (e) receive and collect Special Assessments and the interest thereon or any proceeds from a judicial sale of assessed property and deposit the same as required by this Order;
- (f) engage such attorneys and other consultants as the District deems appropriate to act on its behalf upon such terms and conditions and at the rate the District deems appropriate;
- (g) bring legal actions in the name of the District to collect delinquent Special Assessments and to proceed to sell any assessed property in a judicial foreclosure proceeding;
- (h) buy any assessed property at a judicial foreclosure proceeding and thereafter sell such property upon such terms and conditions as the District deems desirable; and
- (i) do any and all further acts as the District deems desirable to collect the Special Assessments.

Section 9.02. Foreclosure Covenant. The District hereby covenants with and for the benefit of the Owners that it will order and cause to be commenced, on or before July 1 of each year, and thereafter diligently prosecute an action in district court to foreclose the lien securing any delinquent Special Assessments.

Section 9.03. District Covenant to Cooperate with Trustee. If the Trustee assumes the responsibility of collecting the Special Assessments, or any of them, pursuant to Section 10.02 hereof, the District agrees to cooperate with and assist the Trustee with the billing and collection of Special Assessments by taking such action as the Trustee requests from time to time including:

- (a) approving annual Special Assessment bills;
- (b) approving collection procedures;
- (c) approving engagement of attorneys and consultants; and
- (d) authorizing and pursuing foreclosure proceedings on property securing delinquent Special Assessments.

Section 9.04. Further Assurances. The District will adopt, make, execute and deliver any and all such further orders, resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or facilitate the performance of this Order or aid the Trustee in its collection efforts.

Section 9.05. Punctual Payment. The District covenants (i) that it will duly and punctually pay or cause the Trustee to pay the principal of and interest on every Bond issued hereunder at maturity or earlier redemption date, on the date, at the place and in the manner provided in the Bonds and in accordance with this Order to the extent Special Assessment Revenues are available therefor, (ii) that the payments into the various Funds created hereunder will be made, all in strict conformity with the terms of the Bonds and this Order, and (iii) that it will faithfully observe and perform all of the conditions, covenants and requirements of this Order.

Section 9.06. Contract With Owners of Bonds. The provisions of this Order and of any order supplementing or amending this Order, shall constitute a contract between the District, the Trustee, and the Owners of the Bonds. Said contract is made under and is to be construed in accordance with the laws of the State of Texas.

Section 9.07. No Obligation to Cure Deficiency. The District shall not be obligated at any time or for any reason to advance available funds from any source other than Special Assessment Revenues to cure any deficiency which may occur in any fund created under this Order or to pay any cost associated with the Bonds not covered by amounts on deposit in such funds.

Section 9.08. No Additional Bonds. The District covenants that it will not issue additional bonds or other indebtedness payable from special assessments on taxable real property in the District; provided, however, that the District reserves the right to issue bonds payable from special assessments or otherwise to refund all or part of the Bonds.

ARTICLE X

REMEDIES

Section 10.01. Events of Default. Each of the following events is hereby declared an "event of default":

(a) a default in the payment of the principal of or interest on any of the Bonds when the same shall become due and payable, either at maturity or prior redemption; or

(b) if the District shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(c) if the District shall default in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in this Order, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the District by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than ten per cent (10%) in principal amount of the Bonds then Outstanding.

Section 10.02. Actions by Trustee. Upon the happening and continuance of any event of default specified in Section 10.01 of this Order then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds then Outstanding hereunder shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under this Order by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, including the writ of mandamus, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. Without limiting the generality of the foregoing, the Trustee shall be authorized to act as the billing and collection agent of the District and may pursue all or any of the collection procedures described in Section 9.01 above on behalf of the District.

In the enforcement of any remedy under this Order the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the District for principal, interest or otherwise under any of the provisions of this Order or of the Bonds and unpaid, with interest at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners of the Bonds, and to recover and enforce a judgment or decree against the District, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from monies available for such purposes) in any manner provided by law, the monies adjudged or decreed to be payable; provided, however, that in no event shall the principal of any Bond be subject to acceleration.

Section 10.03. Priority of Payment Upon Default. If at any time the monies in the Funds created under this Order shall not be sufficient to pay the principal of or the interest on the Bonds as the same become due and payable, such monies, together with any monies then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the fees of, and the expenses, liabilities, and advances incurred or made by, the Trustee (including all accrued and unpaid Trustee fees and the fees of its attorneys), be applied as follows:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

SECOND: to the payment of the principal of any Bonds which are due, and, if the amount available shall not be sufficient to pay all of such amounts, then to the payment thereof ratably, according to the amount due.

Section 10.04. Default Cured. If any action by the Trustee on account of any default is discontinued because such default has been cured or for any other reason, then and in every such case the District, the Trustee and the Owners of the Bonds shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such action had been taken.

Section 10.05. Direction of Proceedings. Anything in this Order to the contrary notwithstanding, the Owners of not less than a majority in principal amount of the Bonds then Outstanding hereunder shall have the right, subject to the provisions of Sections 10.01 and 10.06 of this Order, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial actions to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Order, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners of Bonds not parties to such direction.

Section 10.06. Remedies Exclusion. No Owner of any of the Outstanding Bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under this Order or any right under the Act or the laws of Texas, excepting only an action for the recovery of overdue and unpaid principal or interest, unless such Owner previously shall have given to the Trustee written notice of the event of default or breach of trust or duty on account of which such suit or action is to be taken, and unless the Owners of not less than twenty-five per cent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted by the laws of Texas, or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of any remedy hereunder or under the laws of Texas. It is understood and intended that no one or more Owners of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Order, or to enforce any right hereunder or under the laws of Texas with respect to the Bonds or this Order, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Owners of the Outstanding Bonds, except as otherwise permitted herein with reference to overdue and unpaid principal or interest.

Section 10.07. Writ of Mandamus. In addition to any other rights and remedies provided by the laws of the State of Texas, the District covenants and agrees that in the event of default in payment of principal or interest on any of the Bonds when due, or, in the event it defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Order, the Trustee and the Owners shall be entitled to a writ of mandamus issued by a court of

competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations and conditions prescribed in this Order.

Section 10.08. Possession Not Required. All rights of action under this Order or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Owners of such Bonds, subject to the provisions of this Order.

Section 10.09. Other Remedies Available. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.10. Delay in Exercise of Rights. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein; and every power and remedy given by this Order to the Trustee and the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Owners of not less than a majority in principal amount of the Bonds then Outstanding shall, waive any default which in its opinion shall have been remedied before the completion of the enforcement of any remedy under this Order, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

ARTICLE XI

CONCERNING THE TRUSTEE

Section 11.01. Acceptance of Trust. The Trustee accepts and agrees to execute the trusts imposed upon it by this Order, but only upon the terms and conditions and subject to the provisions of this Order, to all of which the parties hereto and the respective Owners of the Bonds agree.

Section 11.02. Trustee Obligation to Bring Suit. The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under this Order, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction by the Owners against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in any such case the Owners shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the District shall fail to make such reimbursement, the

Trustee may reimburse itself from any monies in its possession under the provisions of this Order and shall be entitled to a preference therefor over any of the Bonds Outstanding hereunder.

Section 11.03. Trustee Not Responsible for Others. The Trustee shall not be liable or responsible because of the failure of the District or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the District or its employees or agents or because of the loss of any monies arising through the insolvency or the act or default or omission of any depository, or any Paying Agent or Trustee other than itself. The Trustee shall not be responsible for the application of any monies deposited with it and paid out, invested, withdrawn or transferred in accordance with the provisions of this Order. The immunities and exemptions from liability of the Trustee hereunder extend to its directors, officers, employees and agents.

Section 11.04. Compensation of Trustee. Subject to the provisions of any contract between the District and the Trustee, the District shall pay to the Trustee, but solely from amounts on deposit in the Administrative Expense Fund, reasonable compensation for all services performed by it hereunder and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts hereby created and the performance of their powers and duties hereunder. If the District shall fail to make any payment required by this Section, the Trustee may make such payments from any monies in its possession under the provisions of this Order and shall be entitled to a preference therefor over any of the Bonds Outstanding hereunder.

Section 11.05. Trustee May Rely on Certificates. In case at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which this Order provides for permitting or taking any action, the Trustee may rely upon any certificate required or permitted to be filed with it under the provisions of this Order, and any such certificate shall be evidence of such fact to protect it in any action that it may or may not take or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact. Any request, notice or other instrument from the District to the Trustee shall be deemed to have been signed by the proper party or parties if signed by an authorized officer of the District, and the Trustee may accept a certificate signed by the County Judge or the County Clerk of the District as to any resolution adopted or any other action taken by the District

Section 11.06. Accounts and Records. The Trustee shall keep proper books of records and accounts, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Bonds and the Special Assessment Revenues. Within 30 days after the close of each fiscal year, the Trustee shall furnish to any Registered Owner who may so request the following information:

- (i) A detailed statement from the District concerning the collection of Special Assessments during the preceding fiscal year, with a description of any delinquencies;

(ii) A statement from the Williamson County Appraisal District of the current assessed valuation of taxable property in the District;

(iii) A detailed statement concerning the receipt and disposition of all Special Assessment Revenues during the preceding fiscal year;

(iv) A balance sheet of the Debt Service Fund and the Reserve Fund as of the end of the preceding fiscal year reflecting the principal amount of Bonds redeemed and the principal amount of Bonds outstanding at the end of such fiscal year.

The District shall provide the information described in subsection (i) and (ii) above in sufficient time to allow the Trustee to comply with the requirements of this section. The District and any Registered Owner shall have the right at all reasonable times during business hours of the Trustee to inspect all records, accounts, and data of the Trustee relating to the Bonds.

Section 11.07. Representations of District in Bonds. The recitals, statements and representations contained herein and in the Bonds (excluding the Trustee's certificate on the Bonds) shall be taken and construed as made by and on the part of the District and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

Section 11.08. Trustee Solely Liable for Negligence. In performing its duties under the terms of this Order, the Trustee shall be liable only for its own negligence or willful misconduct, and shall incur no liability in acting or proceeding, or in not acting or not proceeding, reasonably and in good faith, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Order, or upon the opinion of any attorney, engineer, or accountant believed by the Trustee to be qualified in relation to the subject matter.

Section 11.09. Resignation of Trustee. The Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing to be given to the District and mailed to the Owners of the Bonds not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect only when a new Trustee is appointed by the District and accepts the trusts hereof.

Section 11.10. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the Owners of not less than a majority in principal amount of the Bonds then Outstanding and filed with the District. A photostatic copy of each such instrument shall be delivered promptly by the District to the Trustee.

The Trustee may also be removed at any time for any breach of trust or violation of this Order, or if the Trustee does not meet the minimum required capital and surplus of fifty million dollars (\$50,000,000) set forth in Section 11.11, by order of the District duly adopted and presented to the Trustee.

Section 11.11. Insolvency of Trustee. If at any time the Trustee shall resign, or shall be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the District shall appoint a Trustee to fill such vacancy. The District shall mail a copy of the notice of any such appointment by it to the Owners of the Bonds.

At any time within one year after any such vacancy shall have occurred, the Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing, signed by such Owners of the Bonds or their attorneys in fact thereunto duly authorized and filed with the District, may appoint a successor Trustee, which shall supersede any Trustee theretofore appointed by the District. Photostatic copies of each such instrument shall be delivered promptly by the District to the predecessor Trustee and to the Trustee so appointed by the Owners of the Bonds.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, the Owner of any Bond Outstanding hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee hereafter appointed shall be a bank or trust company duly organized and doing business under the laws of the United States of America or the State of New York or the State of Texas, authorized under such laws to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having, at the time of its appointment, a combined capital and surplus aggregating not less than fifty million dollars (\$50,000,000).

Section 11.12. Powers of Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the District, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities, powers and trusts, and subject to all the duties and obligations, of its predecessor; but such predecessor shall, nevertheless, on the written request of its successor or of the District, and upon payment of the compensation, expenses, charges and other disbursements of such predecessor which are due and payable pursuant to the provisions of this Article, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all property and monies held by it hereunder to its successor. Should any instrument in writing from the District be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the District.

Notwithstanding any of the foregoing provisions of this Article, any bank or trust company having power to perform the duties and execute the trusts of this Order and otherwise qualified to act

as Trustee hereunder with or into which the bank or trust company acting as Trustee may be merged or consolidated, or to which the assets and business of such bank or trust company may be sold, shall be deemed the successor of the Trustee.

Section 11.13. Merger, Succession or Consolidation of Trustee. Any corporation or association: (a) into which the Trustee is merged or with which it is consolidated; (b) resulting from any merger or consolidation to which the Trustee is a party; or (c) succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor Trustee without the execution or filing of any document or the taking of any further action. Any such successor must nevertheless be eligible and qualified under the provisions of Section 11.10.

ARTICLE XII

AMENDMENTS

Section 12.01. Restriction on Amendments. Neither this Order, nor the Bonds, shall be modified or amended in any respect except as provided in, and in accordance with, and subject to the provisions of this Article. The provisions of Section 12.02 are in all respects subject and subordinate to the provisions, restrictions, exceptions, and limitations set forth in this Article. Nothing in this Article shall affect or limit the rights or obligations of the District to pass, make, do, execute, acknowledge, or deliver any order, act, or other instrument which elsewhere in this Order it is provided shall be delivered to the Trustee.

Section 12.02. Amendment Without Consent of Owners of Bonds. This Order may be amended by the District, without the consent of any of the Owners, for any of the following purposes:

(a) to add to the covenants for the benefit of the Owners or to surrender any right or power conferred upon the District;

(b) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision, or to make any other provision with respect to matters or questions arising with respect to the Bonds, which shall not be inconsistent with the provisions of this Order and applicable law, provided that such action shall not adversely affect the interests of the Owners of the Bonds; and

(c) to make such additions, deletions, or modifications as may be necessary to provide for compliance with Section 148(f) of the Code relating to the required rebate to the United States or to enable the District to comply with such provision by alternative means selected by the District as may be provided by the Code, or otherwise as may be necessary to assure exclusion from federal income taxation of the interest on the Bonds.

Upon the adoption of an order providing for such an amendment, a certified copy of such order shall be filed with the Trustee.

Section 12.03. Amendment of Order with Consent of Owners of Bonds. The Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time and from time to time, to consent to and approve an amendment of this Order deemed desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in this Order; provided, however, that nothing in this Article shall permit (a) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, or any mandatory redemption, or (b) a reduction in the principal amount of any Bond or the rate of interest on any Bond, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to any amendment of this Order.

Bonds owned or held by or for the account of or for the benefit of the District shall not be deemed to be Outstanding for the purpose of amending this Order.

Section 12.04. Notice and Adoption of Amendment. If the District desires to amend this Order, the Trustee shall cause notice to be sent by first class mail to the Registered Owners of the Bonds. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the office of the Trustee for inspection by all Owners of Bonds. If within ninety (90) days or such longer period as shall be prescribed by the District following the mailing of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding shall have consented to the amendment as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or in any manner to question the propriety of the execution thereof, or enjoin or restrain the District from taking any action pursuant to the provisions thereof, and all of the rights of the Owners of Outstanding Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

Section 12.05. Revocation of Consent. Any consent given by any Owner of a Bond pursuant to the provisions of this Article shall be irrevocable for a period of six (6) months from the date notice of the amendment was mailed as provided in Section 12.04, and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked at any time after six (6) months from the date the notice was mailed by the Owner who gave such consent or by a successor in title, by filing notice thereof with the Trustee, but such revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Bonds Outstanding have prior to the attempted revocation, consented to and approved the amendment.

ARTICLE XIII

CONTINUING DISCLOSURE

Section 13.01. Continuing Disclosure Undertaking. The District qualifies for the small issuer exemption from the Rule because the District has less than \$10,000,000 in aggregate amount of outstanding bonds (including the Bonds).

(a) *Financial Information and Operating Data.* The District shall provide to any person, upon request, quantitative financial information and operating data with respect to the District of the general type included in the Official Statement under the heading "SELECTED FINANCIAL INFORMATION" and in APPENDIX B and that is customarily prepared by the District and is publicly available. The District will annually update such information and data that is customarily prepared, and a response to an informational request will be the latest annual update of such information and data at the time of such response.

Information agreed to be provided by the District upon request may be obtained by contacting the District's Financial Advisor at 98 San Jacinto Blvd. , Suite 370, Austin, Texas 78701, Attention: Garry R. Kimball (512) 481-2000, facsimile (512) 481-2010.

(b) *Material Event Notices.* The District shall notify the SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds; and
- K. Rating changes.

The District shall notify the SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with Section 13.01(a) of this Order by the time required by such Section.

(c) *Limitations, Disclaimers, and Amendments.* The District shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Texas law that causes Bonds no longer to be outstanding.

The provisions of this Section are for the sole benefit of the holders and the beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

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

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

The provisions of this Section may be amended 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, or status or type of operations of the District, if (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the original primary offering 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 amount of the outstanding Bonds consent to such amendment or (b) a person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If any such amendment is made, the District will include in its next annual update an explanation in narrative form of the reasons for the change and its impact on the type of operating data or financial information being provided.

ARTICLE XVI

SALE OF BONDS AND USE OF PROCEEDS

Section 14.01. Sale; Bond Purchase Agreement. The Bonds shall be sold and delivered to the Underwriter, in accordance with the terms of a Bond Purchase Agreement approved under the Supplemental Order.

Section 14.02. Use of Proceeds. Proceeds from the sale of the Bonds shall, promptly upon receipt by the District, be applied as follows:

- (a) Accrued interest shall be deposited into the Debt Service Fund.
- (b) The remaining proceeds from the sale of the Bonds, together with other available funds of the District, shall be deposited with the Trustee and used to refund the Refunded Bonds, on the redemption date specified in the Supplemental Order, and, to the extent not otherwise provided for, to pay all expenses arising in connection with the issuance of the Bonds and the refunding of the Refunded Bonds. Any proceeds of the Bonds remaining after making all such deposits and payments shall be deposited into the Debt Service Fund.

ARTICLE XV

MISCELLANEOUS

Section 15.01. Redemption of Refunded Bonds. The Refunded Bonds shall be redeemed on a date to be specified in the Supplemental Order, at a price of par plus accrued interest to the date fixed for redemption, and notice of such redemption shall be given in accordance with the order authorizing the issuance of such bonds.

Section 15.02. Official Statement. The District hereby approves the form and content of the Preliminary Official Statement prepared for sale of the Bonds and hereby authorizes the preparation of a final Official Statement reflecting the terms of the Purchase Contract and other relevant information. The use of such final Official Statement by the Underwriter is hereby approved and authorized.

Section 15.03. Audit. The District will cause an annual audit of its books, accounts, and records pertaining to the Bonds to be made by an independent certified public accountant. Upon written request, copies of such audit shall be furnished to any Owner or his agent or representative and to the applicable rating agencies.

Section 15.04. No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Order, against any official or employee of the District or any Person executing any Bonds.

Section 15.05. Severability. If any Section, paragraph, clause or provision of this Order shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Order.

Section 15.06. Related Matters. (a) To satisfy in a timely manner all of the District's obligations under this Order, the County Judge and the County Clerk, and all other appropriate officers and agents of the District, are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the issuance and delivery of the Bonds, including, without limitation, executing and delivering on behalf of the District all certificates, consents, receipts, requests, and other documents as may be reasonably necessary to satisfy the District's obligations under this Order and to direct the application of funds of the District consistent with the provisions of this Order.

(b) The County's bond counsel, Vinson & Elkins L.L.P., and special counsel, Crossfield & Sheets P.C., are hereby authorized to take all necessary and reasonable steps to obtain a declaratory judgment establishing the legality and validity of the issuance of the Bonds as provided in this Order, pursuant to Chapter 1205, Texas Government Code, as amended.

Section 15.07. Interpretation. Any ambiguity or inconsistency in this Order shall be resolved, to the extent possible, in favor of maximizing the rights and benefits of the Owners.

Section 15.08. Effect of Order. This Order shall be in force and effect from and after its passage, and it is so ordered.

Section 15.09. Repealer. All orders and resolutions, or parts thereof, inconsistent herewith are repealed to the extent of such inconsistency.

Section 15.10. Open Meeting. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the Commissioners' Court at which this Order was adopted was posted at a place convenient and readily accessible at all times to the general public at the Williamson County Court House for the time required by law preceding this meeting, as required by the Texas Open Meetings Act, and that this meeting has been open to the public as required by law at all times during which this Order and the subject matter hereof has been discussed, considered and formally acted upon. The Commissioners' Court further ratifies, approves and confirms such written notice and the contents and posting thereof.

PASSED AND APPROVED the 4th day of March, 2003.

John C. Dwyer 3-4-03
County Judge
Williamson County, Texas

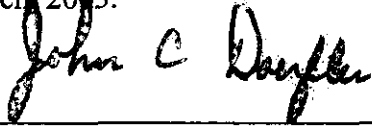
ATTEST:

Nancy E. Rister
County Clerk
Williamson County, Texas



THE ROAD DISTRICT MEETING ADJOURNED AT 12:13 P.M. ON TUESDAY, MARCH 4, 2003.

THE FOREGOING MINUTES recorded on Minutes Pages 1 through 492 inclusive, had at a Special Session of Commissioners' Court of Williamson County, Texas, having been read are hereby approved this 11th day of March, 2003.



John C. Doerfler, County Judge

ATTEST: Nancy E. Rister, Clerk County Court & Ex-officio Clerk,
Commissioners' Court, Williamson County, Texas

By:


Deputy Clerk