

RESOLUTION NO. 20091119-039

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

Council authorizes the Senna Hills Municipal Utility District to issue Unlimited Tax and Revenue Bonds, Series 2010, in an amount not to exceed \$1,600,000; and approves the District's Bond Order (Resolution) and the Preliminary Official Statement in substantially the draft forms attached as Exhibits 1 and 2, respectively.

ADOPTED: November 19, 2009

ATTEST:

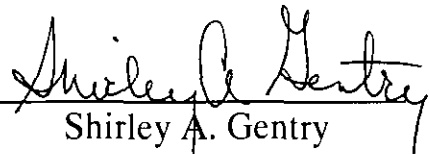

Shirley A. Gentry
City Clerk

EXHIBIT 1

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

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

SENNA HILLS MUNICIPAL UTILITY DISTRICT

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

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

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

the ownership or operation of the District's works, improvements, facilities, plants, equipment, and appliances or under specific contracts for a period of time the Board of Directors determines, as may be provided in the orders or resolutions authorizing the issuance of such bonds, all as authorized by the Constitution and laws of the State of Texas; and

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

WHEREAS, the City has approved the issuance of the Bonds by Resolution No. _____, dated _____, 20__ in accordance with the Consent Agreement; and

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

WHEREAS, the District now deems it necessary and advisable at this time to issue \$1,600,000 of bonds for improvements to the District's waterworks, sewer and drainage systems, reserving the right in the future to issue the remaining \$1,015,000 bonds authorized at the Confirmation Election and in accordance with the Consent Agreement.

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

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of the Senna Hills Municipal Utility District (the "District") are hereby authorized to be issued and delivered in the aggregate principal amount of \$1,600,000 for the purpose of acquiring or constructing, improving and extending improvements to the District's waterworks, sewer and drainage systems.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Resolution shall be designated: "SENN HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2010," and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in annual installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial and annual maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Resolution shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefore, as well as all other

substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND. (a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, dated November 1, 2010 in the denomination and aggregate principal amount of \$5,200,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit: _____, or to the registered assignee or assignees of said Bond or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Bond to be payable on the dates, respectively, and in the principal amounts, respectively, stated in the FORM OF INITIAL BOND set forth in this Resolution.

(b) The Initial Bond (i) may be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL BOND set forth in this Resolution.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of the Initial Bond to the respective scheduled due dates, or to the respective dates of prepayment or redemption, of the installments of principal of the Initial Bond, and said interest shall be payable, all in the manner provided and at the rates and on the dates stated in the FORM OF INITIAL BOND set forth in this Resolution.

Section 5. FORM OF INITIAL BOND. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. R-1

\$1,600,000

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

SENNA HILLS MUNICIPAL UTILITY DISTRICT, IN TRAVIS COUNTY, TEXAS (the "District"), being a political subdivision of the State of Texas, pursuant to an order of the Texas Water Commission dated August 11, 1988, and confirmed by an election on January 21, 1995, hereby promises to pay to

or to the registered assignee or assignees of this Bond or any portion or portions hereof (in each case, the "registered owner") the aggregate principal amount of

ONE MILLION SIX HUNDRED THOUSAND DOLLARS

in annual installments of principal due and payable on August 15 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

<u>YEARS</u>	<u>AMOUNT</u>
2011	30,000
2012	30,000
2013	35,000
2014	35,000
2015	40,000
2016	40,000
2017	45,000
2018	50,000
2019	50,000
2020	55,000
2021	60,000
2022	65,000
2023	70,000
2024	70,000
2025	75,000
2026	80,000
2027	90,000
2028	95,000
2029	100,000
2030	110,000
2031	115,000
2032	125,000
2033	135,000

and to pay interest, calculated on the basis of a 360-day year of twelve 30-day months, from the date of this Bond hereinafter stated, on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the following rates per annum:

maturity 2011,	_____	%
maturity 2012,	_____	%
maturity 2013,	_____	%
maturity 2014,	_____	%
maturity 2015,	_____	%
maturity 2016,	_____	%
maturity 2017,	_____	%
maturity 2018,	_____	%
maturity 2019,	_____	%
maturity 2020,	_____	%
maturity 2021,	_____	%
maturity 2022,	_____	%
maturity 2023,	_____	%
maturity 2024,	_____	%
maturity 2025,	_____	%
maturity 2026,	_____	%
maturity 2027,	_____	%
maturity 2028,	_____	%
maturity 2029,	_____	%
maturity 2030,	_____	%
maturity 2031,	_____	%
maturity 2032,	_____	%
maturity 2033,	_____	%

with said interest being payable on February 15, 2011, and semiannually on each August 15 and February 15 thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of Wells Fargo Bank, National Association, Austin, Texas which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check or draft drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared at the close of business on the

last business day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or by such other method, acceptable to the Paying Agent/Registrar requested, and at the risk and expense of, the registered owner. The District covenants with the registered owner of this Bond that on or before each principal and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

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

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas for the purpose of constructing and acquiring improvements to the District's waterworks, sewer and drainage systems.

ON August 15, 2019, or on any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the District, with funds derived from any available source, as a whole, or in part, and, if in part, the District shall select and designate the maturity or maturities and the amount that is to be redeemed, and if less than a whole maturity is to be redeemed, the District shall direct the Paying Agent/Registrar to call by lot (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at a price equal to the principal amount to be so prepaid or redeemed, plus accrued interest to the date fixed for prepayment or redemption. At least 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the District with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

THIS BOND, to the extent of the unpaid or unredeemed principal balance hereof, or any unpaid and unredeemed portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the District kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Bond, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner hereof. A new bond or bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds) or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond shall be deemed and treated by the District and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the District and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Bond Resolution, this Bond, to the extent of the unpaid or unredeemed principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. Such bonds, respectively, shall be subject to redemption prior to maturity on the same dates and for the same prices as the corresponding installment of principal of this Bond or portion hereof for which they are being exchanged. No such bond shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND RESOLUTION, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may

be assigned and transferred, and converted, subsequently, as provided in the Bond Resolution. The District shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange during the period commencing with the opening of business on any Record Date and ending with the close of business on the next following principal or interest payment date.

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

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

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

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

IN WITNESS WHEREOF, the District has caused this Bond to be signed with the manual signature of the President of the Board of Directors of the District and countersigned with the manual signature of the Secretary of the Board of Directors of the District, has caused the official seal of the District to be duly impressed on this Bond, and has caused this Bond to be dated November 1, 2010.

Secretary
Board of Directors

President
Board of Directors

[SEAL]

[The remainder of this page left intentionally blank.]

FORM OF REGISTRATION CERTIFICATE OF THE
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS. Registration and Transfer (a) The District shall keep or cause to be kept at the principal corporate trust office of Wells Fargo Bank, National Association, Austin, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the District hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the District and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The District shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, (i) evidencing the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefore in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefore shall have the same principal maturity date and bear interest at the same rate

as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The District shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (i) during the period commencing with the opening of business on any Record Date and ending with the close of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date.

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

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

Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of

each registered owner of each Bond as it appeared on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(d) Conversion and Exchange or Replacement: Registration and Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefore duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that, each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If a portion of any Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefore shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. It is specifically provided, however, that any Bond delivered in conversion of and exchange for or replacement of another Bond prior to the first scheduled interest payment date on the Initial Bond shall be dated the same date as the Initial Bond, but each substitute Bond so delivered on or after such first scheduled interest payment date shall be dated as of the interest payment date preceding the date on which such substitute Bond is delivered, unless such Bond is delivered on an interest payment date, in which case it shall be dated as of such date of delivery; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged has not been paid, then such Bond shall be dated as of the date to which

such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S REGISTRATION CERTIFICATE

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

Paying Agent/Registrar

Dated: _____

Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the District or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Subchapter D, Title 9, Government Code, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Registration Certificate, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The District shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be

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

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

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

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

Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

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

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

(i) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the District determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the District to DTC or that it is in the best interest of the

beneficial owners of the Bonds that they be able to obtain certificated Bonds, the District shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

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

(k) Notice of Redemption. (i) In addition to the notice of redemption set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of the Bonds by first class mail, postage prepaid at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the Registered Owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

(ii) Each notice of redemption given by the Paying Agent/Registrar, whether required in the FORM OF BOND or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publications and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number.

(iii) All redemption payments made by the Paying Agent/Registrar to the Registered Owners shall include a CUSIP number relating to each amount paid to such Registered Owner.

Section 7. FORM OF SUBSTITUTE BONDS. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF SUBSTITUTE BOND

NO. _____

\$ _____

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

INTEREST RATE

MATURITY DATE

DATED DATE

CUSIP NO.

_____%

_____, 2010

ON THE MATURITY DATE SPECIFIED ABOVE, SENNA HILLS MUNICIPAL UTILITY DISTRICT, IN TRAVIS COUNTY, TEXAS (the "District"), being a political subdivision of the State of Texas, created pursuant to an order of the Texas Water Commission dated August 11, 1988 and confirmed by an election on January 21, 1995, hereby promises to pay to

or to the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of

and to pay interest thereon from the Dated Date set forth above, on February 15, 2011 and semiannually on each August 15 and February 15, thereafter to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above calculated on the basis on a 360-day year of twelve 30-day months; except that if the date of authentication of this Bond is later than January 31, 2010, the first scheduled Record Date for the Initial Bond, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but

on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of Wells Fargo Bank, National Association, Austin, Texas which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required by the Resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last business day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of the registered owner. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The District covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

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

THIS BOND is one of a Series of Bonds initially dated November 1, 2010, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$5,200,000, for the purpose of constructing and acquiring improvements to the District's waterworks, sewer and drainage systems.

ON August 15, 2019, or on any date thereafter, the Bonds of this Series maturing on and after August 15, 2021 may be redeemed prior to their scheduled maturities, at the option of the District, with funds derived from any available and lawful source, as a whole, or in part (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), for the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to call by lot Bonds, or portions thereof, within such maturity or maturities and in such principal amounts, for redemption. At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial journal or publication, of general circulation in the City of New York, New York, or in the State of Texas. Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, not less than 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the District, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the District kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond may be executed by the registered owner, or its duly authorized attorney or representative, to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be

used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner or any subsequent assignee, including all assignments from assignee to assignee prior to the ultimate registration of such Bond in the name of an assignee. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The District shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. To the extent possible, new Bonds issued in an exchange or transfer of the Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) during the period commencing with the opening of business on any Record Date and ending with the close of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the District and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the District and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assigned, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The District shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the opening of business on any Record Date and ending with the close of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date.

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

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

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

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

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

(facsimile signature)
Secretary
Board of Directors

(facsimile signature)
President
Board of Directors

[SEAL]

FORM OF PAYING AGENT/REGISTRAR'S REGISTRATION CERTIFICATE

PAYING AGENT/REGISTRAR'S REGISTRATION CERTIFICATE

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

Paying Agent/Registrar

Dated _____

By: _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

(Assignee's Social
Security or Taxpayer
Identification Number)

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

and hereby irrevocably constitutes and appoints

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

Dated: _____

Signature Guaranteed:

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

Registered Owner

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

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

Section 9. TAX LEVY. (a) All taxes levied and collected for an on account of said bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of said Bonds are outstanding and unpaid, the Board of Directors of the District shall compute and ascertain the rate and amount of ad valorem tax, based on the valuation of taxable property in the District, according to the latest approved tax rolls of said District, which will be sufficient to raise and produce the money required to pay the interest on and principal of said Bonds, as such interest comes due, and such principal matures, with full allowances being made for tax delinquencies and costs of tax collections. Said rate and amount of ad valorem tax is hereby ordered to be levied and is hereby levied against all taxable property in said District for each year while any of said Bonds are outstanding and unpaid, and said ad valorem tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes necessary to pay the interest on and principal of said Bonds, as such interest comes

due and such principal matures, are hereby pledged irrevocably for such purposes, without limit as to rate or amount.

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

Section 10. ADDITIONAL BONDS. The District expressly reserves and shall hereafter have the right to issue in one or more installments such other combination unlimited tax and revenue bonds as were authorized at the Confirmation Election and as may hereafter be authorized at subsequent elections. Such bonds may be payable from and equally secured by a pledge of and lien on the Net Revenues of the System to the same extent as pledged and in all things on a parity with the lien of these bonds.

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

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

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

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

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

Section 11. MAINTENANCE AND OPERATION; INSURANCE. While any of the Bonds or Additional Bonds are outstanding, the District covenants and agrees to maintain the System in good condition and operate the same in an efficient manner and at reasonable expense, and to maintain insurance on the System, for the benefit of the holder or holders of said bonds, of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business and which will insure the District against claims for which it can be liable under the Texas Tort Claims Act, or any amendment thereof, or any similar law.

Section 12. ACCOUNTS AND FISCAL YEAR. The District shall keep proper books of records and accounts, separate and apart from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and shall have said books audited once each fiscal year by a Certified Public Accountant. The District agrees to operate the System and keep its books of records and accounts pertaining thereto on the basis of its current fiscal year; provided, however, that the Board of Directors may change such fiscal year if such change is deemed necessary by the Board of Directors.

Section 13. ACCOUNTING REPORTS. Within ninety days after the close of each fiscal year hereafter, the District will furnish, without cost, to any holder of any outstanding Bonds, or Additional Bonds, who may so request, a signed or certified copy of a report by a Certified Public Accountant, covering the next preceding fiscal year, showing the following information:

(a) A detailed statement of all gross revenues of the System and all expenses of operating and maintenance thereof for said fiscal year.

(b) Balance sheet as of the end of said fiscal year.

(c) Accountant's comment regarding in the manner in which the District has complied with the requirements of this Resolution and his recommendations, if any, for the changes or improvements in the operation and maintenance of the System.

(d) List of insurance policies in force at the end of said fiscal year, showing as to each policy, the risk covered, the amount of the policy, the name of the insurer, and the expiration date.

(e) The number of properties served by the System, if any, and the gross revenues from said System for said fiscal year.

(f) The number of unmetered customers of the System at the end of said fiscal year.

(g) The approximate number of gallons of water registered through the District's meters, and the number of gallons sold during said fiscal year.

Section 14. INSPECTION. Any holder or holders of any Bonds or Additional Bonds shall have the right at all reasonable times to inspect the System and all records, accounts, and data of the District relating thereto.

Section 15. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section 9, when payment of the principal of such Bond, plus interest thereon, to the due date (whether such due date be by reason of maturity, upon redemption or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon, shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any monies so deposited with the Paying Agent/Registrar may at the written direction of the District also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying

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

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

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

Section 16. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS AND SUPPLEMENTAL INTEREST CERTIFICATES.

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

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

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

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

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

Section 17. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; AND CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED. The President of the Board of Directors of the District is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bond. The approving legal opinion of the District's Bond Counsel and the assigned CUSIP numbers may, at the option of the holder, be printed on the Initial Bond or on any Bonds issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the Insurer.

Section 18. COVENANTS REGARDING TAX EXEMPTION. The District covenants to take any action necessary to secure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the District covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in Section 141(b)(6) of the Code or, if more than 10 percent of the proceeds are so used, that amounts, whether or not received by the District, with respect to such private business use, do not, under the terms of this Resolution, or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of Section 141(b)(2) of the Code;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

exceeds the total of the amounts that could be held in bona fide debt service funds established separately for each of the issues.

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

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

It is the understanding of the District that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or ruling are hereafter promulgated which modify, or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such modification or expansion, in the opinion of recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

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

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

Section 20. DESIGNATION AS QUALIFIED TAX-EXEMPT BONDS. The District hereby designates the Bonds as "qualified tax-exempt bonds" as defined in Section 265(b)(3) of the Code. In furtherance of such designation, the District represents, covenants and warrants the

following: (a) that during the calendar year in which the Bonds are issued, the District (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Bonds, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; and (b) that the District reasonably anticipates that the amount of tax-exempt obligations issued during the calendar year in which the Bonds are issued, by the District (or any subordinate entities) will not exceed \$10,000,000.

Section 21. ESCROW ACCOUNT AND CONSTRUCTION FUND. That the proceeds from the sale of the Bonds shall be deposited in the Construction Fund with the exception of the amount equal to accrued interest, and the amount allocated to capitalized interest, which shall be deposited in the Interest and Sinking Fund. The same monies on deposit in the Construction Fund, including any interest earned on these monies, shall be used solely for payment of the expenses incident to the issuance of the Bonds, including fiscal, legal and engineering fees and expenses, and acquiring the facilities for which the bonds are being issued. The President of the Board shall forward a check to the Texas Commission on Environmental Quality in the amount of 0.25% of the principal amount of the bond issue to pay the Commission fee as specified in the Order of the Texas Commission on Environmental Quality Order on _____, 2010. The sum required by the Order of the Texas Commission on Environmental Quality of \$640,000 shall be placed in an escrow account, the terms of which will prohibit the account holder from allowing withdrawal of funds for District use except on receipt of written authorization from the staff of the Texas Commission on Environmental Quality. The money remaining in the Construction Fund after acquisition of the system for which these bonds are issued shall be deposited into the Interest and Sinking Fund unless the District receives approval from the TCEQ for use of such funds for other projects.

Section 22. INVESTMENT OF FUNDS. The Board may deposit money held for the credit of either fund established by this Resolution in time or demand deposits and may invest such money in any obligation authorized by law at the time of such investment. Any such obligation shall mature, or shall be held subject to redemption, not later than the respective dates when money is expected to be required for the purposes intended. Obligations so purchased as an investment of money credited to either such fund shall at all times be deemed to be a part of such fund. The interest accruing on obligations so purchased or on such interest-bearing time deposits and any profit realized from the investment of money held for the credit of either such fund may be deposited only to the credit of the fund on which the interest is earned. Any loss resulting from the investment of money held for the credit of either such fund shall be charged to such fund. Both funds established by this Resolution shall be secured (to the extent not insured by the Federal Deposit Insurance Corporation) in the manner and to the fullest extent required by law for the security of District funds. It is further provided, however, that interest earnings on the Bond Proceeds which are required to be rebated to the United States of America pursuant to Section 10 hereof in order to prevent Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 23. REMEDIES. In addition to all rights and remedies of any holder of Bonds provided by the laws of the State of Texas, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in this Resolution, any holder of Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board and other officers of the District to make such payment or to observe and perform any covenants, obligation, or condition prescribed in this Resolution. No delay or omission by any holder to exercise any right or power accruing to such holder upon default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies mentioned in this Resolution shall be available to any holder of Bonds and shall be cumulative of all other remedies.

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

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

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

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

Section 26. APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT. The President of the Board of Directors of the District is hereby authorized and directed to execute and delivery and the Secretary of the Board of Directors of the District is hereby authorized and directed to attest a paying agent/registrar agreement in substantially the form presented at the meeting at which this Resolution was adopted.

Section 27. SALE OF INITIAL BONDS AND APPROVAL OF OFFICIAL STATEMENT. The Bonds are hereby sold and shall be delivered to _____ for cash in the amount of \$_____ and accrued interest thereon to date of delivery. It is hereby officially found, determined, and declared that the Bonds have been sold at public sale to the bidder offering the lowest net effective interest rate, after receiving sealed bids sealed bids pursuant to an Official Notice of Sale and Official Statement dated September 9, 2010, prepared and distributed in connection with the sale of the Initial Bonds. Said Official Notice of Sale and Official Statement, and any addenda, supplement, or amendment thereto have been and are hereby approved by the governing body of the District, and their use in the offer and sale of the Bonds is hereby approved. It is further officially found, determined, and declared that the statements and representations contained in said Official Notice of Sale and Official Statement are true and correct in all material respects, to the best knowledge and belief of the governing body of the District. Certain proceeds of the Bonds shall be placed in escrow as required by the Order of the Texas Commission on Environmental Quality approving the Bonds, and the District shall pay the 0.25% fee to the Texas Commission on Environmental Quality.

Section 28. CONTINUING DISCLOSURE UNDERTAKING, ANNUAL REPORTS, MATERIAL EVENT NOTICES, LIMITATIONS, DISCLAIMERS, AND AMENDMENTS, AND DEFINITIONS. The District shall provide annually to the MSRB (which is hereafter defined), within six months after the end of each fiscal year ending in or after 2008, financial information and operating data with respect to the District of the general type included in the final Official Statement

authorized by Section 27 of this Resolution, being the information described in Exhibit "A" hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit "A" hereto and (2) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the District shall provide audited financial statements for the applicable fiscal year to the MSRB, when and if audited financial statements become available.

If the District changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this Section.

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

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

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

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

The District shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice required by this Section of any Bond calls and defeasance that cause the District to be no longer such an "obligated person."

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

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

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

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

The provisions of this Section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identify, nature, status, or type of operations of the District, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the

outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the Securities and Exchange Commission amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

As used in this Section 36, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

Section 29. **AUTHORITY OF OFFICERS.** The President and the Secretary of the Board of the District, and all other officers, employees, and agents of the District, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the District all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Bond Resolution and the Bonds. In case any officer whose signature shall appear on the Initial Bond shall cease to be such officer before the delivery of the Initial Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

Section 30. **OPEN MEETINGS.** It is hereby found and determined that the meeting at which this Resolution was adopted was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code and Chapter 49, Texas Water Code, as amended.

PASSED, APPROVED AND ADOPTED this ____ day of _____, 2010.

President, Board of Directors
Senna Hills Municipal Utility District

ATTEST:

Secretary, Board of Directors
Senna Hills Municipal Utility District

[DISTRICT SEAL]

EXHIBIT "A" TO RESOLUTION

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

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

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the District to be provided annually in accordance with such Section are as specified (and included in the Appendices or under the headings of the Official Statement referred to) below:

1. The financial information and operating data with respect to the District of the general type included in the Official Statement in Appendix A, Tables 1, 7, 8, 9, 10 and 12. The District will update and provide this information within six (6) months at the end of each fiscal year beginning after September 30, 2009.

Accounting Principles

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

EXHIBIT 2

***OFFICIAL NOTICE OF SALE, BID FORMS
and
PRELIMINARY OFFICIAL STATEMENT***

\$1,600,000

SENNA HILLS MUNICIPAL UTILITY DISTRICT

**(A Political Subdivision of the State of Texas
located within Travis County)**

**Unlimited Tax and Waterworks and Sewer
System Revenue Bonds
Series 2010**

***Designated by the District to be
“QUALIFIED TAX EXEMPT OBLIGATIONS”***

**Bids to be received by the Board of Directors
at 2:30 P.M., Central Time
_____, 2010**

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds described herein. The invitation for bids on such Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Official Statement.

OFFICIAL NOTICE OF SALE

\$1,600,000
SENNA HILLS MUNICIPAL UTILITY DISTRICT
(Travis County)

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2010

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BID: Senna Hills Municipal Utility District (the "District" or the "Issuer") is offering for sale at competitive bid \$1,600,000 Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2010 (the "Bonds"). Bidders may submit bids for the Bonds by either of the following methods:

- (1) Submit bids electronically as described below in "Bids by Internet;" or
- (2) Submit bids by facsimile as described below in "Bids by Facsimile."

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 2:30 P.M., Central time, on _____, 2010. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central time, on _____, 2010 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile, as described below. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of the Official Notice of Sale, Official Bid Form, and the Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York, 10018, Telephone 212-849-5021.

An electronic bid made through the facilities of the PARITY System shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being the sole risk of the prospective bidder.

BIDS BY FACSIMILE: Interested bidders may, at their option and risk, submit their bid by facsimile to Doug Whitt at (972) 943-8068 by 2:30 P.M., Central time, on _____, 2010. Bidders submitting a bid by facsimile shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile should, as a courtesy, submit an email message to dwhitt@swst.com by 9:00 A.M., Central time, on _____, 2010 indicating their intent to submit a bid by facsimile.

Neither the District nor Southwest Securities, is responsible for any failure of the Financial Advisor's or the bidder's fax machine. Bids received by facsimile after the bid deadline will not be accepted. Bidders who fax bids do so at their own risk. All such bids are binding on the bidder.

PLACE AND TIME OF BID OPENING: The bids for the Bonds will be publicly viewed at the designated meeting place, Travis County Water Control & Improvement District No. 18, 1502 San Juan Dr, Austin, Texas 78733 at 2:30 P.M., Central time, on _____, 2010.

AWARD OF THE BONDS: The Board will take action to award the Bonds (or reject all bids) at a regular meeting to commence at 7:00 A.M., Central time, on _____, 2010. Upon awarding the Bonds, the Board will also adopt the resolution authorizing issuance of the Bonds (the "Bond Resolution") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Resolution to which Bond Resolution reference is hereby made for all purposes

THE BONDS

DESCRIPTION: The Bonds will be dated August 15, 2010 (the "Bond Date" or "Dated Date") with interest payable initially February 15, 2011 and semiannually thereafter on February 15 and August 15 until stated maturity or prior redemption. The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their

interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by Wells Fargo Bank, National Association, Austin, Texas as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.) The Bonds will be stated to mature on August 15 in each of the following years in the following amounts:

Maturity (8/15)	Principal Amount	Maturity (8/15)	Principal Amount
2011	\$30,000	2023	\$70,000
2012	30,000	2024	70,000
2013	35,000	2025	75,000
2014	35,000	2026	80,000
2015	40,000	2027	90,000
2016	40,000	2028	95,000
2017	45,000	2029	100,000
2018	50,000	2030	110,000
2019	50,000	2031	115,000
2020	55,000	2032	125,000
2021	60,000	2033	135,000
2022	65,000		

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that any two or more consecutive annual principal amounts for maturities 2015 through 2033 be combined into one or more term bonds.

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond will be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such term bond and continuing on August 15 in each year thereafter until the stated maturity date or prior redemption of that term bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above. Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Bonds then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement term bonds of the maturity then subject to redemption which have been purchased and canceled by the District or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The District reserves the right to redeem the Bonds maturing on or after August 15, 2015, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2014, or any date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Bonds will be issued pursuant to a resolution (the "Bond Resolution"), adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds, and pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The Bonds were authorized at an election held in the District on January 21, 1995. The Texas Commission on Environmental Quality ("TCEQ") approved the District's bond application on _____. The Bonds, when issued, will constitute valid and binding obligations of the District payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax levied against taxable property located within the District, without legal limitation as to rate or amount. The Bond Resolution pledges such ad valorem taxes to the payment for the principal of and interest on the Bonds, and the Bonds are further payable from and secured by a pledge of and lien on Net Revenues of the System. See "THE BONDS" in the Official Statement.

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is Wells Fargo Bank, National Association, Austin, Texas. In the Bond Resolution, the District covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds.

In the Bond Resolution the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the District has agreed to notify each registered owner of the Bonds by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

QUALIFIED TAX-EXEMPT OBLIGATIONS: Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by an "qualified small issuer" as "qualified tax-exempt

obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$30,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The District will designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action, which would assure or to refrain from such action, which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds \$30,000,000, then such obligations might fail to satisfy the \$30,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

BOOK-ENTRY-ONLY SYSTEM: The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC") with respect to the issuance of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.)

OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDINANCE: Further details regarding the Bonds and certain covenants of the District contained in the Bond Resolution are set forth in the Official Statement to which reference is made for all purposes.

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an "All or None" basis, and no bid of less than ninety-seven percent (97%) of the par value plus accrued interest to the date fixed for delivery will be considered. Bidders are to name the rate or rates of interest to be borne by the Bonds, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. No bid which results in a net effective interest rate as defined by Chapter 1204, Texas Government Code (the IBA method) in excess of _____% will be considered. No limitations will be imposed upon bidders as to the number of interest rates that may be used, but the highest interest rate bid may not exceed the lowest interest rate bid by more than two percent (2%) in rate. All Bonds maturing within a single year must bear the same rate of interest, and no bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as part of the bid.

BASIS OF AWARD: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be compounded by determining, at the interest rate or rates specified therein, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the dollar amount of the discount bid, if any, or subtracting therefrom the dollar amount of the premium bid, if any. Subject to the District's right to reject any or all bids, the Bonds will be awarded to the bidder whose bid, under the above computation, produces the lowest net effective interest rate to the District.-

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the order of "Senna Hills Municipal Utility District", in the amount of \$32,000, which is 2% of the par value of the Bonds, is required. The Good Faith Deposit of the Purchaser will be retained uncashed by the Issuer pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Bonds in accordance with its bid, then said check shall be cashed and accepted by the Issuer as full and complete liquidated damages. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the Issuer prior to the opening of the bids, and shall be accompanied by instructions from the bank on which drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of delivery.** No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Bonds has been made.

FINANCIAL ADVISOR'S RIGHT TO BID: Southwest Securities is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Issuer has given Southwest Securities the right to submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds.

OFFICIAL STATEMENT

To assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Bonds.

Thereafter, the Issuer will complete and authorize distribution of the Official Statement identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the Final Official Statement or any amendment or

supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of SEC Rule 15c2-12(e) (3). Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of one hundred (100) copies of the Official Statement (and 100 copies of any addenda, supplement or amendment thereto), together with information regarding interest rates and other terms relating to the reoffering of the Bonds, in accordance with Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The Purchaser may arrange at his own expense to have the Official Statement reproduced and printed if he requires more copies and may also arrange, at his own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the Issuer and the Bonds to subsequent purchasers of the Bonds, and the Issuer will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Bonds to the Purchaser, unless the Purchaser notifies, in writing, the Issuer that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Bonds have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - Conditions to Delivery," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the Issuer to do so will terminate when the Issuer delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the Issuer on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the Issuer's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Issuer delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the Initial Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Issuer, since September 30, 2008, the date of the last financial statements of the Issuer appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the District's Board of Directors on the date of sale, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

CONTINUING DISCLOSURE AGREEMENT: The District will agree in the Bond Resolution to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement, under "CONTINUING DISCLOSURE OF INFORMATION." The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Bond Resolution containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: The District has complied with all prior continuing disclosure agreements in accordance with SEC Rule 15c2-12 during the last five years.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: Initial Delivery will be accomplished by the issuance of one or more fully registered Bonds in the aggregate principal amount of \$1,600,000, payable to the Purchaser (the "Initial Bond", "Initial Bonds", or "Initial Bond(s)"), signed by the President and Secretary, by their manual or facsimile signatures, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts. Initial Delivery will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bonds, they shall be immediately canceled and one definitive Bond for each maturity in the aggregate principal amount of \$1,600,000 payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that the delivery of the Initial Bond(s) can be made on or about _____, but if for any reason the District is unable to make delivery by _____, then the District shall immediately contact the Purchaser and offer to allow the Purchaser

to extend his obligation to take up and pay for the Bonds an additional 30 days. If the Purchaser does not elect to extend his offer within six days thereafter, then his Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided that such failure is due to circumstances beyond the District's reasonable control.

EXCHANGE OF INITIAL BONDS FOR DEFINITIVE BONDS: Upon payment for the Initial Bond(s) at the time of such delivery, the Initial Bond(s) are to be canceled by the Paying Agent/Registrar and registered definitive Bonds delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Initial Purchaser and/or members of the Initial Purchaser's syndicate. Such Bonds shall be registered by the Paying Agent/Registrar. It shall be the duty of the Initial Purchaser and/or members of the Initial Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Bond, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Bond(s) and delivery of registered definitive Bonds may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's acknowledgment of the receipt of the Initial Bond, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE," all as described below. In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Bonds, and of the Issuer to deliver the Initial Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Bonds, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The District will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas as to the Bonds, to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, regarding the legality and validity of the Bonds issued in compliance with the provisions of the Order. (See "LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE" in the Official Statement.)

CHANGE IN TAX-EXEMPT STATUS: At any time before the Bonds are tendered for initial delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

MUNICIPAL BOND INSURANCE: It is anticipated that the Bonds will be qualified for municipal bond insurance. The Purchaser will select the municipal bond insurance company. **The Purchaser may submit a bid utilizing municipal bond insurance or may submit a bid without utilizing municipal bond insurance. The cost of the municipal bond insurance, if any, will be borne by the Purchaser.** It will be the duty of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds and any other information or certifications which may be required to determine the effect of such insurance on the yield of the Bonds for federal income tax purposes.

RATINGS: The outstanding revenue bond debt of the District is rated "BBB+" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"). A municipal bond rating application has been made to S&P. The cost of the ratings from S&P will be paid by the District. An explanation of the significance of such rating may be obtained from the rating agency. A rating by S&P reflects only the respective view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time, or that they will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating by the rating agency may have an adverse effect on the market price of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions

contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify sale of the Bonds under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance be required to qualify as a foreign corporation or file a general or special written consent to suit or execute a general consent to service of process in any state that the Bonds are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from Southwest Securities, 101 East Park Blvd. Suite 865, Plano, Texas 75074.

On the date of the sale, the District's Board of Directors will, in the Bond Resolution authorizing the issuance of the Bonds, approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

SENNA HILLS MUNICIPAL UTILITY DISTRICT

ATTEST:

/s/ Chet Palesko, President
Board of Directors
Senna Hills Municipal Utility District

Dated: _____

OFFICIAL BID FORM

President and Board of Directors
Senna Hills Municipal Utility District
c/o Travis County Water Control & Improvement District No. 18
1502 San Juan Drive
Austin, Texas 78733

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Official Statement dated _____ of \$1,600,000 Senna Hills Municipal Utility District, Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2010, both of which constitute a part hereof.

For your legally issued Bonds, as described in said Official Notice of Sale and Official Statement, we will pay you a price of \$_____ (which represents _____ % of the principal amount thereof), plus accrued interest from their date to the date of delivery to us.

Maturity (8/15)	Principal Amount	Interest Rate	Maturity (8/15)	Principal Amount	Interest Rate
2011	\$30,000	_____	2023	\$70,000	_____
2012	30,000	_____	2024	70,000	_____
2013	35,000	_____	2025	75,000	_____
2014	35,000	_____	2026	80,000	_____
2015	40,000	_____	2027	90,000	_____
2016	40,000	_____	2028	95,000	_____
2017	45,000	_____	2029	100,000	_____
2018	50,000	_____	2030	110,000	_____
2019	50,000	_____	2031	115,000	_____
2020	55,000	_____	2032	125,000	_____
2021	60,000	_____	2033	135,000	_____
2022	65,000	_____			

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date will mature in such year. The term bonds created are as follows:

Term Bond Maturity Date August 15	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Our calculation (which is not a part of this bid) of the interest cost in accordance with the above bid is:

TOTAL INTEREST COST FROM _____ \$ _____
PLUS DOLLAR AMOUNT OF PREMIUM/DISCOUNT \$ _____
NET INTEREST COST \$ _____
NET EFFECTIVE INTEREST RATE _____ %

By accepting this bid, we understand the District will provide the copies of the Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and will cooperate to permit the undersigned to comply with Rule 15c2-12 of the Securities and Exchange Commission.

The Bonds will be insured by _____ at a premium of \$ _____, said premium to be paid by the Purchaser.

The Initial Bond(s) shall be registered in the name of _____ (syndicate manager). We will advise DTC of registration instructions at least five business days prior to the date set for Initial Delivery. It is the obligation of the Purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

Cashier's Check of the _____ (bank), _____ (location), in the amount of \$32,000 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms as set forth in the Official Notice of Sale and the Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of delivery.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at Wells Fargo Bank, National Association, Austin, Texas, no later than 12:00 P.M., Central time, on _____ or thereafter on the date the Initial Bond(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute and deliver to the Issuer by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the Issuer.

Respectfully submitted,

(Syndicate Member)

(Syndicate Manager)

(Syndicate Member)

(Signature - Title)

(Syndicate Member)

(Telephone)

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this _____, 2010 by the Senna Hills Municipal Utility District.

President

ATTEST:

Secretary

CERTIFICATE OF MANAGING UNDERWRITER

The undersigned hereby certifies as follows with respect to the sale of \$1,600,000 Senna Hills Municipal Utility District, Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2010 (the "Bonds").

1. The undersigned is the underwriter or the manager of the syndicate of underwriters which purchased the Bonds from the Senna Hills Municipal Utility District (the "Issuer") at competitive sale.
2. The underwriter and/or one or more members of the underwriting syndicate, if any, have made a bona fide offering of the Bonds of each maturity to the public at the respective prices set forth below.
3. The initial offering price (percentage of principal amount or yield and exclusive of accrued interest) for the Bonds of each maturity at which a substantial amount of the Bonds (at least 10%) of such maturity was sold to the public is as set forth below:

Maturity (8/15)	Principal Amount	Initial Offering Price (% Yield)	Maturity (8/15)	Principal Amount	Initial Offering Price (% Yield)
2011	\$30,000	_____	2023	\$70,000	_____
2012	30,000	_____	2024	70,000	_____
2013	35,000	_____	2025	75,000	_____
2014	35,000	_____	2026	80,000	_____
2015	40,000	_____	2027	90,000	_____
2016	40,000	_____	2028	95,000	_____
2017	45,000	_____	2029	100,000	_____
2018	50,000	_____	2030	110,000	_____
2019	50,000	_____	2031	115,000	_____
2020	55,000	_____	2032	125,000	_____
2021	60,000	_____	2033	135,000	_____
2022	65,000	_____			

4. The term "public" as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organization acting in the capacity of underwriters or wholesalers.
5. The offering prices described above reflect current market prices at the time of such sales.
6. The undersigned and/or one or more other members of the underwriting syndicate, as the case may be, (have)(have not) purchased bond insurance for the Bonds. The bond insurance, if any, has been purchased from _____ (the "Insurer") for a premium cost of \$_____ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such cost is set forth in the Insurer's commitment and is separately stated from all other fees or charges payable to the Insurer. The premium does not exceed a reasonable charge for the transfer of credit risk taking into account payments charged by guarantors in comparable transactions (including transactions in which a guarantor has no involvement other than as a guarantor). The present value of the debt service savings expected to be realized as a result of such insurance, discounted at a rate equal to the yield on the Bonds which results after recovery of the insurance premium, exceeds the present value of the bond insurance premium.
7. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the excludability of interest on the Bonds from the gross income of their owners.

Executed and delivered the _____ day of _____, 2010.

(Name of Underwriter or Manager)

(Signature)

(Title)

PRELIMINARY OFFICIAL STATEMENT

Dated: _____

RATING: S&P "___"

NEW ISSUE: BOOK-ENTRY-ONLY

Delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein including the alternative minimum tax on corporations.

*The District will designate the Bonds as "Qualified Tax-Exempt Obligations".
See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.*

\$1,600,000
SENNA HILLS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County)

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2010

Dated Date: _____

Due: August 15, as shown below

Interest on the Bonds will be payable February 15 and August 15 of each year commencing on February 15, 2011, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by Wells Fargo Bank, National Association, Austin, Texas, as Paying Agent/Registrar ("Paying Agent/Registrar"), to the Securities depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.)

MATURITY SCHEDULE
(Due August 15)

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate (%)^(a)</u>	<u>Initial Offering (%)Yield</u>	<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate (%)^(a)</u>	<u>Initial Offering (%)Yield</u>
2011	\$30,000			2023	\$70,000		
2012	30,000			2024	70,000		
2013	35,000			2025	75,000		
2014	35,000			2026	80,000		
2015	40,000			2027	90,000		
2016	40,000			2028	95,000		
2017	45,000			2029	100,000		
2018	50,000			2030	110,000		
2019	50,000			2031	115,000		
2020	55,000			2032	125,000		
2021	60,000			2033	135,000		
2022	65,000						

(a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of _____% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of _____%.

The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after August 15, 2015, in whole or from time to time in part, on August 15, 2014, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Optional Redemption" herein.

The Bonds, when issued, will constitute valid and binding obligations of the Senna Hills Municipal Utility District (the "District" or "Issuer") payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax levied against taxable property located within the District, without legal limitation as to rate or amount. The Bond Resolution irrevocably pledges such ad valorem taxes to the payment for the principal of and interest on the Bonds. The Bonds are further payable from, and secured by, a pledge of and lien on the net revenues, if any, of the System. See "THE BONDS - Source of and Security for Payment" herein. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS" herein.

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Willatt & Flickinger, Austin, Texas, Bond Counsel. Delivery of the Bonds is expected through DTC on or about _____.

TABLE OF CONTENTS

USE OF INFORMATION IN THE OFFICIAL STATEMENT	3	Tax Collections and Foreclosure Remedies	17
SALE AND DISTRIBUTION OF THE BONDS	3	Registered Owners' Remedies	17
Award of the Bonds	3	Bankruptcy Limitation to Registered Owners' Rights	18
Prices and Marketability	3	The Effect of the Financial Institutions Act of 1989 on Tax	
Securities Laws	3	Collections of the District	18
OFFICIAL STATEMENT SUMMARY	4	Marketability	18
THE DISTRICT	4	Continuing Compliance with Certain Covenants	19
THE BONDS	4	Future Debt	19
RISK FACTORS	5	No Requirement to Build on Developed Lots	19
SELECTED FINANCIAL INFORMATION	6	DISTRICT AND AREA MAPS	20
OFFICIAL STATEMENT	7	THE DISTRICT	22
INTRODUCTION	7	General	22
THE BONDS	7	Commitments of the District	22
General Description	7	Management of the District	22
Optional Redemption	7	Location	23
Authority for Issuance	8	Builders	23
Source of and Security for Payment	8	Future Development	23
Payment Record	8	Proposed Annexations into the District	23
Rating	8	Annexation of the District	23
Revenue Fund	8	THE DEVELOPER	23
Interest and Sinking Fund	9	Role of a Developer	23
Additional Bonds	9	Description of the Developer	24
Maintenance and Operation; Insurance	9	30% Developer Contribution	24
Accounts and Fiscal Year	10	Utility Development Agreement	24
Accounting Reports	10	THE SYSTEM	24
Defeasance of Bonds	10	General	24
Paying Agent/Registrar	11	Water Supply	24
Registration, Transfer and Exchange	11	Wastewater Treatment	24
Record Date	11	Storm Drainage	24
Issuance of Additional Debt	11	Irrigation Land	24
Lost, Stolen or Destroyed Bonds	11	Regulation	24
Legal Investment and Eligibility to Secure Public Funds in		100-Year Flood Plain	25
Texas	12	Water and Wastewater Operations	25
Remedies in Event of Default	12	INVESTMENT AUTHORITY AND INVESTMENT PRACTICES	
Consolidation	12	OF THE DISTRICT	25
Annexation	12	TAX RATE LIMITATIONS	27
Alteration of Boundaries	12	District Bond Tax Rate Limitation	27
Approval of the Bonds	13	Maintenance Tax	27
No-Litigation Certificate	13	TAXING PROCEDURES	27
No Material Adverse Change	13	LEGAL MATTERS	29
Amendments to the Bond Resolution	13	TAX MATTERS	30
BOOK-ENTRY-ONLY SYSTEM	13	CONTINUING DISCLOSURE OF INFORMATION	31
Use of Certain Terms in Other Sections of this Official		Availability of Information from MSRB	32
Statement	14	Limitations and Amendments	32
USE AND DISTRIBUTION OF BOND PROCEEDS	15	Compliance with Prior Undertakings	32
RISK FACTORS	15	FINANCIAL ADVISOR	32
General	15	OFFICIAL STATEMENT	33
Factors Affecting Taxable Values and Tax Payments	16	Experts	33
Overlapping and Combined Tax Rates	16	Updating the Official Statement During Underwriting	
Water and Wastewater Quality	17	Period	33
Demand for Certain Housing Products	17	Certification as to Official Statement	33
Affects of Regulatory Constraints	17	Official Statement "Deemed Final"	33
		Annual Audits	33

Financial Information of the District
Form of Legal Opinion of Bond Counsel
The District's Audited Financial Statements for the Year Ended September 30, 2009
Senna Hills, Ltd. Financial Statements for the Year Ended December 31, 2009

Appendix A
Appendix B
Appendix C
Appendix D

The cover page, subsequent pages hereof and the schedules and appendices attached hereto, are part of this Official Statement.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion, which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the other matters described herein since the date hereof. However, the District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the "Official Statement" until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT -Updating the Official Statement During Underwriting Period" and "CONTINUING DISCLOSURE OF INFORMATION."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of this Official Statement at a price of _____ % of par plus accrued interest to date of delivery. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over - allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds, may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT

The Issuer	Senna Hills Municipal Utility District (the "District" or "Issuer") is a political subdivision of the State of Texas, created pursuant to Chapter 54 of the Texas Water Code, as amended. The District was created to provide water and wastewater facility improvements to the approximately 323 acres within its boundaries, all of which lies within Travis County and of which approximately 199 acres are developable. See "THE DISTRICT - General" herein.
Location	The District is located on the north side of FM 2244, approximately 5.0 miles west of the intersection of FM 2244 and Loop 360 and 2.5 miles east of the intersection of FM 2244 and State Highway 71. The District is situated within the City of Austin's five-mile extra-territorial jurisdiction. See "THE DISTRICT - Location" herein.
The Developer	Senna Hills Ltd. and Taylor Morrison of Texas, Inc. are the principal property owner and developer of the District. See "THE DEVELOPER - Description of Developer/Landowner" and "THE DISTRICT - Current Status of Development" herein.
Development within the District	The District consists of 323 acres. Approximately 412 homes, as allowed and agreed to by the City Austin through a Consent Agreement, will be clustered on about 199 acres, with the remainder of the tract left as open space for effluent irrigation, parks and conservation areas. As of August 2009 the District had 365 water and wastewater connections. See "THE DISTRICT - General" herein.
Builders	Homebuilders within the District include various custom homebuilders who are building homes ranging in price from \$350,000 to \$750,000 with an average square footage ranging from 1,859 to 4,683 in living area.

THE BONDS

Description	The Bonds are issued in the aggregate principal amount of \$1,600,000 maturing annually in varying amounts on August 15 of each year from 2010 through 2033. Interest accrues from _____ at the rates per annum set forth on the cover page hereof and is payable February 15, 2011 and each February 15 and August 15 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description" herein.
Redemption	Bonds maturing in the years 2015 through 2033, inclusive, are subject to redemption in whole or from time to time in part at the option of the District on August 15, 2014, and on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS - Optional Redemption" herein.
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. See "TAXING PROCEDURES" herein. The Bond Resolution irrevocably pledges such ad valorem taxes to the payment for the principal of and interest on the Bonds. The Bonds are further payable from, and secured by, a pledge of and lien on the Net Revenues, if any, of the Waterworks and Sewer System (the "System"). See "THE BONDS - Source of and Security for Payment" herein. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS" herein. The Bonds are obligations solely of Senna Hills Municipal Utility District and are not obligations of the City of Austin, Texas; Travis County, Texas; the State of Texas; or any entity other than the District. See "THE BONDS - Source of and Security for Payment herein.
Payment Record	The District has never defaulted.
Authority for Issuance	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapter 49 and Chapter 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and a resolution (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the

District. See "THE BONDS - Authority for Issuance" herein.

Use of Proceeds

The proceeds of the Bonds will be used to acquire water, wastewater and drainage facilities from the Developer, to reimburse the Developer for such advanced costs, and to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" herein.

Bonds Authorized but Unissued

The Bonds were authorized at an election held within the District on January 21, 1995. After the sale of the Bonds, \$1,015,000 bonds will remain authorized but unissued. The District anticipates the issuance of an additional \$1,015,000 in the next twelve months. See "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized but Unissued" herein.

Municipal Bond Insurance

It is anticipated that the Bonds will qualify for municipal bond insurance.

Municipal Bond Rating

The District has made an application to Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") for a contract rating on the Bonds. The outstanding revenue bond debt of the District is rated "BBB+" by S&P. An explanation of the significance of the rating may be obtained from S&P. See "THE BONDS - Rating" herein.

Qualified Tax-Exempt Obligations

The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during this calendar year is not reasonably expected to exceed \$30,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.

Book-Entry-Only System

The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Bond Counsel

Willatt & Flicklinger, Austin, Texas.

General Counsel

Willatt & Flicklinger, Austin, Texas.

Financial Advisor

Southwest Securities, Dallas, Texas.

Engineer

Aupperle Company, Austin, Texas.

RISK FACTORS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "RISK FACTORS," with respect to the investment security of the Bonds.

SELECTED FINANCIAL INFORMATION

Taxable Assessed Valuation (100% of estimated market value)	\$160,001,988	(a)
Gross Debt Outstanding (after issuance of the Bonds)	\$12,100,000	
Ratio of Gross Debt to 2008 Assessed Valuation	7.59%	
2008/09 Tax Rate		
Debt Service	\$0.4800	
Maintenance & Operation	0.0800	
Total	\$0.5600	
Debt Service Fund Balance as of September 30, 2008	\$1,250,000	
Percentage of taxes collected to taxes levied – 2008/09	99.50%	
Projected Average Annual Debt Service Requirement Of the Bonds and the Outstanding Bonds ("Projected Average Requirement")	\$899,771	
Tax rate required to pay Projected Average Requirement based upon current Taxable Assessed Valuation at 97% collections	\$0.5797/\$100	A.V.
Projected Maximum Annual Debt Service Requirement (2022) of the Bonds and The Outstanding Bonds ("Projected Maximum Requirement")	\$1,147,053	
Tax rate required to pay Projected Maximum Requirement based upon current Taxable Assessed Valuation at 97% collections	\$0.6954/\$100	A.V.
Number of connections as of December 2008	356	(b)
Estimated population as of December 2008	1,032	(c)

- (a) *Certified taxable assessed valuation as of March 2009, according to the Travis Central Appraisal District.
See "TAXING PROCEDURES" herein.*
- (b) *Does not include builder connections.*
- (c) *Based on 3 residents per 344 completed single-family connections.*

**OFFICIAL STATEMENT
relating to**

\$1,600,000

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County, Texas)**

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2010

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Senna Hills Municipal Utility District (the "District" or "Issuer") of its \$1,600,000 Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2010 (the "Bonds").

The Bonds are issued pursuant to a bond resolution (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the District on the date of the sale of the Bonds, and pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and the approving order of the Texas Commission on Environmental Quality ("TCEQ" or the "Commission").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District or the Financial Advisor.

THE BONDS

General Description

The \$1,600,000 Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2010 will bear interest from _____ and will mature on August 15 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the cover page hereof. Interest on the Bonds will be paid on February 15, 2011 and each February 15 and August 15 thereafter until maturity or earlier redemption.

The Bonds of each maturity will be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. Principal of and redemption price on the Bonds will be payable at maturity or redemption upon presentation at the designated office for payment of Wells Fargo Bank, National Association (the "Paying Agent/Registrar") in Austin, Texas, or any successor Paying Agent/Registrar. Interest on the Bonds will be payable to the persons in whose names the Bonds are registered ("Registered Owners") as of the last business day of the month prior to each interest payment date by check or draft mailed, first-class postage prepaid on or before each such interest payment date to the Registered Owners' addresses shown on the bond register kept by the Paying Agent/Registrar or in accordance with other customary arrangements acceptable to the Paying Agent/Registrar and the Registered Owners. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (15) calendar days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner as it appears on the bond register kept by the Paying Agent/Registrar at the close of business on the last business day prior to the mailing of such notice.

Optional Redemption

The Bonds maturing on or after August 15, 2015, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 15, 2014, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. At least 30 calendar days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial journal or publication of general circulation in the City of New York, New York or in the State of Texas. Notice shall also be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular maturities of the Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are

to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot (or DTC while the Bonds are in Book-Entry-Only form).

Authority for Issuance

The Bonds were authorized at an election held in the District on January 21, 1995. After the sale of the Bonds, \$1,015,000 in District bonds will remain authorized but unissued. The District anticipates the issuance of an additional \$1,015,000 in the next twelve months.

The Bonds are issued pursuant to the terms and provisions of the Bond Resolution; Chapters 49 and 54 of the Texas Water Code, as amended and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by the Commission.

Source of and Security for Payment

The Bonds will be payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District and further secured by a pledge of and lien on the Net Revenues, if any, of the Waterworks and Sewer System (the "System"). The Board covenants in the Bond Resolution that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies and the costs of tax collection, to pay interest on the Bonds as it becomes due, and to provide for the payment of principal of the Bonds when due. At such time as the Net Revenues from the operation of the System together with money derived from taxes shall have accumulated a surplus in the Interest and Sinking Fund in an amount at least equal to the principal of and interest on the Bonds scheduled to mature and accrue in the year next succeeding, then the annual tax levy may be reduced to such rate as will produce not less than twenty-five percent (25%) of the principal and interest requirements for each of the next succeeding years, until an actual experience of three (3) successive years shall demonstrate that the Net Revenues are wholly adequate to pay the principal of and the interest on the Bonds as the same mature and accrue, at which time the District tax may be wholly abated until further experience may demonstrate the necessity again to exercise the District's taxing power in order to avoid default in the payment of said Bonds and the interest thereon as the same mature and accrue. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated "Interest and Sinking Fund" for the Bonds.

The District covenants and agrees with the holders of the Bonds and any outstanding Additional Bonds, as follows: (a) That it will at all times collect for services rendered by the System such amounts as will be at least sufficient to pay all expense of operation and maintenance, and to provide Net Revenues which will be, together with the funds to be derived from taxation as hereinabove provided, adequate to pay promptly all of the principal of and interest on the Bonds, and any outstanding Additional Bonds, and to make all deposits now or hereafter required to be made into the funds created and established by the Bond Resolution, or any resolution authorized Additional Bonds. (b) If the System should become legally liable for any other indebtedness, the District shall fix, maintain, charge and collect additional rates and services rendered by the System, sufficient to establish and maintain funds for the payment thereof.

The Bonds are obligations solely of the District and are not obligations of the City of Austin, Texas; Travis County, Texas; the State of Texas; or any political subdivision or entity other than the District.

Payment Record

The District has never defaulted.

Rating

The outstanding revenue bond debt of the District is rated "BBB+" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"). A municipal bond rating application has been made to S&P.

An explanation of the significance of the rating may be obtained from S&P. The rating reflects only the view of such company at the time the rating is given, and the District makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Revenue Fund

All gross revenues of every nature received from the operation and ownership of the System shall be deposited from day to day as collected into the Revenue Fund, and the reasonable, necessary, and proper expenses of operation and maintenance of the System shall be paid from the Revenue Fund. The revenues of the System not actually required to pay said expenses shall be deposited from the Revenue Fund into the funds to the extent provided hereunder.

Interest and Sinking Fund

There shall be deposited into the Interest and Sinking Fund the following: (a) such amounts, beginning on the 20th day of each month hereafter, in equal monthly installments, which, together with other monies on deposit therein, as will be sufficient to pay the interest scheduled to come due on the Bonds on the next interest payment date; and (b) such amounts, in equal monthly installments, which, together with other monies on deposit therein, made on the 20th day of each month hereafter, as will be sufficient to pay the next maturing principal of the Bonds. The Interest and Sinking Fund shall be used to pay the principal of and interest on the Bonds and all Additional Bonds, as such principal matures and such interest comes due.

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

The Net Revenues of the System, in excess of those necessary to establish and maintain the Funds as required in the Bond Resolution, or as hereafter may be required in connection with the issuance of Additional Bonds, may be used for any lawful purpose.

All Funds created by the Bond Resolution shall be secured in the manner and to the fullest extent permitted or required by law for the security of public funds, and such Funds shall be used only for the purposes and in the manner permitted or required by the Bond Resolution.

Additional Bonds

The District expressly reserves and shall have the right to issue in one or more installments such other combination unlimited tax and revenue bonds as were authorized at the Confirmation Election and as may hereafter be authorized at subsequent elections.

Such bonds may be payable from and equally secured by a pledge of and lien on the Net Revenues of the System to the same extent as pledged and in all things on a parity with the lien of the Bonds.

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

1. **Additional Revenue Bonds.** The District expressly reserves the right to issue additional bonds payable solely from Net Revenues of the System, as set forth above, for the purpose of completing, repairing, improving, extending, enlarging or replacing the System, and such bonds may be payable from and equally secured by a lien on and pledge of said Net revenues on a parity with the pledge thereof for the Bonds. Provided, however, that before the District can issue additional parity bonds payable solely from the revenues of the District's System, an independent certified public accountant shall certify that the Net Revenues of the District's System for the previous fiscal year have been equal to at least 1.25 times the average annual requirements for principal and interest of the then outstanding bonds of the District payable in whole or in part from the Net Revenues of the District's System, and a registered professional engineer shall certify that the anticipated Net Revenues of the District's System will equal at least 1.50 times the average annual requirements for payment of the then outstanding bonds of the District payable in whole or in part from the revenues of the District's System plus the additional bonds proposed to be issued; however, such certificates shall not be required for the issuance of additional bonds payable solely from ad valorem taxes or for additional bonds payable from both ad valorem taxes and Net Revenues of the District's System.
2. **Inferior Lien Bonds.** The District also reserves the right to issue inferior lien bonds and to pledge the Net Revenues of the System to the payment thereof, such pledge to be subordinate in all respects to the lien of the Bonds and any combination unlimited tax and revenue or revenue bonds on a parity with the Bonds.
3. **Special Project Bonds.** The District further reserves the right to issue special project bonds for the purchase, or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities, such special project bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to fund such bonds.
4. **Refunding Bonds.** The District further reserves the right to refund any of these bonds or additional combination unlimited tax and revenue or revenue bonds subject to prior redemption, or any bond the bearers of which have consented to have refunded, and the refunding bonds so issued shall enjoy complete equality of lien with the remaining bonds not refunded, if any such bonds remain, and the refunding bonds so issued shall enjoy the priority of lien enjoyed by the bonds being refunded.

Maintenance and Operation; Insurance

While any of the Bonds or Additional Bonds are outstanding, the District covenants and agrees to maintain the System in good condition and operate the same in an efficient manner and at reasonable expense, and to maintain insurance on the System, for the benefit of the holder or holders of said bonds, of a kind and in an amount which usually would be carried by private

companies engaged in a similar type of business and which will insure the District against claims for which it can be liable under the Texas Tort Claims Act, or any amendment thereof, or any similar law.

Accounts and Fiscal Year

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

Accounting Reports

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

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

Defeasance of Bonds

- a. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Resolution, except to the extent provided in subsection (d) below, when payment of the principal of such Bond, plus interest thereon, to the due date (whether such due date by reason of maturity, upon redemption or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice or redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability without reinvestment, or sufficient money to provide for such payment, and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon, shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in the Bond Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.
- b. Any monies so deposited with the Paying Agent/Registrar may at the written direction of the District also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District, or deposited as directed in writing by the District.
- c. The term "Government Obligation" as used in this Section shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United State of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.
- d. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Resolution.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by Wells Fargo Bank, National Association having its office for payment in Austin, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"). The Paying Agent/Registrar must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

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

Registration, Transfer and Exchange

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) must be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owners' income for federal income tax purposes.

The Bonds may be transferred, registered and assigned only on the register of the Paying Agent/Registrar upon surrender of such Bond or Bonds. *No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar* may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. A Bond may be transferred only by execution of the assignment form on the Bonds. A new Bond or Bonds will be authenticated and registered by the Paying Agent/Registrar within three (3) business days after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds shall be in any integral multiple of \$5,000 of principal amount for the Bonds being transferred. The last assignee's claim of title to the Bond or Bonds must be proven to the satisfaction of the Paying Agent/Registrar. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the opening of business on any Record Date and ending with the close of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date.

Record Date

The record date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the last business day of the month preceding such interest payment date.

Issuance of Additional Debt

The District may issue bonds necessary to provide those improvements and facilities for which the District was created, with the approval of the Commission and, in the case of bonds payable from taxes, the District's voters. Following the issuance of the Bonds, \$2,615,000 unlimited tax bonds authorized by the District's voters will remain unissued. The District anticipates the issuance of an additional \$1,600,000 in the next twelve months. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. The District also has the right to enter into certain other obligations including the issuance of revenue bonds and notes, bond anticipation notes and tax anticipation notes without voter approval. See "THE BONDS - Additional Bonds" above. Neither Texas law nor the Bond Resolution imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS" herein.

Lost, Stolen or Destroyed Bonds

Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed Bonds will be required to pay the District's cost to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Legal Investment and Eligibility to Secure Public Funds in Texas

Over a period of years, the Texas Legislature has enacted four statutes which pertain to the eligibility of bonds issued by a municipal utility district as investment for certain entities and as security for deposits of public funds. Section 49.186 of the Water Code; Article 717k-6, Vernon's Texas Civil Statutes; Chapter 2256, Texas Government Code ("Public Funds Investment Act"); and Chapter 2257, Texas Government Code ("Public Funds Collateral Act"). Reconciliation of these four conflicting statutes leads to the following conclusions: (1) banks, savings and loan associations, insurance companies, fiduciaries, trustees, and the State of Texas may invest in unrated bonds; (2) unrated bonds may be used to secure the deposit of public funds; and (3) political subdivisions of the State of Texas may not invest in bonds unless they have been rated by a nationally-recognized investment rating firm and have received a rating of not less than the "A" or its equivalent.

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

Remedies in Event of Default

The Bond Resolution provides that, in addition to all other rights and remedies of any owner of Bonds provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Resolution including payment when due of the principal of and interest on the Bonds, Registered Owners may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Bond Resolution provides no additional remedies to a Registered Owner. Specifically, the Bond Resolution does not provide for an appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year to year by the Registered Owners.

Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions. See "RISK FACTORS - Bankruptcy Limitation to Registered Owners' Rights" herein.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water and wastewater system with any other district.

Annexation

The District lies wholly within the extraterritorial jurisdiction of the City of Austin. Under Texas law, a district may be annexed by the city in whose extraterritorial jurisdiction the district is located. However, the ability of the City of Austin to annex the District is subject to two additional statutes. The act which created the District (the "Act") provides that a municipality may annex the District only after the installation of ninety percent (90%) of all works, improvements, facilities, plants, equipment and appliances necessary and adequate to (1) provide service to the proposed development within the District's boundaries, (2) accomplish the purposes for which the District was created, and (3) exercise the powers provided by the general law of the State and the Act; or the expiration of twenty (20) years from the date the District was confirmed, whichever occurs first.

Under Texas law, the City of Austin cannot annex territory within a district unless it annexes the entire district. At such time as it is permissible pursuant to law for the District to be annexed, and the City of Austin does annex, the City of Austin will assume the District's assets and obligations (including the debt service on the Bonds) and dissolve the District. Annexation of territory by the City of Austin is a policy-making matter within the discretion of the Mayor and City Council of the City of Austin and therefore, the District makes no representation that the City of Austin will ever annex the District.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District

simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries. See "THE DISTRICT - Proposed Annexations into the District" herein.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement.

Amendments to the Bond Resolution

The District may without the consent of or notice to any registered owners amend the Bond Resolution in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Resolution, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of an interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments, (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between

Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the CIBs within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor or the Underwriter.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to acquire water and wastewater facilities from the Developer, to reimburse the Developer for such advanced costs, and to pay certain costs associated with the issuance of the Bonds as set forth below.

CONSTRUCTION COSTS

A. Developer Contribution Items	Amount
1. Senna Hills Section 8	
a. Excavation	\$ 40,915
b. Drainage Improvements	\$ 44,484
c. Change Order #1 – Early Bonus Completion	\$ 29,003
d. Erosion Control	\$ 16,114
e. Water Improvements	\$ 70,034
f. WW Improvements	<u>\$ 103,080</u>
Subtotal	\$ 303,630
2. Senna Hills Section 9	
a. Excavation	\$ 26,160
b. Drainage Improvements	\$ 15,925
c. Change Orders #1 & #2	\$ 775
d. Erosion Control	\$ 11,436
e. Change Order #3 – Early Completion Bonus	\$ 7,899
f. Water Improvements	\$ 44,803
g. WW Improvements	<u>\$ 109,170</u>
Subtotal	\$ 216,168
3. Section 10	
a. Excavation	\$ 39,439
b. Drainage Improvements	\$ 19,829
c. Change Orders #1	\$ 4,140
d. Erosion Control	\$ 14,288
e. Change Order #2 – Early Completion Bonus	\$ 21,000
f. Water Improvements	\$ 59,617
g. WW Improvements	<u>\$ 154,799</u>
Subtotal	\$ 313,110
4. Engineering, Surveying, Fees & Other Construction	
a. Senna Hills Ltd. Paid Misc. Items	\$ 42,180
b. Taylor Woodrow Paid Engineering, Surveying, Testing, Fees & Expenses	<u>\$ 230,000</u>
Subtotal	\$ 272,180
B. District Items	
a. Lift Station #1 Rehabilitation & Improvements, Design & Construction	\$ 100,000
b. Effluent Irrigation Field Expansion/Rehabilitation	<u>\$ 100,000</u>
Subtotal	\$ 200,000
Total Developer Contribution Items	\$1,105,088
Total District Items	<u>\$ 200,000</u>
TOTAL CONSTRUCTION COSTS	\$1,305,088

NON CONSTRUCTION COSTS

A. Bond Attorney (1.5% of total construction & non-construction costs)	\$ 24,000
B. Fiscal Agent Fees (2.0% of total construction & non-construction costs)	\$ 32,000
C. Developer Interest (2.0 yrs. @ 7.00% of total construction costs)	\$ 154,712
D. Bond Discount (3.0% of total construction & non-construction costs)	\$ 48,000
E. TCEQ Bond Issuance Fee (0.25 % of total construction & non-construction costs)	\$ 4,000
F. Bond Application Report (0.50% of total construction & non-construction costs)	\$ 8,000
G. Misc./Contingencies	<u>\$ 24,200</u>
TOTAL NONCONSTRUCTION COSTS	<u>\$ 294,912</u>
TOTAL CONSTRUCTION & NONCONSTRUCTION REQUIREMENT	\$1,600,000

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Travis County, Texas; Austin, Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District and further secured by a pledge and lien on surplus net revenues of the System. See "THE BONDS - Source of and Security for Payment" herein. The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District

all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers and homebuilders are able to obtain financing for development and construction costs. Lenders have been selective in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, although located approximately 10 to 12 miles from the central downtown business district of the City of Austin, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics.

Competition: The demand for single-family homes in the District could be affected by competition from other residential developments including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

The competitive position of the developer in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the developer will be implemented or, if implemented, will be successful.

Dependence Upon Developer: The principal taxpayer and major landowner in the District is the developer. The developer is not under any obligation to continue to market for improvement developed tracts of land. Thus, the furnishing of information related to the proposed development by the developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the developer, or any other subsequent landowner to whom such party may sell all or a portion of his holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the developer's right to sell all or a part of the land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the developer. Failure to construct taxable improvements on developed lots and tracts and failure of the developer to develop land would restrict the rate of growth of taxable value in the District. See "THE DISTRICT - Current Status of Development," and "THE DEVELOPER" herein.

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The current taxable assessed valuation of the District is \$160,001,988 (see "Appendix A - FINANCIAL INFORMATION OF THE DISTRICT"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$1,147,053 (2022) and the Projected Average Annual Debt Service Requirement will be \$899,771 (2009 through 2033, inclusive). Assuming (1) no increase or decrease from the current taxable assessed valuation, and (2) no use of funds on hand, a tax rate of \$0.6954 per \$100 assessed valuation, at a 97% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement, and a tax rate of \$0.5797 per \$100 assessed valuation at a 97% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement.

Overlapping and Combined Tax Rates

Tax rates per \$100 valuation for entities levying a tax on land within the District are shown in Appendix A of this Official Statement.

The Current Commission rules regarding the feasibility of a bond issue for a utility district in Travis County limit the projected combined total tax rate of entities levying a tax for water and wastewater to \$1.20. The projection for the District is consistent with the rules of the commission. If the tax rate of the District ever exceeds \$1.20, the district could be prohibited under rules of the commission from selling additional bonds.

Water and Wastewater Quality

Water is supplied on a wholesale level to the District under a potable water agreement with the Lower Colorado River Authority (LCRA). The District, in turn, sells retail water to its homeowners. The District owns and operates an 85,000 gpd wastewater treatment plant. The entire non-discharge treatment system is regulated and permitted through the Texas Commission on Environmental Quality.

Demand for Certain Housing Products

The housing product completed and planned for the District consists of single-family homes with anticipated prices ranging from \$350,000 to \$750,000. Due to the price ranges of the housing currently under construction and planned within the District, the demand for such housing product may be more adversely affected by economic conditions than other lower cost housing products within the Austin area.

Affects of Regulatory Constraints

To the extent the District does not develop due to economic or other factors including implementation of City of Austin land use, water quality and other such regulatory ordinances, such lack of development may have an adverse impact on the assessed valuation and tax rate within the District.

According to the Developer, he has obtained all of the environmental permits necessary to develop the property within the District in the manner currently planned, including, but not limited to, a letter agreement from the United States Fish and Wildlife Service allowing the proposed development. Notwithstanding the Developer obtaining such permits, the District is located in an area considered to be environmentally sensitive. The area in which the District is situated is known to provide habitat for certain rare and endangered species of wildlife and plants. The area, therefore, has at various times been subject to ordinances, laws, rules and regulations including particularly those relating to water quality, that restrict the amount or nature, and increase the cost, of land development in the region. Regulatory entities such as the Commission, U. S. Environmental Protection Agency, and U. S. Fish and Wildlife Service may seek to impose development restrictions that could affect the taxable value of land within the District.

Travis County, including areas within and in the vicinity of the District, is known to contain habitat of a number of species listed as endangered or threatened under the Endangered Species Act, including the golden cheeked warbler, the blackcapped vireo, numerous species of cave or karst dwelling invertebrates, and certain species of plant, including the canyon mock orange and the bracted twist flower. Some of these species and/or their habitat may occur within the District. In addition, the District may contain the habitat of species yet to be listed, but perhaps suitable for listing. The presence of endangered species or their habitat can significantly and adversely affect the value or usability of property. The Endangered Species Act and the regulations promulgated thereunder may prohibit the destruction or adverse modification of habitat without acquiring an appropriate permit. See "THE DEVELOPER" herein.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered Owners are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, Registered Owners to enforce such remedies. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law a municipal utility district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owner's claim against a district.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

Marketability

The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS" herein.

Future Debt

District Debt: The District reserves in the Bond Resolution the right to issue the remaining authorized but unissued bonds (see "APPENDIX A - UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED"), and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, and other obligations described in the Bond Resolution and has certain revenue notes and tax anticipation notes outstanding. All of the remaining bonds which have heretofore been authorized by the voters of the District may be issued by the District, with the approval of the Commission, from time to time as improvement needs arise. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

In the opinion of the District's Engineer, following the issuance of the Bonds, the \$2,615,000 of authorized but unissued bonds should be sufficient to fully reimburse the developer for the existing utility facilities and provide utility service to the remaining undeveloped but potentially developable acres within the District. The District anticipates the issuance of an additional \$1,600,000 in the next twelve months. The District anticipates that it may issue the full principal amount of authorized but unissued bonds in installments over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate) see "THE DEVELOPER - Utility Development Agreement" herein. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the Commission pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS -Issuance of Additional Debt" herein.

No Requirement to Build on Developed Lots

There is currently no requirement that individuals or other purchasers of developed lots within the District commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District.

DISTRICT AND AREA MAPS

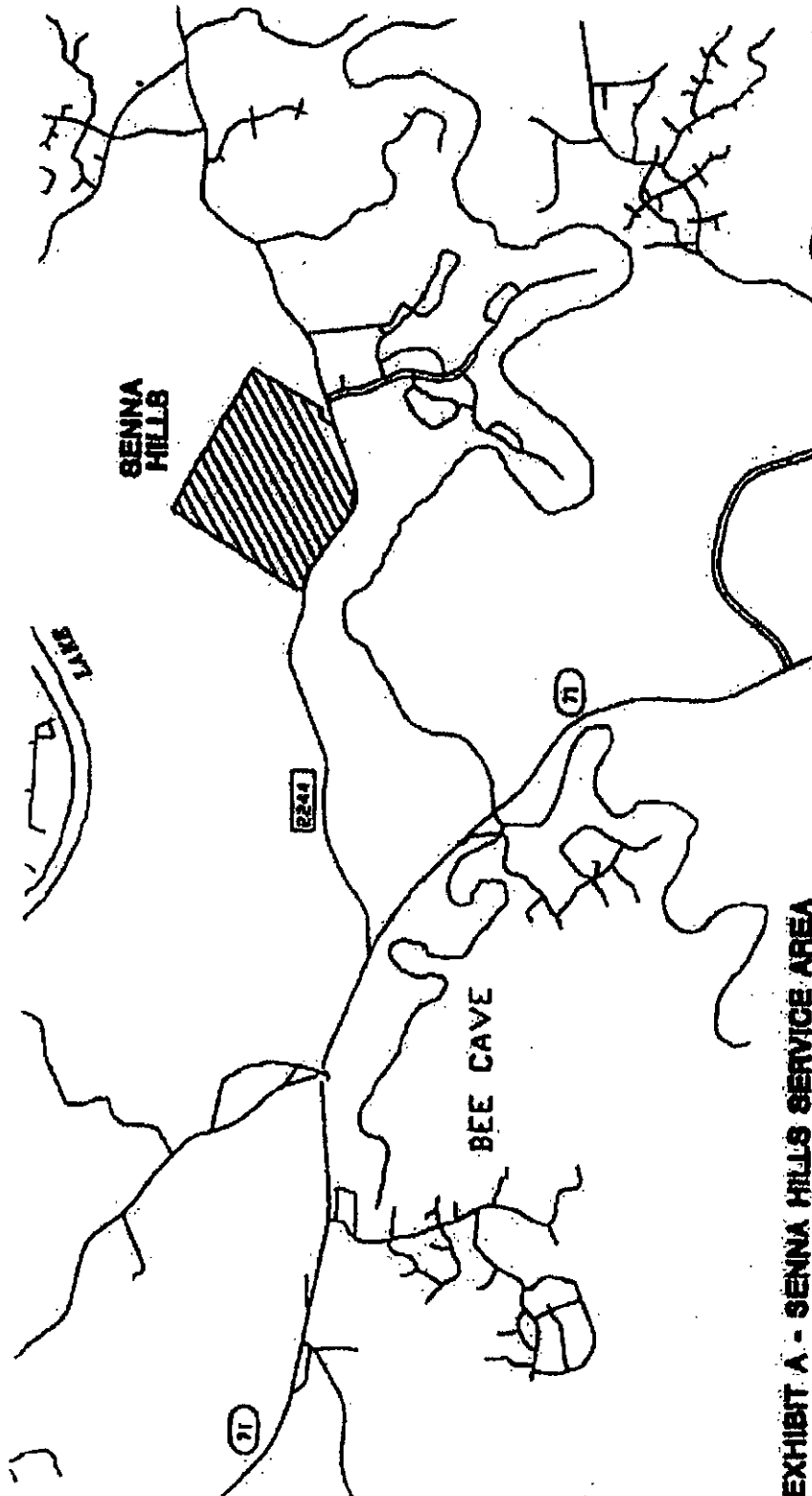


EXHIBIT A - SENNA HILLS SERVICE AREA

[illegible]

FM 2244 (Bee Cove Road)

4722 (Bee Cove Road)

THE DISTRICT

General

The District was created to provide water, wastewater and drainage facility improvements within the District. At creation, the District consisted of approximately 398.8 acres to be developed as single family homes. The District has not annexed any land since creation and excluded 76.1 acres on January 4, 1995 resulting in a current District acreage of 323. Approximately 412 homes, as allowed and agreed to by the City of Austin through a consent agreement, will be clustered on about 199 acres with the remainder of the tract left as open space for effluent irrigation, parks and conservation areas. See "THE SYSTEM - Regulation" below. The City of Austin granted consent to the creation of the District by ordinance on January 15, 1987. In 1993 the City of Austin, the District and Senna Hills, Ltd., a Texas limited partnership, as the holder of legal title to a majority in value of the land comprising the District, modified the Agreement concerning creation and operation of the District.

The District operates under Chapters 49 and 54 of the Texas Water Code. Texas Commission on Environmental Quality jurisdiction is provided in Section 54.024. On August 11, 1988, the Texas Water Commission approved the Amended Petition for Creation of Senna Hill Municipal Utility district and the appointment of five (5) temporary Directors for the District with all three (3) Commission members present voting "Aye" and no member voting "No". On January 21, 1995, the District's voters confirmed the creation of the District, authorized a maintenance tax not to exceed \$1.00 per \$100 assessed valuation, and approved the issuance of \$16,000,000 in unlimited tax and revenue bonds.

The District is located on the north side of FM 2244, approximately 5.0 miles west of the intersection of FM 2244 and Loop 360 and 2.5 miles east of the intersection FM 2244 and State Highway 71. The District is situated within the City of Austin's five-mile extra-territorial jurisdiction. The District is most readily accessed by taking Loop 1 (Mopac) south, exiting on FM 2244, and traveling westward approximately 9 miles.

Commitments of the District

The District entered into a Water Services Agreement with the LCRA on September 2, 1994. The District is obligated to pay LCRA \$1,950 per LUE, a monthly charge of \$3,000 and a volume rate of \$1.80 per 1,000 gallons. The term of this agreement is 40 years.

Management of the District

Board of Directors

The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected for four-year staggered terms, with elections held within the District on the first Saturday in January or May of each even numbered year.

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Chet Palesko	President	2010
Michael Dansby	Secretary	2012
Kenneth Fox	Director	2010
David Perl	Director	2010
Gregg Kronenberger	Director	2012

Consultants

Tax Assessor/Collector

Land and improvements in the District are being appraised by the Travis Central Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Travis County Tax Assessor/Collector currently serves the District in this capacity under contract. The Travis County Tax Assessor serves approximately 79 other special districts as Tax Assessor/Collector.

Operations Manager

The District contracts with AquaSource, Inc. ("AquaSource") to serve as Operations Manager for the District. AquaSource serves in this capacity for four other special districts in the Austin metropolitan area.

Engineer

The District's consulting engineer is Aupperle Company (the "Engineer"). Such firm serves as consulting engineer to one other special district.

Auditor

The District's auditor is David L. Merritt, P.C., certified public accountants. David L. Merritt serves as auditor to two other special districts.

Financial Advisor

Southwest Securities serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor has been authorized through by the Board to submit a bid for the purchase of the Bonds.

Bond Counsel

The District employs Willatt & Flickinger, Austin, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel

The District employs Willatt & Flickinger, Austin, Texas, as general counsel. Fees paid to Willatt & Flickinger for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

Location

The District is located on the north side of FM 2244, approximately 5.0 miles west of the intersection of FM 2244 and Loop 360 and 2.5 miles east of the intersection FM 2244 and State Highway 71. The District is situated within the City of Austin's five-mile extra-territorial jurisdiction. The District is most readily accessed by taking Loop 1 (Mopac) south, exiting on FM 2244, and traveling westward approximately 9 miles.

Builders

Homebuilders within the District include various custom homebuilders who are building homes ranging in price from \$350,000 to \$750,000 with an average square footage of living area ranging from 1,859 to 4,683.

Future Development

The District has approximately 412 developed lots allowed under current land development and water quality regulations. The single family residential lot development is complete and there remains only one approximately 14-acre tract that is available for possible future non-single family development. The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any home builder to sell completed homes described in this Official Statement under the caption "RISK FACTORS." The District's Engineer estimates that the \$2,615,000 authorized bonds which remain unissued after the sale of the Bonds should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to remaining undeveloped but potentially developable acres within the District. The District anticipates the issuance of an additional \$1,600,000 in the next twelve months. See "THE BONDS - Issuance of Additional Debt" herein. The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

Proposed Annexations into the District

The District is proposing to annex half an acre owned by Evans Weaver.

Annexation of the District

The District lies wholly within the extraterritorial jurisdiction of the City of Austin. See "THE BONDS - Annexation" for a discussion of the ability of the City of Austin to annex the District.

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer within a utility district, such as the District, include, among other activities, purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning and scheduling building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities in the utility district) pursuant to the rules of the Commission, and selling improved lots or commercial reserves to

builders, other developers or third parties. Ordinarily, the Developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility districts finance the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the Commission to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developer

Senna Hills Ltd. And Taylor Morrison of Texas, Inc., (the "Developer") are the developers of the District.

30% Developer Contribution

Under the TCEQ 30% Rule in 30 TAC 293.47(a)(1), a developer is required to contribute 30% of the development costs unless certain special considerations are met. Since the District's debt to assessed valuation is less than 10%, the Developer is exempt from the 30% Rule, under Special Consideration No. 3.

Utility Development Agreement

On a phase-by-phase basis, the District and the Developer enter into an agreement for the installation and future sale to the District of all infrastructure, with the exception of roadways, which are dedicated to the County.

THE SYSTEM

General

The District provides retail water and wastewater services within the District.

Water Supply

The District's water supply is provided by the Lower Colorado River Authority (LCRA) pursuant to an agreement dated September 2, 1994. The LCRA acquired the Uplands Company Water Supply System consisting of a 1.8 mgd raw water intake and pumping system, two 1,250 gpm raw water pumps, a 30-inch diameter raw water transmission main, a 1.8 mgd water treatment plant, treated water storage facilities and treated water transmission and distribution facilities. Under contract no. 12923 with the LCRA, the District is able to divert a maximum of 75 acre-feet of raw water per year from Lake Austin. The LCRA has also constructed a loop line to transport water from the water treatment plant to the District boundaries. The agreements provide for enough water capacity up to 907,000 gpd at a peak rate of 630 gpm to serve the current connections and projected needs of the District.

Wastewater Treatment

The District initially leased a pre-package sewage treatment plant with testing sand filter from Skyline Properties. The District has subsequently purchased the plant from Skyline Properties. This plant's current capacity is 67,000 gpd. The plant operates under an no-discharge permit. The District's developer has provided a drainage easement and public utility easement for the irrigation site designated for this development. The plant is scheduled for one more phase of expansion which is included in this current bond issue. The next phase of expansion would take the capacity to 131,000 gpd and the last phase would expand gpd capacity to 157,000. The existing wastewater treatment plant with its designed expansion will provide sufficient capacity for current and proposed developments within the District.

Storm Drainage

Storm water from within the District generally drains through underground lines to open channels or detention ponds and then to natural tributaries that flow to Lake Austin or Barton Creek.

Irrigation Land

There are approximately 83 acres of irrigation which have been or will be set aside as permanent irrigation land for non-discharge TCEQ wastewater permit. These areas also provide downstream buffer zones for storm water runoff and set-back allowances from FM2244.

Regulation

According to the engineering report, the facilities are designed in accordance with standards and regulations established by the TCEQ, the City of Austin, and Travis County.

Operation of the District's internal waterworks and wastewater facilities are subject to regulation by, among others, the Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

100-Year Flood Plain

There is no flood plain within the District.

Water and Wastewater Operations

Rate and Fee Schedule -

Tap Fees:

Water Residential	\$ 131.00
Sewer Residential	50.00
Builder Deposit	1,000.00

Security Deposit:

Residential (5/8")	\$ 100.00
Residential (3/4")	125.00
Fire Hydrant Meter	750.00

Water Consumption Rates:

Base Rate (5/8") including zero gallons	\$ 18.00
3/4" Meter	1.5 times Base Rate
1" Meter	2.5 times Base Rate
1 1/2" Meter	5.0 times Base Rate
Per 1,000:	
1,001-19,999 gallons	\$ 2.71
20,000-44,999 gallons	2.96
45,000-74,999 gallons	3.46
Over 75,000 gallons	3.71

Sewer Consumption Rates:

Base Rate	\$ 25.00
Per	2.75

Meters are read on the 22nd of each month. Bills go out on the 8th day of the following month and payments are due by the 2nd of the month following receipt of bill.

Late Payment Penalty: A late charge of 10% of the bill shall be added for each monthly billing date the delinquent account remains unpaid.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas Law and in accordance with investment policies approved by the Board of Directors. Both state law and the District's investment policies are subject to change.

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligation, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for District deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses 1) through 5) or in any other manner and amount provided by law for District deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause 1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either 1) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by the U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average

portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invests exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaa or an equivalent by at least one nationally recognized rating service.

The District is specifically prohibited from investing in: 1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage backed security collateral and pays no principal; 2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage backed security and bears no interest; 3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and 4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in the market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity, that address investment diversification, yield, maturity, and the quality and capability of investment management, and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment.

Each Investment Strategy Statement will describe its objectives concerning: 1) suitability of investment type, 2) preservation and safety of principal, 3) liquidity, 4) marketability of each investment, 5) diversification of the portfolio, and 6) yield.

Under Texas law District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: 1) the investment position of the District, 2) that all investment officers jointly prepared and signed the report, 3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, 4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, 5) the maturity date of each separately invested asset, 6) the account or fund or pooled fund group for which each individual investment was acquired, and 7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law the District is additionally required to: 1) annually review its adopted policies and strategies, 2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors, 3) require the registered principal of firms seeking to sell securities to the District to: a) receive and review the District's investment policy, b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and c) deliver a written statement attesting to these requirements; 4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, 5) provide specific investment training for the Treasurer and investment officers, 6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, 7) restrict the investment in mutual funds in the aggregate to no more than 80% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and 8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments

Cash held by the District is currently on deposit in various bank accounts. State law requires the District to mark any investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

As of September 30, 2009 the District's funds (General, Debt Service and Construction) were invested as follows:

<u>Fund and Investment Type</u>	<u>Amount</u>	<u>Percentage of Portfolio</u>
Cash and Cash Equivalents		
Investments		
Total Investments		

TAX RATE LIMITATIONS

District Bond Tax Rate Limitation

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount.

Maintenance Tax

The Board of Directors of District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, or maintaining or repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds which may be issued in the future. At an election held on January 21, 1995, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown in Appendix A, the District levied 2008/09 maintenance and operations tax of \$0.08/\$100 assessed valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, their pro rata share of debt service on any contract tax bonds and any additional bonds or obligations payable from taxes which the District may hereafter issue (see "RISK FACTORS - Future Debt" herein) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA - Tax Rate Limitation" herein."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Travis Central Appraisal District (the "TCAD") has the responsibility for appraising property for all taxing units within Travis County, including the District. Such appraisal values are subject to review and change by the Travis Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$1,500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain household goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development organizations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. Property owned by a disabled veteran or a veteran who died while on active duty has been granted an exemption up to \$3,000 of assessed value. Partially exempt to between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or spouse or certain children. Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent of \$3,000 of appraised value or more. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Tax Abatement: Travis County and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the TCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business to be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the TCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the TCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the TCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the TCAD chooses formally to include such values on its appraisal roll.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against the TCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 1997". A tax lien on real property takes priority over the claim of

most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "RISK FACTORS - General - Tax Collections and Foreclosure Remedies" herein.

Effect of FIRREA on Tax Collections

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA") contains provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary lien shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real property taxes when due and (iii) notwithstanding the failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Willatt & Flickinger, ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's, legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

Litigation

In the opinion of the District's General Counsel, the District is not a party to any litigation or other proceeding pending or to its knowledge threatened, in any court, agency or other administrative body (either city, state or federal) which, if decided adversely to the District would have a material adverse effect on the financial condition of the District.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse

change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Willatt & Flicklinger, Austin, Texas, Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (i) interest on the Bonds will be excludable from the "gross income" of the holders thereof and (ii) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering their opinion, Bond Counsel will rely upon (i) the District's federal tax certificate and (ii) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The law upon which Bond Counsel has based their opinion is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof. In such event, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Under existing law, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bond and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be subject to the "branch profits tax" imposed by Section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such obligations. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price or, in the case of an obligation issued at an original issue discount, the "revised issue price" (i.e., a market discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by an "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$30,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds \$30,000,000, then such obligations might fail to satisfy the \$30,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

In the Resoution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to securities brokers and others at no charge via the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The District will provide certain financial information and operating data to the MSRB annually. The financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A, Tables 1, 7, 8, 9, 10 and 12 will be provided. Under Texas Law, the District must keep its fiscal records in accordance with generally accepted accounting principals, must have its financial accounts and records audited by a certified public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District and the TCEQ are required by law to provide a copy of the District's audit reports to any member of the public within a reasonable time on request, upon payment of applicable copying charges. Requests for copies should be addressed to the

District in care of AquaSource, Inc., 1421 Wells Branch Parkway, Suite 105, Pflugerville, TX. The District will provide this information to the MSRB within six months after the end of each of its fiscal years.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements cannot be provided, the Issuer will provide unaudited financial statements until the audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day in March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

The Issuer will also provide timely notices of certain events to the MSRB. The Issuer will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Ordinance make any provision for debt service reserves, credit enhancement or liquidity enhancement. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports".

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds free of charge through the MSRB's EMMA System.

Limitations and Amendments

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

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the Securities and Exchange Commission amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

The Issuer has complied with all previous disclosure agreements made by it in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

Southwest Securities is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the

Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

OFFICIAL STATEMENT

Experts

In approving this Official Statement, the District has relied upon the following experts.

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by Aupperle Company and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL INFORMATION," has been provided by the Travis County Appraisal District, in reliance upon their authority as experts in the field of appraising and tax assessing.

Tax Assessor/Collector: The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by the Travis County Tax Assessor/Collector in reliance upon her authority as an expert in the field of tax assessing and collecting.

Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery" herein. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. All changes in the affairs of the District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds are the responsibility of the Initial Purchaser.

Official Statement "Deemed Final"

For purposes of compliance with Rule 15c(2)-12 of the Securities Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph. The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in Rule 15c(2)-12.

Annual Audits

Under Texas Law, the District must keep its fiscal records in accordance with generally accepted accounting principles, must

have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the Commission within 135 days after the close of the fiscal year. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any Registered Owner or other member of the public within a reasonable time on request, upon payment of charges prescribed by the Texas General Services Commission.

The Bond Resolution will also approve the form and content of this Official Statement, and any addendum, supplement or amendment thereto, and authorize its further use in the offering of the Bonds by the Underwriter.

/s/ Chet Paleško

President, Board of Directors
Senna Hills Municipal Utility District

/s/ Michael Dansby

Secretary, Board of Directors
Senna Hills Municipal Utility District

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2009 Actual Market Value of Taxable Property	\$ 189,632,415
Less Exemptions:	<u>(382,583)</u>
2009 Net Taxable Assessed Valuation (100% of Actual) ^(a)	<u>\$ 189,249,832</u>

Source: July 2009 report entitled Certification of 2009 Appraised Values by the Travis County Appraisal District

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Outstanding:	
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 1999	\$ 2,310,000
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2000	2,695,000
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2004	1,640,000
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2009	5,200,000
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2010	1,600,000
Total Gross General Obligation Debt Outstanding:	<u>\$ 13,445,000</u>
Less: Estimated Self-Supporting Gross Debt	\$ -
Less: I&S Fund Balance as of September 30, 2008	(1,345,692)
Total Net General Obligation Debt Outstanding:	<u>\$ 12,099,308</u>
Ratio of Gross General Obligation Debt to Net Assessed Valuation	7.10%
Ratio of Net General Obligation Debt to Net Assessed Valuation	6.39%

Gross Area of the District in acres -	322.68
Gross Bonded Debt Per Acre	\$41,667
Net Bonded Debt Per Acre	\$37,496
Estimated Assessed Value Per Acre	\$586,494
2009 Population Estimate ^(a)	882
Per Capita Net Appraised Taxable Valuation	\$214,569
Per Capita Gross Bonded Debt	\$15,244
Per Capita Net Bonded Debt	\$13,718

^(a) Based on 3 residents per 294 completed single-family connections.

\$1,600,000
Senna Hills Municipal Utility District
(Travis County, Texas)
Unlimited Tax Waterworks and Sewer System Revenue Bonds, Series 2010

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Fiscal Year 30-Sep	Outstanding Debt Service Requirements	The Bonds			Combined Debt Service
		Principal	Interest	Total	
2010	\$ 1,089,040	\$ -	\$ -	\$ -	\$ 1,089,040
2011	1,086,983	30,000	112,000	142,000	1,228,983
2012	1,087,825	30,000	109,900	139,900	1,227,725
2013	1,087,613	35,000	107,800	142,800	1,230,413
2014	1,091,375	35,000	105,350	140,350	1,231,725
2015	1,088,368	40,000	102,900	142,900	1,231,268
2016	1,089,355	40,000	100,100	140,100	1,229,455
2017	1,088,698	45,000	97,300	142,300	1,230,998
2018	1,091,435	50,000	94,150	144,150	1,235,585
2019	1,087,100	50,000	90,650	140,650	1,227,750
2020	1,091,318	55,000	87,150	142,150	1,233,468
2021	1,088,310	60,000	83,300	143,300	1,231,610
2022	1,088,653	65,000	79,100	144,100	1,232,753
2023	1,091,945	70,000	74,550	144,550	1,236,495
2024	834,038	70,000	69,650	139,650	973,688
2025	832,470	75,000	64,750	139,750	972,220
2026	836,770	80,000	59,500	139,500	976,270
2027	833,025	90,000	53,900	143,900	976,925
2028	836,635	95,000	47,600	142,600	979,235
2029	586,800	100,000	40,950	140,950	727,750
2030	584,800	110,000	33,950	143,950	728,750
2031	585,400	115,000	26,250	141,250	726,650
2032	583,200	125,000	18,200	143,200	726,400
2033	583,200	135,000	9,450	144,450	727,650
	<u>\$ 22,344,353</u>	<u>\$ 1,600,000</u>	<u>\$ 1,668,450</u>	<u>\$ 3,268,450</u>	<u>\$ 25,612,803</u>

TAX ADEQUACY

TABLE 4

2009/10 Net Taxable Valuation	\$ 189,249,832
Maximum Annual Debt Service Requirement	1,236,495
Indicated Maximum Interest and Sinking Fund Tax Rate	0.6736
Indicated Maximum Interest and Sinking Fund Tax Levy at 97% Collections	1,236,543

DEBT SERVICE FUND MANAGEMENT INDEX

TABLE 5

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2008	\$ 1,345,692
2009/10 Interest and Sinking Fund Tax Levy at 99% Collections Produces	936,787
Total Available for Debt Service	\$ 2,282,479
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-11	(1,228,983)
Estimated Surplus at Fiscal Year End 9-30-11	<u>\$ 1,053,496</u>

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

TABLE 6

Fiscal Year Ending 9/30	Principal Payment Schedule			Bonds Unpaid at End of Year	Percent of Principal Retired
	Outstanding Bonds	The Bonds	Total		
2010	\$ 415,000	\$ -	\$ 415,000	13,030,000	3.09%
2011	350,000	30,000	380,000	12,650,000	5.91%
2012	370,000	30,000	400,000	12,250,000	8.89%
2013	390,000	35,000	425,000	11,825,000	12.05%
2014	415,000	35,000	450,000	11,375,000	15.40%
2015	435,000	40,000	475,000	10,900,000	18.93%
2016	460,000	40,000	500,000	10,400,000	22.65%
2017	485,000	45,000	530,000	9,870,000	26.59%
2018	515,000	50,000	565,000	9,305,000	30.79%
2019	540,000	50,000	590,000	8,715,000	35.18%
2020	575,000	55,000	630,000	8,085,000	39.87%
2021	605,000	60,000	665,000	7,420,000	44.81%
2022	640,000	65,000	705,000	6,715,000	50.06%
2023	680,000	70,000	750,000	5,965,000	55.63%
2024	460,000	70,000	530,000	5,435,000	59.58%
2025	485,000	75,000	560,000	4,875,000	63.74%
2026	525,000	80,000	605,000	4,270,000	68.24%
2027	560,000	90,000	650,000	3,620,000	73.08%
2028	605,000	95,000	700,000	2,920,000	78.28%
2029	400,000	100,000	500,000	2,420,000	82.00%
2030	430,000	110,000	540,000	1,880,000	86.02%
2031	465,000	115,000	580,000	1,300,000	90.33%
2032	500,000	125,000	625,000	675,000	94.98%
2033	540,000	135,000	675,000	-	100.00%
	<u>\$ 11,845,000</u>	<u>\$ 1,600,000</u>	<u>\$ 13,445,000</u>		

PROPERTY TAX RATES AND COLLECTIONS

TABLE 7

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Fiscal Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections	
				Current	Total
2003/04	\$ 89,309,745	\$ 0.6650	\$ 593,910	99.37%	100.12%
2004/05	92,184,500	0.6650	613,027	99.56%	100.80%
2005/06	95,397,977	0.6650	634,397	99.99%	100.42%
2006/07	111,354,890	0.6075	676,481	100.00%	102.35%
2007/08	140,842,481	0.5600	788,718	99.85%	100.53%
2008/09	159,322,499	0.5400	860,341	99.00%	100.00%
2009/10	189,249,832	0.5774	1,092,729	(In Process of Collection)	

(a) Estimate.

Sources: Travis County Appraisal District, Travis County Tax Office and Issuer's audited financial reports

PRINCIPAL TAXPAYERS
TABLE 8

<u>Name</u>	<u>Type of Property</u>	<u>2009/10 Net Taxable Assessed Valuation</u>	<u>% of Total 2009/10 Assessed Valuation</u>
Taylor Woodrow Homes-Austin	Lots and Homes	\$ 7,775,091	4.11%
Drees Custom Homes LP	Lots and Homes	1,538,227	0.81%
Deangelis, John A.	Residence	863,748	0.46%
Cook, Angus & Tina D.	Residence	833,332	0.44%
Young, Daniel J. & Meredith H.	Residence	814,220	0.43%
O'Connell, Conleth S. Jr.	Residence	797,988	0.42%
Crowder, J. Calvin	Residence	792,708	0.42%
Sorrell, J. Sean & Stephanie T.	Residence	789,176	0.42%
Doggett, Eric & Lisa	Residence	773,890	0.41%
Hackett, Iain	Residence	769,717	0.41%
	Total	\$ 15,748,097	8.32%

Based on a 2009 Net Taxable Assessed Valuation of \$ 189,249,832

Source: Travis County Appraisal District.

HISTORICAL ASSESSED VALUATION AND EXEMPTIONS
TABLE 9

<u>Property Use Category</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Real Property	\$ 96,230,443	\$ 114,110,043	\$ 141,867,556	\$ 159,651,914	\$ 189,427,556
Personal Property	231,942	179,012	284,684	350,074	204,859
Total Appraised Value	\$ 96,462,385	\$ 114,289,055	\$ 142,152,240	\$ 160,001,988	\$ 189,632,415
Less: Exemptions					
Loss to Agriculture	\$ 554,442	\$ 523,907	\$ 225,021	\$ 156,867	\$ 67,404
Exempt	499,966	387,190	237,503	201,077	115,320
Homestead Cap	-	2,013,068	837,235	311,545	189,859
Ten Percent Cap Loss	-	-	-	-	-
Disabled/Deceased Veterans	10,000	10,000	10,000	10,000	10,000
Total Exemptions	\$ 1,064,408	\$ 2,934,165	\$ 1,309,759	\$ 679,489	\$ 382,583
Net Taxable Assessed Valuation	\$ 95,397,977	\$ 111,354,890	\$ 140,842,481	\$ 159,322,499	\$ 189,249,832

Source: Travis County Appraisal District.

PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY
TABLE 10

<u>Property Use Category</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Real Property	99.76%	99.84%	99.80%	99.78%	99.89%
Personal Property	0.24%	0.16%	0.20%	0.22%	0.11%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

CASH AND INVESTMENT BALANCES
TABLE 11

(As of September 30, 2008)

<u>Fund Name</u>	<u>Fund Balance</u>
General Operating Fund	\$ 436,678
Debt Service Fund	1,137,370
Capital Projects Fund	740,544
	\$ 2,314,592

Source: Audited Financial Statement for the period ending September 30, 2008

DISTRICT TAX RATES**TABLE 12**

<u>Fund</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Maintenance & Operations Fund	\$0.0950	\$0.0800	\$0.0700	\$0.0774
Interest & Sinking Fund	0.5125	0.4800	0.4700	0.5000
TOTAL	\$0.6075	\$0.5600	\$0.5400	\$0.5774

OVERLAPPING DEBT DATA AND INFORMATION**TABLE 13***(As of August 2009)*

<u>Taxing Body</u>	<u>Gross Debt</u>	<u>Estimated Percentage Overlapping</u>	<u>Amount Overlapping</u>
Austin, City of	\$ 830,016,000	0.01%	\$ 83,002
Travis County	522,989,987	0.16%	836,784
Eanes Independent School District	125,205,000	1.73%	2,166,047
Total Gross Overlapping Debt			\$ 3,085,832
Senna Hills Municipal Utility District	\$ 13,445,000	100.00%	13,445,000
Total Direct and Overlapping Debt			\$ 16,530,832
Ratio of Direct and Overlapping Debt to 2009 Assessed Valuation			8.73%
Ratio of Direct and Overlapping Debt to 2009 Actual Value			8.72%
Direct and Overlapping Debt per Acre			\$51,230

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

OVERLAPPING TAXES**TABLE 14**

<u>Governmental Entity</u>	<u>2008/09 Tax Rate Per \$100 Assessed Valuation</u>	<u>Average Tax Bill (a)</u>
Austin, City of	\$ 0.4012	\$ 1,805.40
Travis County	\$ 0.4122	\$ 1,854.90
Eanes Independent School District	\$ 1.2025	\$ 5,230.88
Total	\$ 2.0159	\$ 8,891

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.
(a) Based on an average home value of \$450,000.

GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND TABLE 15

	Fiscal Year Ended September 30				
REVENUES:	2004	2005	2006	2007	2008
Service Revenue	\$ 286,084	\$ 306,122	\$ 394,565	\$ 333,305	\$ 450,870
Penalty and Interest	4,750	5,500	5,944	5,582	2,684
Interest	7,032	16,300	34,499	55,267	26,962
Maintenance Tax Revenue	89,436	92,939	95,780	107,585	113,341
Water Tap revenue	543	180	7,421	6,697	11,222
Other	140	3,984	145	995	704
Total Revenues	<u>\$ 387,985</u>	<u>\$ 425,025</u>	<u>\$ 538,354</u>	<u>\$ 509,431</u>	<u>\$ 605,783</u>
EXPENDITURES:					
Current					
Professional Fees	\$ 51,587	\$ 47,904	\$ 61,424	\$ 42,681	\$ 104,840
Purchased Services for Resale	216,603	203,995	233,488	239,492	317,492
Contracted Services	37,478	38,250	38,665	40,462	40,970
Utilities	28,364	29,035	28,927	24,563	31,390
Repairs and Maintenance	33,222	33,794	38,759	60,974	65,261
Other	60,082	71,367	84,441	68,058	83,682
Capital Outlay	-	-	-	375,111	414,338
Debt Service	-	-	-	-	-
Total Expenditures	<u>\$ 427,336</u>	<u>\$ 424,345</u>	<u>\$ 485,704</u>	<u>\$ 851,341</u>	<u>\$ 1,057,973</u>
Excess Revenues Over (Under) Expenditures	\$ (39,351)	\$ 680	\$ 52,650	\$ (341,910)	\$ (452,190)
OTHER FINANCING SOURCES (USES):					
Developer Contribution	\$ -	\$ -	\$ -	\$ 346,835	\$ -
Voided Checks for Prior Expenditures	-	4,550	-	-	-
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
Prior Year Accrued Interest Adjustment	-	-	-	-	-
Total Other Financing Sources (Uses):	<u>\$ -</u>	<u>\$ 4,550</u>	<u>\$ -</u>	<u>\$ 346,835</u>	<u>\$ -</u>
Excess of Revenues & Other Sources Over (Under) Expenditures and Other Uses	\$ (39,351)	\$ 5,230	\$ 52,650	\$ 4,925	\$ (452,190)
Fund Balance - Beginning of Year	<u>\$ 605,657</u>	<u>\$ 566,306</u>	<u>\$ 571,536</u>	<u>\$ 624,186</u>	<u>\$ 629,111</u>
Fund Balance - End of Year	<u>\$ 566,306</u>	<u>\$ 571,536</u>	<u>\$ 624,186</u>	<u>\$ 629,111</u>	<u>\$ 176,921</u>

Note: The capital outlay for 2008 included effluent pond improvements, sewer improvements and easement acquisition.

APPENDIX B
FORM OF LEGAL OPINION OF BOND COUNSEL

APPENDIX C

THE DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

(The information in this appendix is only an excerpt. For further and more complete information, reference should be made to the original audit report, which can be obtained from the Issuer or Financial Advisor.)

APPENDIX D

SENNA HILLS, LTD. FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

Senna Hills Ltd. has delivered the financial information for the twelve month period ending December 31, 2007 included in this appendix (the "Financial Information") to the District for publication in connection with the District's offer and sale of the Bonds. As noted, these financial statements have been compiled and have not been reviewed or audited by an independent public accounting firm. The Financial Information has been included herein solely as additional information concerning Senna Hills Ltd. and its financial condition and capabilities. Such Financial Information is relevant, among other reasons, to the ability of Senna Hills Ltd. to continue developing its property within the District and to pay ad valorem taxes thereon. However, Senna Hills Ltd. is not responsible for, or liable for and has not made a commitment for the payment of the Bonds or any other obligations of the District, and the inclusion of the Financial Information herein should not be construed as an implication to that effect. Senna Hills Ltd. has no legal commitment to continue development of its land within the District and may sell or otherwise dispose of its respective properties within the District at any time. Further, the financial condition of Senna Hills Ltd. is subject to change, and the financial condition concerning Senna Hills Ltd. may not be provided by the District after the sale of the Bonds. Therefore, the District cautions that the Financial Information should not be construed or interpreted as an indication of the investment security of the Bonds or of any other securities proposed to be issued by the District.