

PRELIMINARY OFFICIAL STATEMENT

Dated: May 29, 2013

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.*

\$6,210,000*

**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 REFUNDING BONDS, SERIES 2013

Dated Date: June 1, 2013

Due: August 15, as shown on the inside cover

The Senna Hills Municipal Utility District (the "District" or the "Issuer") is issuing its \$6,210,000* Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2013 (the "Bonds") pursuant to the Constitution and laws of the State of Texas, including particularly Chapter 1207, as amended Texas Government Code ("Chapter 1207"), and a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") on April 25, 2013. In the Bond Resolution, and as permitted by Chapter 1207, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" for the Bonds (the Bond Resolution and the Pricing Certificate are sometimes collectively referred to herein as the "Resolution"). (See "THE BONDS – Authority for Issuance" herein.)

The Bonds are issued as obligations the interest on which accrues from their dated date and is payable semiannually until stated maturity or prior redemption (the "Current Interest Bonds" or the "CIBs") and as obligations the interest on which accretes from their date of initial delivery to the initial purchaser thereof (the "Underwriter") and is paid only at stated maturity (the "Capital Appreciation Bonds" or the "CABs").

Interest on the CIBs will be payable February 15 and August 15 of each year commencing on August 15, 2013, and will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the CABs will be compounded semiannually on February 15 and August 15 of year commencing on August 15, 2013. The CIBs will be issued in principal denominations of \$5,000 or any integral multiple thereof. The CABs will be issued in denominations of \$5,000 (or any integral multiple thereof) of the total amount of principal, plus the initial premium, if any, and accreted interest payable upon maturity (the "Maturity Value").

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 or Maturity Value, as applicable, of \$5,000 or any integral multiple thereof. 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 and the Maturity Value of the Bonds will be payable by BOKF, NA dba Bank of Texas, Austin, 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.)

The CIBs maturing on or after August 15, 2024 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2023 or any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The CABs are not subject to redemption prior to stated maturity. See "THE BONDS - Optional Redemption" herein.

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 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 first and prior pledge of and lien on the Net Revenues (defined herein), if any, of the System (defined herein). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Source of and Security for Payment" herein. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS" herein.

The Issuer has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.

MATURITY SCHEDULE

(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriter subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Willatt & Flickinger, Austin, Texas, Bond Counsel and General Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Fulbright & Jaworski L.L.P., San Antonio, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about June 27, 2013.

SAMCO CAPITAL MARKETS

*Preliminary, subject to change

\$6,210,000*
SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2013

MATURITY SCHEDULE
Base CUSIP No.⁽¹⁾:817227

\$6,075,000* Current Interest Bonds

<u>Maturity Date (8/15)</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix No. ⁽¹⁾</u>
2013 ***	\$105,000			
2018	190,000			
2019	190,000			
2020	205,000			
2021	205,000			
2022	205,000			
2023	215,000			
2024	220,000			
2025	510,000			
2026	545,000			
2027	575,000			
2028	610,000			
2029	400,000			
2030	430,000			
2031	460,000			
2032	490,000			
2033	520,000			

(Interest to accrue from the Dated Date)

\$135,000* Premium Capital Appreciation Bonds

<u>Maturity Date 8/15</u>	<u>Principal Amount*</u>	<u>Initial Yield to Maturity</u>	<u>Maturity Value*</u>	<u>Initial Offering Price per \$5,000 in Maturity Value</u>	<u>CUSIP Suffix No. ⁽¹⁾</u>
2014	\$60,000		\$135,000		
2015	40,000		190,000		
2016	20,000		190,000		
2017	15,000		190,000		

(Interest to accrete from the initial date of delivery)

**Preliminary, subject to change.*

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended ("Rule 15c2-12"), and in effect on the date of this Official Statement, this document constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page, Schedules and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriter. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein 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 other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR ANY INSURER OF THE BONDS, AS SUCH INFORMATION IS PROVIDED BY DTC AND ANY SUCH INSURER, RESPECTIVELY.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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Schedule of Refunded Bonds
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Schedule II

Financial Information of the District
Form of Legal Opinion of Bond Counsel
The District's Audited Financial Statements for the Year Ended September 30, 2012

Appendix A
Appendix B
Appendix C

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

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, by authority of Section 59, Article XVI of the Texas Constitution. 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 and have been developed. 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.
Development within the District	The District consists of 323 acres. The District has approximately 405 developed lots allowed under current land development and water quality regulations. There are currently 400 homes on the 405 lots. The single family residential lot development is substantially complete. There remains an 11-acre tract within the District, of which, 9 acres were originally dedicated to irrigation and 2 acres were originally designated for a school. It is uncertain whether any additional development will occur on this tract. Accordingly, the District makes no representation that future development will occur. See "THE DISTRICT" 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 \$6,210,000 (preliminary, subject to change) maturing annually in varying amounts on August 15 of each year from 2013 through 2033. The bonds are being issued in part as Current Interest Bonds ("CIBs") and in part as Premium Capital Appreciation Bonds ("CABs"). Interest on the CIBs will be payable February 15 and August 15 of each year commencing on August 15, 2013, and will be calculated on the basis of a 360-day year of twelve 30-day months. The CIBs will be issued in principal denominations of \$5,000 or any integral multiple thereof. The CABs will be issued in denominations of \$5,000 of the total amount of principal, plus the initial premium, if any, and accreted interest payable upon maturity (the "Maturity Value"), or any integral multiple thereof. Interest on the CABs will accrete for their initial delivery date and will compound semiannually on February 15 and August 15 of each year, commencing August 15, 2013, until stated maturity. See "THE BONDS – General Description" herein.
Optional Redemption	The CIBs maturing on or after August 15, 2024 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2023 or any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The CABs are not subject to redemption prior to stated maturity. See "THE BONDS - Optional Redemption" herein.
Source of Payment	Principal of and interest on the CIBs and Maturity Value of the CABs are payable, in part, 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 first and prior pledge of and lien on the Net Revenues, if any, of the District's waterworks and sewer system (the "System"). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS" herein. The Bonds are obligations solely of 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 "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

Payment Record	The District has never defaulted on the timely payment of principal and interest on its bonds.
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), and a resolution (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the District on April 25, 2013. In the Bond Resolution, as permitted by Chapter 1207, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" for the Bonds (the Bond Resolution and the Pricing Certificate are sometimes collectively referred to herein as the "Resolution"). See "THE BONDS - Authority for Issuance" herein.
Use of Proceeds	Proceeds from the sale of the Bonds will be used to refund a portion of the District's outstanding obligations for interest cost savings and to pay costs of issuance of the Bonds. (See "THE BONDS – Sources and Uses of Funds" and "Schedule I – Schedule of Refunded Bonds".)
Bonds Authorized but Unissued	The District has \$1,105,000 of authorized but unissued unlimited ad valorem tax bonds from an election held on January 21, 1995. See "Note 7 – BONDED DEBT" to the audited financial statements of the District that are attached hereto as Appendix C (the "Financial Statements").
Bond Insurance	The Issuer has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)
Municipal Bond Rating	The District has made an application to Standard & Poor's, a Standard & Poor's Financial Services LLC business ("S&P") for a contract rating on the Bonds. The outstanding combination tax and revenue bond debt of the District is currently rated "BBB+" by S&P. An explanation of the significance of the rating may be obtained from S&P. See "RATING" herein.
Qualified Tax-Exempt Obligations	The District will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").
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 Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.
Bond Counsel	Willatt & Flicklinger, Austin, Texas.
General Counsel	Willatt & Flicklinger, Austin, Texas.
Financial Advisor	Southwest Securities, Dallas, Texas.
Bookkeeper	Bott & Douthitt PLLC, Round Rock, Texas.
Auditor	David L. Merritt, P.C., Tomball, Texas.
Engineer	Murfee Engineering, Austin, Texas.
Operations Manager	Trent Severn Environmental Services, 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.

OFFICIAL STATEMENT
relating to

\$6,210,000*

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 REFUNDING BONDS, SERIES 2013

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 \$6,210,000* Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2013 (the "Bonds").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution (as defined below). Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer 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 Issuer or its Financial Advisor.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of each of the Official Statement relating to the Bonds and the Escrow Agreement (defined below) will be submitted to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

General Description

The Bonds will be dated June 1, 2013 (the "Dated Date"). The Bonds are issued as obligations the interest on which accrues from their dated date and is payable semiannually until stated maturity or prior redemption (the "Current Interest Bonds" or the "CIBs") and as obligations the interest on which accretes from their date of initial delivery to the initial purchaser thereof (the "Underwriter") and is paid only at stated maturity (the "Capital Appreciation Bonds" or the "CABs"). Accreted interest and principal, plus any initial premium, on the CABs to be paid at stated maturity is referred to herein as the "Maturity Value". The CIBs will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The CABs will mature on the dates and in the Maturity Values set forth on the inside cover page, and will accrete interest to stated maturity at stated interest rates, but the yields to the Underwriter will be the approximate yields shown on the inside cover page resulting from the initial offering prices to the public. Interest on the CIBs is payable initially on August 15, 2013, and on each February 15 and August 15 thereafter until stated maturity or prior redemption. Interest on the CABs will compound on each February 15 and August 15, commencing August 15, 2013, until stated maturity. The sum of the principal of, interest accreted on and the initial premium, if any, on the CABs per \$5,000 Maturity Value as of each February 15 and August 15 is computed on the basis of the initial offering price to the public as adjusted by semiannual compounding at the initial offering yield set forth on the inside cover page of this Official Statement such amount, as of the date of computation, (the "Accreted Value"). For any day other than a February 15 or August 15, the "Accreted Value" of a CAB is to be determined by a straight line interpolation between the values for the applicable semiannual compounding dates (based on 30-day months). A table of Accreted Values based on such initial offering price is set forth herein under Schedule II. Such Accreted Value table is provided for informational purposes only and may not reflect prices for the CABs in the secondary market.

The Bonds will be issued only as fully registered bonds. The CIBs will be issued in the denominations of \$5,000 of principal or any integral multiple thereof within a maturity. The CABs will be issued in denominations of \$5,000 of Maturity Value or any integral multiple thereof. Interest on the CIBs is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA dba Bank of Texas, Austin, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books (the "Registration Books") on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. The record date (the "Record Date") for determining to whom interest on a CIB is payable on any interest payment date is the last business day of the month next preceding such interest payment date. The principal and Maturity Value of the Bonds will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at maturity or, with respect to the CIBs, prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, payments of principal and interest of the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, 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 a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as it made on the original date payment was due.

Refunded Bonds

The principal and interest due on the Refunded Bonds are to be paid on the interest payment date and the redemption dates of the Refunded Bonds from funds to be deposited pursuant to an Escrow Agreement for the Bonds (the "Escrow Agreement") between the District and BOKF, NA dba Bank of Texas, Austin, Texas (the "Escrow Agent"). The Bond Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriter and other available District funds, if any, the District will deposit with the Escrow

Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, and the resolutions authorizing the respective issuance of each series of Refunded Bonds, which authorize securities, including direct noncallable obligations of the United States and noncallable obligations of an agency or instrumentality of the United States rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and guaranteed by the full faith and credit of the United States of America the (the "Federal Securities") maturing in time to make such payment. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriter the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds when the same becomes due and owing. Such maturing principal of and interest on the Federal Securities will not be available to pay debt service on the Bonds (see "OTHER INFORMATION - Verification of Mathematical Computations").

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with State law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton LLP, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from the taxes and revenues originally pledged to secure the Refunded Bonds nor for the purpose of applying any limitation on the issuance of debt.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of, premium, if any, and interest on the Refunded Bonds if for any reason the cash balance on deposit or scheduled to be on deposit in the Escrow Fund should be insufficient to make such payment.

Optional Redemption

The CIBs maturing on or after August 15, 2024 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2023 or any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

The CABs are not subject to redemption prior to stated maturity.

Notice of Redemption and DTC Notices

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

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

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

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption (with respect to the CIBs), notice of proposed amendment to the Bond Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the CIBs called for redemption or any other action premised on any such notice. Redemption of portions of the CIBs by the District will reduce the outstanding principal amount of such CIBs held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such CIBs held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such CIBs from the beneficial owners. Any such selection of CIBs to be redeemed will not be governed by the Bond Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the CIBs for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Yield on Premium Capital Appreciation Bonds

The yields of the CABs as set forth on the inside cover page of this Official Statement are the approximate yields based upon the initial offering prices therefor set forth on the inside cover page of this Official Statement. Such offering prices include the principal amount of such CABs plus premium equal to the amount by which such offering prices exceed the principal amount of such CABs. Because of such premium, the approximate offering yields on the CABs are lower than the bond interest rates thereon. The yield on the CABs to a particular purchaser may differ depending upon the price paid by that purchaser. For various reasons, securities that do not pay interest periodically, such as the CABs, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State of Texas, including particularly Chapter 1207, as amended Texas Government Code ("Chapter 1207"), and a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") on April 25, 2013. In the Bond Resolution, and as permitted by Chapter 1207, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" for the Bonds (the Bond Resolution and the Pricing Certificate are sometimes collectively referred to herein as the "Resolution").

Payment Record

The District has never defaulted on the timely payment of principal and interest on its bonds.

Authorized but Unissued Debt

The District has \$1,105,000 of authorized but unissued unlimited ad valorem tax bonds from an election held on January 21, 1995. See "Note 7 – BONDED DEBT" to the audited financial statements of the District that are attached hereto as Appendix C (the "Financial Statements"). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Additional Bonds" herein.

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 (CIBs only) 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 (CIBs only)), 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 (defined herein) certified by a certified public accountant to 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, and the lien on and pledge of Net Revenues of the System, 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.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources

Par Amount of CIBs
Par Amount of CABs
Net Premium
Accrued Interest on CIBs

\$

Total Sources of Funds

\$

Uses

Deposit with Escrow Agent
Costs of Issuance
Underwriter's Discount
Deposit to Interest and Sinking Fund

Total Uses of Funds

\$ _____

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by BOKF, NA dba Bank of Texas, Austin 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

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 CIB or portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a CIB called for redemption in part.

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.

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 or Maturity Value, 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 or Maturity Value, 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 including, Section 49.186 of the Water Code; Chapter 1201, Texas Government Code ("Public Security Procedures Act"); 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.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Source of and Security for Payment

The Bonds are 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 are further secured by a first and prior pledge of and lien on the Net Revenues, if any, of the District's 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 and interest on 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 of the Bonds 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 has covenanted and agreed with the holders of the Bonds and any outstanding Additional Bonds (defined herein), 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 system 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 authorizing Additional Bonds and (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.

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. See "THE BONDS – Authorized but Unissued Debt" herein.

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 Net Revenues of the 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 System, (which includes the Bonds) 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 System (which includes the Bonds) 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 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 issued as Additional 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.

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.

See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the District's obligation to file with the Municipal Securities Rulemaking Board certain financial and operating information on an annual basis.

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.

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 and Maturity Value 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 or Maturity Value thereof or the rate of interest thereon, reduce the redemption pricing of the CIBs, 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 and Maturity Value 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.

BOND INSURANCE

The District has applied for municipal bond insurance on the Bonds and will consider the purchase of such insurance after an analysis of bids from such companies has been made.

BOND INSURANCE RISK FACTORS

General

As stated above, the District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The District has yet to determine whether any insurance will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the bond insurance policy (the "Policy") for such payments. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered from the registered owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Policy provider (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

The Bond Insurer may require its consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to the Bond Resolution.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the taxes and Net Revenues received by the Paying Agent/Registrar pursuant to the Bond Resolution. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the District, Financial Advisor or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. In the event insurance is purchased for the Bonds, see "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., Standard & Poor's Ratings Service, a Standard & Poor's Financial Services LLC business, and Fitch Ratings (the "Rating Agencies") have over the past several years downgraded, and/or placed on negative credit watch, the claims-paying ability and financial strength of all then-existing providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of these bond insurers, including any Insurer for the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such Insurer, particularly over the life of the investment.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value 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, the Financial Advisor, and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption price (CIBs only) or other notices, to Direct Participants, (2) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption (CIBs only) 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with Direct Participants are on file with DTC.

The 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value of such maturity, as the case may be, and will be deposited with DTC.

DTC, the world's largest securities 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 issues, 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 securities certificates. 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 each Bond ("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 certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only 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 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).

All 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 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 depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of Book-Entry-Only transfers through DTC (or a successor Bonds depository). In that event, physical Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, nor the Underwriter take any responsibility for the accuracy thereof.

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 Bond Resolution will be given only to DTC.

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 first and prior pledge of and lien on surplus Net Revenues of the System. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" 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.

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 \$217,459,161 (see "Appendix A - FINANCIAL INFORMATION OF THE DISTRICT"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$976,909 (2021) and the Projected Average Annual Debt Service Requirement will be \$888,875 (2013 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 \$0.4631 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 \$0.4214 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 (defined herein) 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 (the "Commission").

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 ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues (such as the pledge of the Net Revenues of the System), the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. 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 Underwriter 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

Senna Hills MUD has \$1,105,000 of authorized but unissued bonds from an election held in 1995. The MUD has reimbursed the Developer for all applicable costs, but reserves the right to issue the remaining bonds for additional renovations and improvements to the System. 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. 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. 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. 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. See "SECURITY AND SOURCE OF PAYMENT OF THE BONDS – Additional Bonds" herein.

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. On April 1, 2010, the District annexed 0.708 acres of the Evans Weaver Tract. Approximately 405 homes, as allowed and agreed to by the City of Austin through a consent agreement (the "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 (the predecessor to the 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.

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.

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	2014
Michael Dansby	Secretary	2016
Joseph Matthew Szoo	Director	2016
David Perl	Director	2014
Gregg Kronenberger	Director	2016

Consultants

Tax Assessor/Collector

Land and improvements in the District are 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.

Engineer

The District's consulting engineer is Murfee Engineering.

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.

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.

Operations Manager

The District employs Trent Severn Environmental Services, Austin, Texas, as operations manager.

Bookkeeper

The District employs Bott & Douthitt PLLC, Round Rock, Texas, as bookkeeper.

Status of Development

The District consists of 323 acres. The District has approximately 405 developed lots allowed under current land development and water quality regulations. There are currently 400 homes on the 405 lots. The single family residential lot development is substantially complete. There remains an 11-acre tract within the District, of which, 9 acres were originally dedicated to irrigation and 2 acres were originally designated for a school. It is uncertain whether any additional development will occur on this tract. Accordingly, the District makes no representation that future development will occur.

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 (such as the System) 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.

THE SYSTEM

General

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

Water Supply

The District receives wholesale potable water service from The West Travis County Public Utility Agency (PUA) successor to the Lower Colorado River Authority (LCRA) in the water sales agreement dated September 2, 1994. The District continues to have a raw water sales contract with the LCRA for a maximum annual quantity of 404 acre feet such contract renewed as of 6-22-2012 for a term of 40 years.

The PUA water system includes a raw water intake on Lake Austin that pumps raw water to the water treatment plant located off Bee Cave Road near the intersection with Highway 71. The system includes 13 major storage tanks (elevated and ground storage) and 6 main pump stations. Combined ground and elevated storage capacity amounts to 7,400,000 gallons of water. The transmission and distribution system includes approximately 200 miles of pipe (6, 8, 12, 16, and 24 inch diameter). The raw water pumping facility was recently expanded to a capacity of 22 million gallons per day (MGD) which provides 20 MGD capacity to the water treatment plant and 2 MGD capacity for raw water irrigation. The water treatment plant is rated for 20 MGD and current average production from the water treatment plant is approximately 5.0 MGD. Maximum day production from the water treatment plant has totaled 11.2 MGD.

The District operates its water distribution system and receives potable water from the PUA through two master meters located at the two entrances to the District. The District is served from a 12 inch looping water main in Senna Hills Drive connecting to 8 inch distribution lines in each subdivision.

Wastewater Treatment

The District owns and operates its own wastewater treatment plant under a TCEQ permit – WQ0013238-001 with a permitted ultimate capacity of 157,000 gallons per day. The plant operates under a no-discharge permit with treated effluent disposal accomplished through irrigation. It is presently operating under phase 2 of the permit at 80,000 gallons per day. The District completed construction of a new 80,000 gallons per day membrane bioreactor wastewater treatment plant in 2011 replacing the original package plant. The District's developer has provided a drainage easement and public utility easement for the irrigation area designated for the District. The existing wastewater treatment plant currently provides sufficient capacity for the District at its present build out. The District is analyzing the wastewater treatment plant and possible modifications and needs for expanded capacity and may need to address these items in the near future.

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

The TCEQ permit requires 70.3 acres of land for effluent irrigation. The District's land use plan reflects areas set aside as permanent irrigation land for the 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

None of the territory within the District is within the 100-year flood plain.

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 is 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 include 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

As of September 30, 2012, the District had approximately \$1,696,740 (unaudited) invested in LOGIC (which is a government investment pool that generally has the characteristics of a money-market mutual fund). The market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the Issuer are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity

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 the 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 a 2012/13 maintenance and operations tax of \$0.229/\$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 has agreed in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "SOURCE AND SECURITY FOR PAYMENT FOR THE BONDS." 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 the System and for the payment of certain contractual obligations (including the Bonds), 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. The Texas Tax Code provides that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployment is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, following the approval by the voters at a November 8, 2011 statewide election, effective January 1, 2012, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. 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. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

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.

RATING

A municipal bond rating application has been made to Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") relating to the Bonds. The outstanding combination tax and revenue bond debt of the District is currently rated "BBB+" by 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.

Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country and developments arising from the Budget Control Act of 2011, including the deliberations and results thereof of the Joint Select Committee on Deficit Reduction, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of Willatt & Flickinger, Bond Counsel to the effect that (i) based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds 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 and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX B - Form of Legal Opinion of Bond Counsel." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "THE BONDS" (except for the subcaptions "Yield on Premium Capital Appreciation Bonds", "Payment Record" and "Remedies in Event of Default"), "SECURITY AND SOURCE OF PAYMENT OF THE BONDS", "TAX RATE LIMITATIONS," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") to determine that the information relating to the Bonds and the Bond Resolution contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Fulbright & Jaworski L.L.P. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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 Underwriter 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.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Willatt & Flickinger, 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 for federal income tax purposes and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preferred item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code") and will not be includable in the adjusted current earnings of corporations under Section 56(g) of the Code for purposes of calculating the alternative minimum tax imposed on such corporations. 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 its 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 in determining the taxpayer's 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 that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" 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 that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

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 that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations."

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the Issuer has made the following continuing disclosure agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The Information will be available free of charge from the MSRB's Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org.

Annual Reports

The Issuer will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement in Appendix A and Appendix C. The Issuer will update and provide this information within six months after the end of each fiscal year ending in or after 2013. The Issuer will provide the updated information to the MSRB.

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 by the required time, 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.

Notice of Certain Events

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 to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Issuer, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Bond Resolution makes provision for credit enhancement, liquidity enhancement, debt service reserves, or redemption of the CABs prior to stated maturity.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Availability of Information

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the District issued prior to the EMMA Effective Date, the District remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information repository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC has entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the District receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the District has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date..

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer 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 Issuer 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 Issuer 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 or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its continuing disclosure agreement 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 Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein 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 either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of the Bond Resolution in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer 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 Agreements

The Issuer has complied with all previous disclosure agreements in accordance with SEC Rule 15c2-12 during the last five years.

OTHER INFORMATION

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.

Underwriting

The Underwriter has agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on page ii, hereof, less an Underwriter's discount on the Bonds of \$_____ plus accrued interest on the CIBs from these Date Dated to their date of initial delivery. The Underwriter's obligations are subject to certain conditions precedent, and it will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Verification of Mathematical Computations

Grant Thornton LLP, a firm of independent public accountants, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinions that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by Southwest Securities, Inc. on behalf of the District. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by Southwest Securities, Inc. on behalf of the District and has not evaluated or examined the assumptions or information used in the computations

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/ _____

President, Board of Directors
Senna Hills Municipal Utility District

/s/ _____

Secretary, Board of Directors
Senna Hills Municipal Utility District

SENNA HILLS MUNICIPAL UTILITY DISTRICT

Schedule I - Schedule of Refunded Bonds*

Series to be Refunded	Original Dated Date	Original Principal Amount	Principal Amount Outstanding	Maturities Being Redeemed	Interest Rate	Principal Amount Being Called ⁽¹⁾	Call Date
U/L Tax & WW & SS Revenue Bonds, Series 2004	January 15, 2004	\$ 1,820,000	\$ 75,000	8/15/14	4.000%	\$ 75,000	02/15/2014 @ Par
			80,000	8/15/15	4.150%	80,000	02/15/2014 @ Par
			80,000	8/15/16	4.350%	80,000	02/15/2014 @ Par
			85,000	8/15/17	4.500%	85,000	02/15/2014 @ Par
			85,000	8/15/18	4.600%	85,000	02/15/2014 @ Par
			85,000	8/15/19	4.700%	85,000	02/15/2014 @ Par
			90,000	8/15/20	4.800%	90,000	02/15/2014 @ Par
			90,000	8/15/21	4.800%	90,000	02/15/2014 @ Par
			90,000	8/15/22	4.800%	90,000	02/15/2014 @ Par
			90,000	8/15/23	4.800%	90,000	02/15/2014 @ Par
			95,000	8/15/24	4.900%	95,000	02/15/2014 @ Par
			100,000	8/15/25	4.900%	100,000	02/15/2014 @ Par
			105,000	8/15/26	4.900%	105,000	02/15/2014 @ Par
			110,000	8/15/27	4.900%	110,000	02/15/2014 @ Par
			115,000	8/15/28	4.900%	115,000	02/15/2014 @ Par
			<u>\$ 1,375,000</u>			<u>\$ 1,375,000</u>	

Series to be Refunded	Original Dated Date	Original Principal Amount	Principal Amount Outstanding	Maturities Being Redeemed	Interest Rate	Principal Amount Being Called ⁽¹⁾	Call Date
U/L Tax & WW & SS Revenue Bonds, Series 2009	November 1, 2009	\$ 5,200,000	\$ 55,000	8/15/15	4.000%	⁽²⁾ \$ 55,000	08/15/2014 @ Par
			60,000	8/15/16	4.000%	⁽²⁾ 60,000	08/15/2014 @ Par
			60,000	8/15/17	4.375%	⁽³⁾ 60,000	08/15/2014 @ Par
			70,000	8/15/18	4.375%	⁽³⁾ 70,000	08/15/2014 @ Par
			70,000	8/15/19	4.625%	⁽⁴⁾ 70,000	08/15/2014 @ Par
			80,000	8/15/20	4.625%	⁽⁴⁾ 80,000	08/15/2014 @ Par
			80,000	8/15/21	4.625%	⁽⁴⁾ 80,000	08/15/2014 @ Par
			85,000	8/15/22	5.000%	⁽⁵⁾ 85,000	08/15/2014 @ Par
			95,000	8/15/23	5.000%	⁽⁵⁾ 95,000	08/15/2014 @ Par
			100,000	8/15/24	5.000%	⁽⁵⁾ 100,000	08/15/2014 @ Par
			385,000	8/15/25	5.000%	⁽⁶⁾ 385,000	08/15/2014 @ Par
			420,000	8/15/26	5.000%	⁽⁶⁾ 420,000	08/15/2014 @ Par
			450,000	8/15/27	5.000%	450,000	08/15/2014 @ Par
			490,000	8/15/28	5.000%	490,000	08/15/2014 @ Par
			400,000	8/15/29	5.125%	400,000	08/15/2014 @ Par
			430,000	8/15/30	5.125%	430,000	08/15/2014 @ Par
			465,000	8/15/31	5.250%	465,000	08/15/2014 @ Par
			500,000	8/15/32	5.250%	500,000	08/15/2014 @ Par
			540,000	8/15/33	5.250%	540,000	08/15/2014 @ Par
			<u>\$ 4,835,000</u>			<u>\$ 4,835,000</u>	

*Preliminary, subject to change.

⁽¹⁾ The amount of each maturity being redeemed represents all of the outstanding principal amount of each such maturity.

⁽²⁾ Represents a mandatory sinking fund redemption of a portion of the term bond outstanding in the principal amount of \$115,000 that matures on August 15, 2016 .

⁽³⁾ Represents a mandatory sinking fund redemption of a portion of the term bond outstanding in the principal amount of \$130,000 that matures on August 15, 2018 .

⁽⁴⁾ Represents a mandatory sinking fund redemption of a portion of the term bond outstanding in the principal amount of \$230,000 that matures on August 15, 2021.

⁽⁵⁾ Represents a mandatory sinking fund redemption of a portion of the term bond outstanding in the principal amount of \$280,000 that matures on August 15, 2024.

⁽⁶⁾ Represents a mandatory sinking fund redemption of a portion of the term bond outstanding in the principal amount of \$805,000 that matures on August 15, 2026.

SENNA HILLS MUNICIPAL UTILITY DISTRICT
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2013

Schedule II - Schedule of Accreted Values of Premium Capital Appreciation Bonds ("CABs")
(Per \$5,000 Maturity Value)

CABs Delivery Date: June 27, 2013

Date	Accreted Value of 8/15/2014 Maturity @ ____%	Accreted Value of 8/15/2015 Maturity @ ____%	Accreted Value of 8/15/2016 Maturity @ ____%	Accreted Value of 8/15/2017 Maturity @ ____%
06/27/13				
08/15/13				
02/15/14				
08/15/14				
02/15/15				
08/15/15				
02/15/16				
08/15/16				
02/15/17				
08/15/17				

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

2012/13 Actual Market Value of Taxable Property	\$ 217,767,733
Less Exemptions:	<u>(308,572)</u>
2012/13 Net Taxable Assessed Valuation (100% of Actual) ^(a)	<u>\$ 217,459,161</u>

Source: March 22, 2013 report entitled 2012 Certified Totals 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 2004 ^(a)	\$ 1,450,000	*
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2009 ^(a)	4,950,000	*
Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010	<u>6,125,000</u>	
Total Gross General Obligation Debt Outstanding:	<u>\$ 12,525,000</u>	*
Less: The Refunded Series 2004 Bonds	\$ (1,375,000)	*
Less: The Refunded Series 2009 Bonds	(4,835,000)	*
Plus: Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2013	<u>6,210,000</u>	*
Total Gross General Obligation Debt:	<u>\$ 12,525,000</u>	*
Less: Estimated Self-Supporting Gross Debt	\$ -	
Less: I&S Fund Balance as of September 30, 2012	(1,418,866)	
Total Net General Obligation Debt Outstanding:	<u>\$ 11,106,134</u>	
Ratio of Gross General Obligation Debt to Net Assessed Valuation		5.76%
Ratio of Net General Obligation Debt to Net Assessed Valuation		5.11%

Gross Area of the District in acres -	322.68
Gross Bonded Debt Per Acre	\$38,816
Net Bonded Debt Per Acre	\$34,418
Estimated Assessed Value Per Acre	\$673,916
2013 Population Estimate ^(b)	1,400
Per Capita Net Appraised Taxable Valuation	\$155,328
Per Capita Gross Bonded Debt	\$8,946
Per Capita Net Bonded Debt	\$7,933

**Preliminary, subject to change*

^(a) Includes the Refunded Bonds.

^(b) Based on 3.5 residents per 400 completed single-family connections.

\$6,210,000
Senna Hills Municipal Utility District
(Travis County, Texas)
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2013

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Fiscal Year <u>30-Sep</u>	Outstanding Debt Service <u>Requirements</u>	Less: Refunded Debt Service <u>Requirements⁽¹⁾</u>	The Bonds ⁽¹⁾			Combined Debt Service ⁽¹⁾
			<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2013	\$ 951,916	\$ 154,130	\$ 105,000	\$ 47,003	\$ 152,003	\$ 949,789
2014	976,041	383,260	60,000	301,405	361,405	954,186
2015	999,241	440,260	40,000	376,405	416,405	975,386
2016	996,321	439,740	20,000	396,405	416,405	972,986
2017	996,535	438,860	15,000	401,405	416,405	974,080
2018	999,498	442,410	190,000	226,405	416,405	973,493
2019	995,675	435,438	190,000	220,420	410,420	970,658
2020	996,143	443,205	205,000	214,435	419,435	972,373
2021	999,116	435,185	205,000	207,978	412,978	976,909
2022	995,696	432,165	205,000	201,520	406,520	970,051
2023	995,633	433,595	215,000	195,063	410,063	972,100
2024	913,938	434,525	220,000	188,290	408,290	887,703
2025	918,083	714,870	510,000	180,260	690,260	893,473
2026	918,133	730,720	545,000	161,645	706,645	894,058
2027	916,588	739,575	575,000	141,753	716,753	893,765
2028	918,335	756,685	610,000	120,765	730,765	892,415
2029	733,250	521,550	400,000	95,450	495,450	707,150
2030	735,313	531,050	430,000	78,850	508,850	713,113
2031	730,838	544,013	460,000	61,005	521,005	707,830
2032	734,000	554,600	490,000	41,915	531,915	711,315
2033	730,325	568,350	520,000	21,580	541,580	703,555
	<u>\$ 19,150,615</u>	<u>\$ 10,574,185</u>	<u>\$ 6,210,000</u>	<u>\$ 3,879,955</u>	<u>\$ 10,089,955</u>	<u>\$ 18,666,385</u>

⁽¹⁾ Preliminary, subject to change.

TAX ADEQUACY

TABLE 4

2012/13 Net Taxable Valuation	\$ 217,459,161
Maximum Annual Debt Service Requirement	976,909
Indicated Maximum Interest and Sinking Fund Tax Rate	0.4632
Indicated Maximum Interest and Sinking Fund Tax Levy at 97% Collections	977,053

DEBT SERVICE FUND MANAGEMENT INDEX

TABLE 5

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2012	\$ 1,418,866
Estimated 2012/13 Interest and Sinking Fund Tax Levy at 99% Collections Assuming \$0.32 Produces	688,911
Total Available for Debt Service	<u>\$ 2,107,777</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-13	<u>(949,789)</u>
Estimated Surplus at Fiscal Year End 9-30-13	<u>\$ 1,157,988</u>

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE
TABLE 6

Fiscal Year Ending 9/30	Principal Payment Schedule				Percent of Unpaid at End of Year	Principal Retired
	Outstanding Bonds	Less: Refunded Bonds ⁽¹⁾	Plus: The Bonds ⁽¹⁾	Total		
2013	\$ 435,000	\$ -	\$ 105,000	\$ 540,000	11,985,000	4.31%
2014	470,000	75,000	60,000	455,000	11,530,000	7.94%
2015	505,000	135,000	40,000	410,000	11,120,000	11.22%
2016	515,000	140,000	20,000	395,000	10,725,000	14.37%
2017	530,000	145,000	15,000	400,000	10,325,000	17.56%
2018	550,000	155,000	190,000	585,000	9,740,000	22.24%
2019	565,000	155,000	190,000	600,000	9,140,000	27.03%
2020	585,000	170,000	205,000	620,000	8,520,000	31.98%
2021	610,000	170,000	205,000	645,000	7,875,000	37.13%
2022	630,000	175,000	205,000	660,000	7,215,000	42.40%
2023	655,000	185,000	215,000	685,000	6,530,000	47.86%
2024	600,000	195,000	220,000	625,000	5,905,000	52.85%
2025	630,000	485,000	510,000	655,000	5,250,000	58.08%
2026	660,000	525,000	545,000	680,000	4,570,000	63.51%
2027	690,000	560,000	575,000	705,000	3,865,000	69.14%
2028	725,000	605,000	610,000	730,000	3,135,000	74.97%
2029	575,000	400,000	400,000	575,000	2,560,000	79.56%
2030	605,000	430,000	430,000	605,000	1,955,000	84.39%
2031	630,000	465,000	460,000	625,000	1,330,000	89.38%
2032	665,000	500,000	490,000	655,000	675,000	94.61%
2033	695,000	540,000	520,000	675,000	-	100.00%
	<u>\$ 12,525,000</u>	<u>\$ 6,210,000</u>	<u>\$ 6,210,000</u>	<u>\$ 12,525,000</u>		

⁽¹⁾Preliminary, subject to change.

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
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	99.91%	100.45%
2009/10	189,249,832	0.5774	1,092,729	99.98%	100.27%
2010/11	182,583,864	0.5774	1,054,239	99.98%	99.98%
2011/12	202,107,931	0.5326	1,076,427	99.98%	99.98%
2012/13	217,459,161	0.5490	1,193,851	(In Process of Collection)	

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>2012/13 Net Taxable Assessed Valuation</u>	<u>% of Total 2012/13 Assessed Valuation</u>
Cook, Angus & Tina D.	Residence	\$ 828,349	0.38%
Sorrell, J. Sean & Stephanie T.	Residence	783,915	0.36%
Crowder, J. Calvin	Residence	779,160	0.36%
Doggett, Eric & Lisa	Residence	773,801	0.36%
Palesko, Chet A & Donna K.	Residence	767,988	0.35%
Livingston, J. Christopher	Residence	764,200	0.35%
Young, Daniel J. & Meredith H.	Residence	759,000	0.35%
Wang, Rongshan & Fang Yin	Residence	746,903	0.34%
Collier, Charles & Katherine	Residence	737,850	0.34%
Tara Trust	Residence	730,659	0.34%
	Total	<u>\$ 7,671,825</u>	<u>3.53%</u>

Source: Travis County Appraisal District.

HISTORICAL ASSESSED VALUATION AND EXEMPTIONS
TABLE 9

<u>Property Use Category</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Real Property	\$ 159,651,914	\$ 189,427,556	\$ 182,534,836	\$ 202,247,829	\$ 217,607,019
Personal Property	350,074	204,859	216,257	211,440	160,714
Total Appraised Value	\$ 160,001,988	\$ 189,632,415	\$ 182,751,093	\$ 202,459,269	\$ 217,767,733
Less: Exemptions					
Loss to Agriculture	\$ 156,867	\$ 67,404	\$ -	\$ -	\$ -
Exempt	201,077	115,320	119,350	119,350	119,000
Homestead Cap	311,545	189,859	30,379	214,488	172,072
Disabled/Deceased Veterans	10,000	10,000	17,500	17,500	17,500
Total Exemptions	\$ 679,489	\$ 382,583	\$ 167,229	\$ 351,338	\$ 308,572
Net Taxable Assessed Valuation	\$ 159,322,499	\$ 189,249,832	\$ 182,583,864	\$ 202,107,931	\$ 217,459,161

Source: Travis County Appraisal District.

PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY
TABLE 10

<u>Property Use Category</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Real Property	99.78%	99.89%	99.88%	99.90%	99.93%
Personal Property	0.22%	0.11%	0.12%	0.10%	0.07%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

CASH AND INVESTMENT BALANCES
TABLE 11

<u>Fund Name</u>	<u>Fund Balance</u>
General Operating Fund	\$ 2
Debt Service Fund	1,420,112
Capital Projects Fund	276,626
	<u>\$ 1,696,740</u>

Source: Audited Financial Statement for the period ending September 30, 2012.

DISTRICT TAX RATES**TABLE 12**

<u>Fund</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Maintenance & Operations Fund	\$0.0774	\$0.0904	\$0.0926	\$0.2290
Interest & Sinking Fund	<u>0.5000</u>	<u>0.4870</u>	<u>0.4400</u>	<u>0.3200</u>
TOTAL	\$0.5774	\$0.5774	\$0.5326	\$0.5490

OVERLAPPING DEBT DATA AND INFORMATION**TABLE 13***(As of April 2013)*

<u>Taxing Body</u>	<u>Gross Debt</u>	<u>Estimated Percentage Overlapping</u>	<u>Amount Overlapping</u>
Austin CCD	\$ 89,903,659	0.00%	\$ -
Austin, City of	980,407,773	0.00%	-
Eanes Independent School District	146,640,000	2.47%	3,622,008
Travis County	567,324,986	0.21%	1,191,382
Travis Co Healthcare District	14,160,000	0.21%	29,736
Total Gross Overlapping Debt			\$ 4,843,126
Senna Hills Municipal Utility District ⁽¹⁾	\$ 12,525,000	100.00%	12,525,000
Total Direct and Overlapping Debt			\$ 17,368,126

Ratio of Direct and Overlapping Debt to 2012 Assessed Valuation	7.99%
Ratio of Direct and Overlapping Debt to 2012 Actual Value	7.98%
Direct and Overlapping Debt per Acre	\$53,825

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

(1) Includes the Bonds and excludes the Refunded Bonds.

OVERLAPPING TAXES**TABLE 14**

<u>Governmental Entity</u>	<u>2012/13 Tax Rate Per \$100 Assessed Valuation</u>	<u>Average Tax Bill (a)</u>
Austin CCD	\$ 0.0951	\$ 520.27
Austin, City of	0.5029	2,751.27
Eanes Independent School District	1.2125	6,633.36
Travis County	0.5001	2,735.95
Travis Co Healthcare District	<u>0.0789</u>	<u>431.90</u>
Total	\$ 2.3895	\$ 13,072.75

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

(a) Based on an average home value of \$547,081.

Fiscal Year Ended September 30					
REVENUES:	2008	2009	2010	2011	2012
Service Revenue	\$ 450,870	\$ 552,639	\$ 459,940	\$ 659,551	\$ 682,060
Penalty and Interest	2,684	4,918	4,745	6,500	-
Interest	26,962	5,378	1,203	719	36
Maintenance Tax Revenue	113,341	112,129	145,005	164,985	187,348
Water Tap revenue	11,222	2,487	3,845	3,714	-
Other	704	719	547	5,065	1,438
Total Revenues	<u>\$ 605,783</u>	<u>\$ 678,270</u>	<u>\$ 615,285</u>	<u>\$ 840,534</u>	<u>\$ 870,882</u>
EXPENDITURES:					
Current					
Professional Fees	\$ 104,840	\$ 124,826	\$ 144,637	\$ 107,481	\$ 149,303
Purchased Services for Resale	317,492	421,448	346,774	463,477	437,229
Contracted Services	40,970	44,417	44,544	45,455	75,745
Utilities	31,390	36,418	36,740	39,235	48,460
Repairs and Maintenance	65,261	47,636	64,433	77,234	165,873
Other	83,682	113,605	163,528	91,140	22,012
Capital Outlay	414,338	619,486	-	-	153,635
Total Expenditures	<u>\$ 1,057,973</u>	<u>\$ 1,407,836</u>	<u>\$ 800,656</u>	<u>\$ 824,022</u>	<u>\$ 1,052,257</u>
Excess Revenues Over (Under)					
Expenditures	\$ (452,190)	\$ (729,566)	\$ (185,371)	\$ 16,512	\$ (181,375)
OTHER FINANCING SOURCES (USES):					
Developer Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Voided Checks for Prior Expenditures	-	-	901	-	-
Operating Transfers In	-	609,486	204,410	-	-
Operating Transfers Out	-	-	-	-	-
Refund of Prior Years Taxes	-	(897)	-	-	-
Total Other Financing Sources (Uses):	<u>\$ -</u>	<u>\$ 608,589</u>	<u>\$ 205,311</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues & Other Sources					
Over (Under) Expenditures and Other Uses	\$ (452,190)	\$ (120,977)	\$ 19,940	\$ 16,512	\$ (181,375)
Fund Balance - Beginning of Year	<u>\$ 629,111</u>	<u>\$ 176,921</u>	<u>\$ 55,944</u>	<u>\$ 75,884</u>	<u>\$ 92,396</u>
Fund Balance - End of Year	<u>\$ 176,921</u>	<u>\$ 55,944</u>	<u>\$ 75,884</u>	<u>\$ 92,396</u>	<u>\$ (88,979)</u>

OTHER OBLIGATIONS

TABLE 16

The District does not currently have any outstanding other debt obligations. The District did utilize a line of credit in 2012 for a short-term cash flow borrowing, which it repaid. The line of credit will be renewed for 2013. The line of credit will likely be accessed again in the future for short-term cash flow needs, with the intent to pay back within a twelve month or shorter period.

APPENDIX B

FORM OF LEGAL OPINION OF BOND COUNSEL

APPENDIX C

THE DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

(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.)