

**SENNA HILLS
MUNICIPAL UTILITY DISTRICT**

\$1,105,000

**Unlimited Tax and Waterworks and Sewer
System Revenue Bonds
Series 2016**

TRANSCRIPT OF PROCEEDINGS

December 29, 2016

**Andrews Kurth Kenyon LLP
111 Congress Avenue, Suite 1700
Austin, Texas 78701
(512) 320-9200**

\$1,105,000
SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND
WATERWORKS AND SEWER SYSTEM REVENUE BONDS,
SERIES 2016

INDEX

<u>DOCUMENT</u>	<u>TAB NO.</u>
Attorney General/Comptroller Letter	1
Resolution Authorizing Application to the TCEQ for Approval of Project and Bonds	2
Certified Copy of Order Approving an Engineering Project and Issuance of \$1,105,000 Unlimited Tax and Waterworks and Sewer System Revenue Bonds.....	3
Affidavits of Publication of Notice of Sale of Bonds	4
Resolution Authorizing the Issuance of \$1,105,000 Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016; Awarding the Sale of the Bonds; Authorizing the Levy of an Ad Valorem Tax in Support of the Bonds; Entering into a Paying Agent/Registrar Agreement; Approving an Official Statement; and Other Matters Related to the Issuance of the Bonds	5
Acknowledgements of Receipt of Notice	6
Paying Agent/Registrar Agreement between the District and BOKF, NA.....	7
Notice of Sale and Preliminary Official Statement.....	8
Official Statement	9
Resolution No. 20161020-007 of the City of Austin Approving the Issuance of the Bonds	10
Blanket Issuer Letter of Representations	11
General and No-Litigation Certificate	12
Federal Tax Certificate.	13
Bond Counsel Opinion.....	14
Disclosure Opinion of Andrews Kurth Kenyon LLP.	15
Opinion of General Counsel with Respect to Official Statement	16

Letters of Representation17

Approving Opinion of the Attorney General of Texas with
Comptroller’s Registration Certificate18

Rating Letter19

Insurance Documents20

Forms 129521

Closing Memorandum22

Form 8038-G Filing23

Specimen Bond24

ENGINEER'S REPORT
BOND ISSUE REQUIREMENTS
FOR
SENNA HILLS MUNICIPAL UTILITY DISTRICT

PREPARED FOR:
SENNA HILLS MUNICIPAL UTILITY DISTRICT
AUSTIN, TEXAS



DECEMBER 1994

GEBHARD SARMA GROUP, INC.
Engineers, Planners, and Regulatory Consultants

511 West 7th Street
Austin, Texas 78701
512 476-6595

TABLE OF CONTENTS

I. INTRODUCTION 1

II. LOCATION AND ACREAGE 2

III. LAND USE 4

 3.1 Existing Development 4

 3.2 Proposed Development 4

IV. EXISTING AND PROJECTED POPULATION 6

V. ENVIRONMENTAL CONDITIONS 7

 5.1 General Considerations 7

 5.2 Topography and Geology 7

 5.3 100-Year Flood Plain 8

VI. UTILITY SERVICE 9

 6.1 Water Supply and Facilities 9

 6.2 Wastewater Facilities 9

 6.3 Drainage Facilities 10

 6.4 Fire Protection 12

 6.5 Utility Rates 12

**VII. BOND ISSUE REQUIREMENTS AND TAX RATE TO PROVIDE
WATER, WASTEWATER AND DRAINAGE TO DISTRICT 13**

 7.1 Total Bond Issue Requirements to Provide Water,
 Wastewater and Storm Drainage to District 13

 7.2 Total Tax Assessment on all Land Within the
 District 13

X. RECOMMENDATIONS AND CONCLUSIONS 17

I. INTRODUCTION

Senna Hills Municipal Utility District (hereafter referred to as the "District") was created in 1988 to provide water, wastewater and drainage facility improvements for a 398.8-acre residential development. In 1992 approximately 76 acres of land within the District were de-annexed at the request of the property owners.

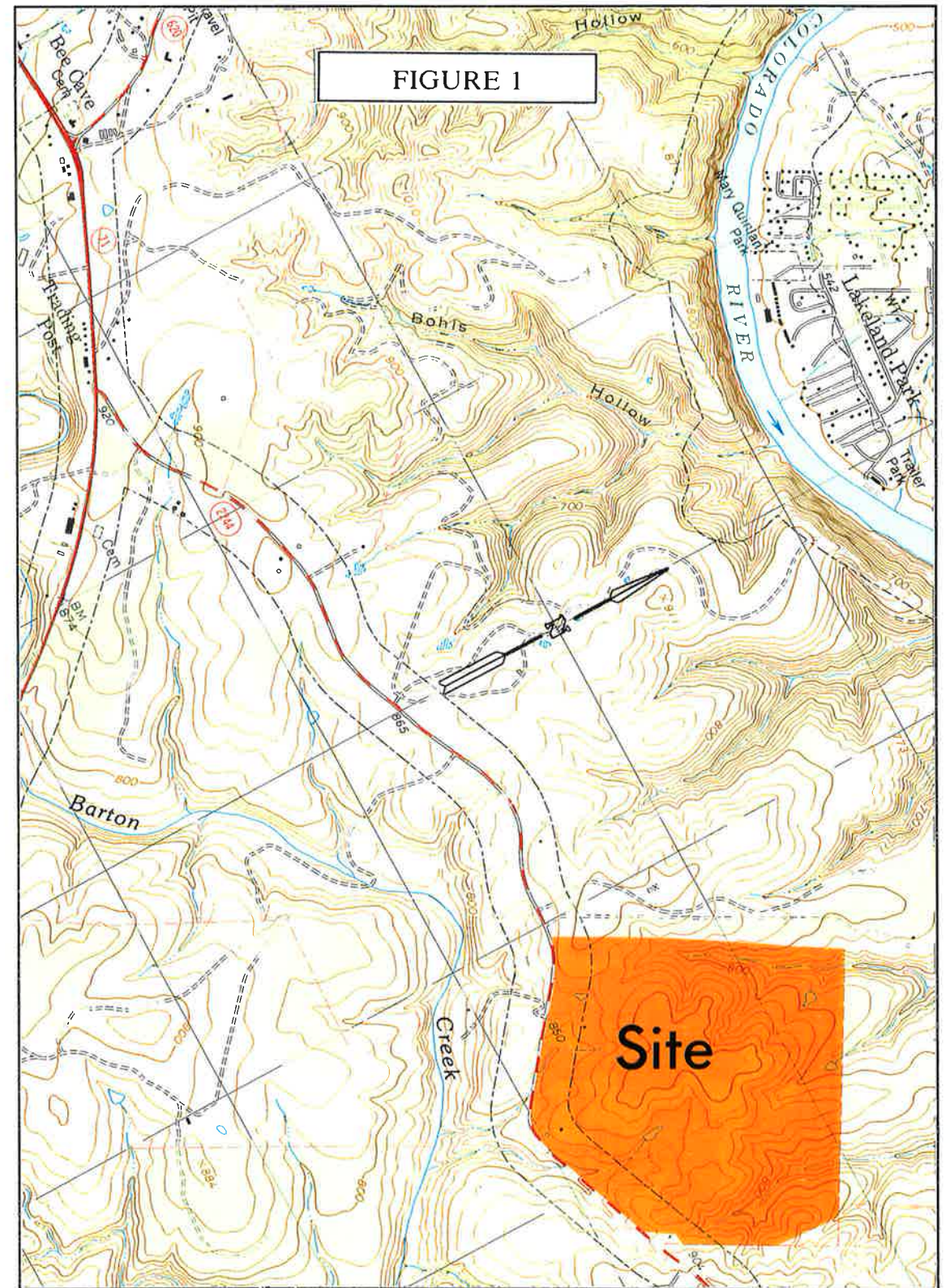
This report addresses the technical and economic feasibility of the District providing water, wastewater and drainage services to the remaining 322.68 acres within the District. The proposed land uses within the District are presented in Table 1 of this report. The report is prepared in accordance with the rules of the Texas Natural Resource Conservation Commission pertaining to the creation of Municipal Utility Districts (31 TAX 311.11), as authorized by Sections 5.131 and 5.132 of the Texas Water Code.

Included in this report is a physical description of the area, a land use plan, existing and projected population information, preliminary engineering information on water, wastewater and drainage improvements required to serve the District, as well as cost estimates of the proposed improvements and analysis of the economic feasibility of the District. Potential effects of the proposed District on the area were also evaluated including environmental and economic impacts.

The City of Austin granted consent to the creation of the District by ordinance on January 15, 1987. In 1992 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. A copy of the amended and restated Agreement is included in Appendix A.

II. LOCATION AND ACREAGE

The District is located on RM 2244 approximately 5.0 miles west of the intersection of RM 2244 and Loop 360 and 2.5 miles east of the intersection of RM 2244 and State Highway 71 and encompasses 322.68 acres north of RM 2244 (See Figure 1). The District is located within the Barton Creek and Lake Austin watersheds. Field notes describing the boundary of the District are presented in Appendix B.



III. LAND USE

3.1 Existing Development

The infrastructure for two sections of Senna Hills is complete and homes are under construction. The balance of the District is under construction or undeveloped. The surrounding area is generally undeveloped except for two adjacent residential subdivisions, Barton Creek West and Dominion Hill.

3.2 Proposed Development

At build-out the District will comprise of approximately 484 single family homes on 322.68 acres. Homes will be clustered on approximately 199 acres with the remainder of the tract left as open space for effluent irrigation, parks and conservation areas. A ten-acre tract adjacent to FM 2244 is currently designated as a possible site for a school. The land plan is shown in Figure 2. The overall density of the development is 1.5 units per acre. The land use summary for the District is presented in Table 1.

TABLE 1

PROPOSED LAND USE






Land Use	Acreage
Right-of-way	6
Residential	199
Irrigation	66
Park/PUE/Irrigation	41
School	11
Total	323

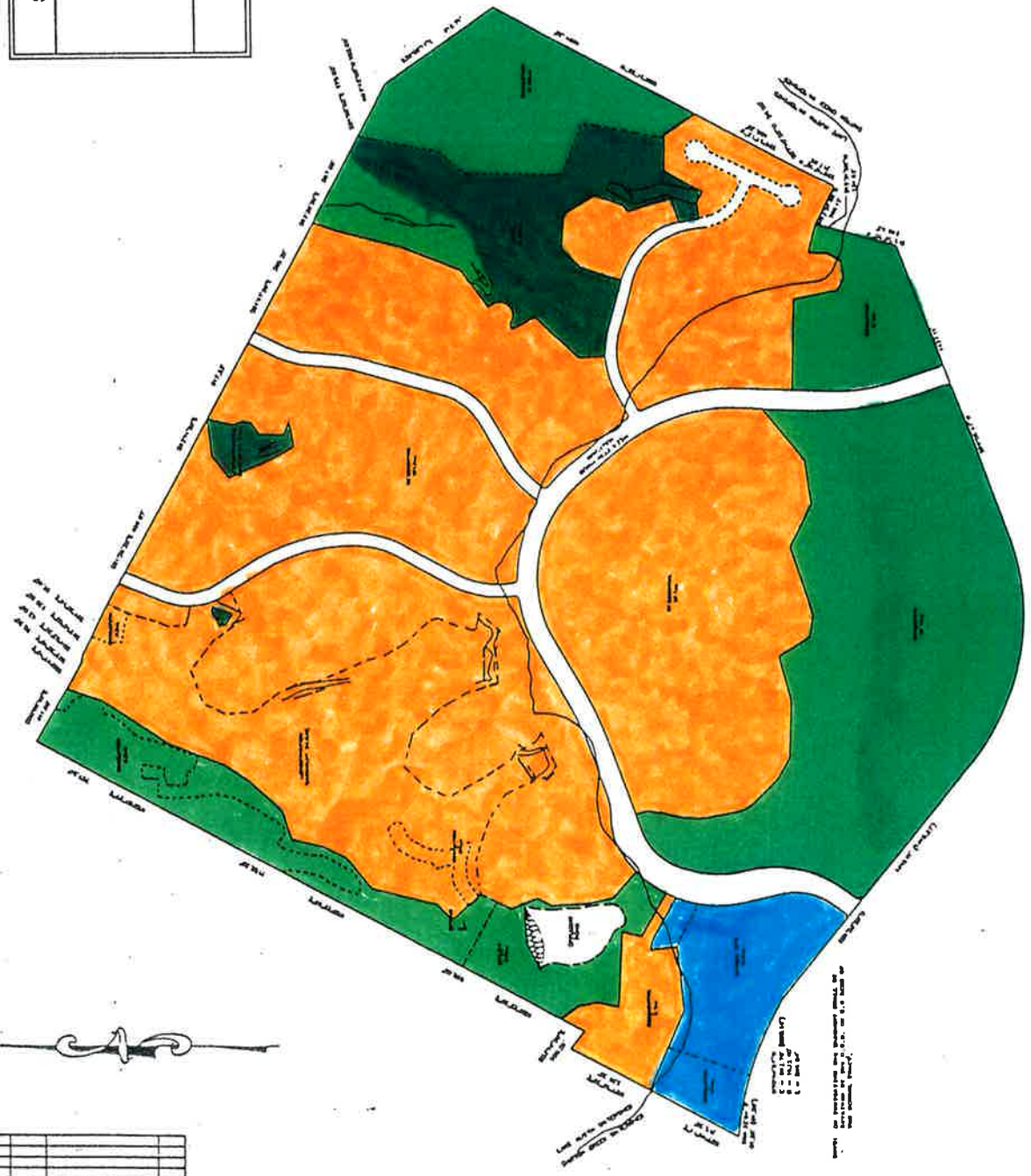
The market analysis for the development indicates the project will have a 9-year build-out starting in 1995 with completion projected by 2003.

SENNA HILLS MUNICIPAL UTILITY DISTRICT

**FIGURE 2
LAND PLAN**

Gebhard•Sarma Group, Inc.

-  R.O.W.
-  RESIDENTIAL
-  IRRIGATION
-  PARK/P.U.E
-  SCHOOL



GRAPHIC SCALE
1" = 100'

DATE: NOVEMBER 1, 2009

IV. EXISTING AND PROJECTED POPULATION

The District currently has two residents. The population of the District at build-out is estimated to be 1,700. The projected number of units to be developed each year and the resultant populations are shown in Table 2. The total build-out for the District is projected in the year 2003 with a total of 484 units. The overall density for the District is 1.5 units per acre.

TABLE 2
POPULATION PROJECTIONS

Year	Units Completed	Cumulative Units	Population Estimate
1995	15	15	50
1996	60	75	260
1997	60	135	470
1998	60	195	680
1999	60	255	890
2000	60	315	1100
2001	60	375	1310
2002	60	435	1522
2003	49	484	1700

V. ENVIRONMENTAL CONDITIONS

5.1 General Considerations

The District is located in the Barton Creek and Lake Austin watersheds. Development within the District is subject to the City of Austin "Barton Creek Watershed" Ordinance #810430-C of 1981 and the "Lake Austin Watershed" Ordinance #840301-G of 1984. All development activities will be permitted under the requirements of these ordinances. In addition, the District's contract for raw water with the Lower Colorado River Authority (LCRA) provides provisions for a water conservation plan and a nonpoint source pollution abatement plan. A copy of the District's raw water contract is provided in Appendix C.

5.2 Topography and Geology

The District is located within the Edwards Plateau physiographic region. The District straddles two watersheds, Barton Creek to the south and Lake Austin (Colorado River) to the north. The elevations within the District vary from approximately 910 MSL at the Barton Creek/Lake Austin watershed boundary to 710 MSL in the most northwestern canyon. The District contains rolling hills and steep canyons. The slopes range from 0 percent to over 35 percent, with a majority of the tract being in the 0 to 15 percent slope category.

The U.S. Department of Agriculture Soil Conservation Service identifies two soil series within the proposed District. The majority of the tract is occupied by soils in the Brackett series with some Volente complex soils occurring in the draws.

Brackett soils are mostly found on benched outcroppings of the Glen Rose Formation. They occupy large areas of gently undulating to steep topography and are separated by outcrops of the underlying limestone and marl. Soils are typically not greater than 10 inches in depth. Permeability of these soils is moderately low, and they exhibit a low shrink-swell potential due to their low clay content.

Soils of the volente complex are mainly found in draws that drain the tract with slopes of 1 to 8 percent. These silty clay loam soils have a moderate to high shrink-swell potential and high water capacity. Permeability of the Volente complex soils is low.

A detailed study of the surface soils within the proposed effluent irrigation areas was performed by Fugro McClelland in May 1994. A copy of that report is include in Appendix D.

5.3 100-Year Flood Plain

The 100-year flood plain will be contained within easements throughout the District. Storm flows within the District will be conveyed by the internal drainage systems. Drainage structures will be designed in accordance with City of Austin criteria.

Detention ponds will be provided as required by the City of Austin to compensate for limited conveyance capacity of the existing draws and canyons. Existing stock tanks will be incorporated into the facilities whenever possible to minimize disturbance.

Construction within the designated 100-year flood plain will be limited to the greatest extent possible. Alteration of any water ways will be restored to existing conditions.

The limits of the 100-year flood plain are shown on the City of Austin approved Preliminary Plan included in Appendix E.

VI. UTILITY SERVICE

6.1 Water Supply and Facilities

The District will be served with adequate potable water from the LCRA Upland Water Treatment Plant located near State Highway 71 on FM 2244. The District currently receives limited water service (maximum of 115 L.U.E.) via a "connecting line" to the Barton Creek West water distribution system. The District will receive full water service (907,000 G.P.D.) through a series of 24-inch and 16-inch water transmission lines ("Loop Line") to be built from the water treatment plant to the western boundary of the District generally along RM 2244. Once the "Loop Line" is complete, the minimum delivery pressure for non-emergency operating conditions will be 35 P.S.I. at a rate of 630 G.P.M. The District will pay the LCRA for their capital improvements through a connection fee of approximately \$1,950 for each L.U.E. Additional details of the agreement for LCRA treated water are contained in Appendix F. The "connecting line" and the internal distribution lines and appurtenances will be funded as District improvements. All water improvements will be designed and permitted in accordance with applicable governmental and design codes and criteria. Table 3 contains an estimate of construction costs for District funded water facilities.

6.2 Wastewater Facilities

The District will be served by onsite wastewater treatment facilities. The District is currently served by a package wastewater treatment plant, an effluent holding pond and effluent irrigation fields. The current facilities will provide a treatment level of 85,000 G.P.D. The treatment capacity at build-out is expected to be 170,000 G.P.D. The District is required to operate the wastewater treatment facilities in accordance with the Agreement Concerning Creation and Operation, Appendix A, and TNRCC Permit No. 13238-001, Appendix G. The collection system, lift stations, effluent holding pond and effluent irrigation fields will be funded as District improvements. The District currently leases the existing treatment plant, but they may at their option purchase the existing facility and its planned expansion. Appendix H contains the lease agreement for the existing wastewater treatment plant. The lease agreement specifies the purchase price of the existing facility and its proposed improvements. All wastewater improvements will be designed and permitted in accordance with applicable governmental and design codes and criteria. Table 4 contains an estimate of construction costs for District funded wastewater facilities.

6.3 Drainage Facilities

The District will be served by a series of onsite storm sewers, detention ponds and water quality facilities. All drainage facilities will be constructed in accordance with governmental and design codes and criteria. Table 5 contains an estimate of construction costs for District funded drainage facilities.

TABLE 3

ESTIMATED CONSTRUCTION COST FOR WATER FACILITIES

Description	Cost Estimate
16" PVC Waterline	\$99,000
16" Gate Valve & Box	\$7,200
12" PVC Waterline	\$101,353
12" Gate Valve & Box	\$6,650
8" PVC Waterline	\$322,860
8" Gate Valve & Box	\$24,600
6" PVC Waterline	\$42,700
6" Gate Valve & Box	\$11,000
5-1/4" Fire Hydrant, 6" Gate Valve & Box	\$93,800
2" Air Release Valve & Box	\$9,000
Water Service	\$215,220
DBL Meter Box	\$7,500
SGL Meter Box	\$37,950
Miscellaneous	\$103,093
TOTAL WATER	\$1,081,926

TABLE 4

ESTIMATED CONSTRUCTION COST FOR
WASTEWATER FACILITIES

Description Estimate	Cost
8" PVC SDR 35 0'-8'	\$372,500
8" PVC SDR 35 8'-10'	\$57,435
8" PVC SDR 35 10'-12'	\$61,935
8" PVC SDR 35 12'-14'	\$36,540
8" PVC SDR 35 14'-16'	\$23,200
8" PVC SDR 35 16'-18'	\$8,400
4" DIP All Depths	\$100,225
5" DIP All Depths	\$97,508
Lift Stations	\$329,000
4' Manhole 0'-8'	\$125,500
WW Service	\$170,000
Concrete Retards	\$6,100
Trench Safety Systems	\$28,725
Treatment Plant Site work	\$130,428
Treatment Plant Purchase	\$194,345
Treatment Plant Expansion	\$63,500
Effluent Holding Pond	\$611,524
Effluent Irrigation Fields	\$510,424
Miscellaneous	\$247,000
TOTAL WATER	\$3,174,289

TABLE 5

ESTIMATED CONSTRUCTION COST FOR
DRAINAGE FACILITIES

Description Estimate	Cost
18" CL III RCP	\$167,547
24" CL III RCP	\$166,850
30" CL III RCP	\$75,180
36" CL III RCP	\$51,600
42" CL III RCP	\$31,200
48" CL III RCP	\$34,222
10' Type 1 Inlet	\$106,300
15' Type 1 Inlet	\$50,000
20' Type 1 Inlet	\$34,000
Manhole	\$48,600
Std. COA Headwall	\$38,600
TxDOT 6:1 Headwall	\$5,600
Detention Pond	\$250,000
Water Quality Control	\$292,100
Street Excavation	\$1,479,954
Miscellaneous	\$121,415
DRAINAGE TOTAL	\$2,953,168

6.4 Fire Protection

The District is located within the boundary of the Travis County Emergency and Fire District No. 10 and will be served by the CE-Bar Volunteer Fire Department.

6.5 Utility Rates

The District proposes to establish the water and wastewater rates proposed in Appendix I.

SENNA HILLS MUNICIPAL UTILITY DISTRICT

VII. BOND ISSUE REQUIREMENTS AND TAX RATE TO PROVIDE WATER, WASTEWATER AND DRAINAGE TO DISTRICT

7.1 Total Bond Issue Requirements to Provide Water, Wastewater and Storm Drainage to District

Projected construction costs for water, wastewater and drainage improvements for the District are presented in Table 6. All major water and wastewater facilities are eligible for 100 percent bonding by the District while the internal water distribution, wastewater collection lines and drainage facilities are eligible for 70 percent bonding by the district with 30 percent of the cost to be borne by the developer.

7.2 Total Tax Assessment on all Land Within the District

The tax rate projected for the District is proposed to be set initially at \$0.75. Tabel 7 shows the estimated assessed value for the District for years 1995 through 2005. Table 8 shows the estimated District tax rate pro forma. It is anticipated that the tax rate for the District will vary through time with a low of \$0.05 and a high of \$1.10. The anticipated total tax rate within the District for 1995 is as follows:

Travis County	\$ 0.5554
Travis County Emergency & Fire Dist. #10	0.0550
Eanes I.S.D. (including C.E.D.)	1.6300
Senna Hills M.U.D.	<u>0.7500</u>
Anticipated Total Tax Rate	\$ 2.9904

This tax rate is comparable to other stand-alone districts in the area.

SENNA HILLS MUNICIPAL UTILITY DISTRICT

TABLE 6

ESTIMATED BOND ISSUE REQUIREMENTS

DESCRIPTION	
WATER	\$1,081,926
WASTEWATER INFRASTRUCTURE	\$1,664,068
WASTEWATER TREATMENT FACILITIES	
TREATMENT PLANT SITE WORK	\$130,428
TREATMENT PLANT PURCHASE	\$194,345
TREATMENT PLANT EXPANSION	\$63,500
EFFLUENT HOLDING POND	\$611,524
EFFLUENT IRRIGATION FIELDS	\$510,424
DRAINAGE	<u>\$ 2,953,168</u>
SUBTOTAL	\$ 7,209,383
CONTIGENCIES (10%)	<u>\$ 720,938</u>
SUBTOTAL	\$ 7,930,321
ENGINEERING & GOVERNMENTAL FEES (21%)	<u>\$ 1,665,367</u>
TOTAL	\$ 9,595,689
NON-CONSTRUCTION COSTS	
LEGAL FEES (3%)	\$480,000
FISCAL AGENT FEES (3%)	\$480,000
BOND DISCOUNT (3%)	\$480,000
CAPITALIZED INTEREST (2YRS @ 9%)	\$2,880,000
DEVELOPER INTEREST (2YRS @ 9%)	\$1,727,224
ADMINISTRATIVE & BOND ISSUANCE EXPENSES	\$132,087
LAND ACQUISITION COSTS	<u>\$ 225,000</u>
TOTAL BOND ISSUE REQUIREMENTS	\$16,000,000

SENNA HILLS MUNICIPAL UTILITY DISTRICT

Table 7

**Senna Hills Municipal Utility District
Assessed Value Worksheet
November 30, 1994**

	Jan 1, 1995	Jan 1, 1996	Jan 1, 1997	Jan 1, 1998	Jan 1, 1998	Jan 1, 1999	Jan 1, 2000	Jan 1, 2001	Jan 1, 2002	Jan 1, 2003	Jan 1, 2004	Jan 1, 2005
Single Family # of Homes	15	75	135	195	255	315	375	435	484	484	484	484
Home Value	\$4,500,000	\$22,500,000	\$40,500,000	\$58,500,000	\$76,500,000	\$94,500,000	\$112,500,000	\$130,500,000	\$145,200,000	\$149,556,000	\$149,556,000	\$154,042,680
# of Lots Developed/Unsold	101	41	56	46	46	46	46	46	49			
Undeveloped	368	368	293	243	183	123	63					
Value of Lots Developed/Unsold	\$3,030,000	\$1,230,000	\$1,680,000	\$1,380,000	\$1,380,000	\$1,380,000	\$1,380,000	\$1,380,000	\$1,470,000			
Undeveloped	\$2,944,000	\$2,944,000	\$2,344,000	\$1,944,000	\$1,464,000	\$884,000	\$504,000					
Total Assessed Value	\$10,474,000	\$28,674,000	\$44,524,000	\$81,824,000	\$79,344,000	\$96,864,000	\$114,384,000	\$131,970,000	\$145,200,000	\$149,556,000	\$149,556,000	\$154,042,680

Valuation in 2004 and 2005 assumes a 3% annual increase in assessed value

SENNA HILLS MUNICIPAL UTILITY DISTRICT

Table 8
Senna Hills Municipal Utility District
Tax Rate Pro Forma
December 1, 1994

Fiscal Year Ended (12/31)	Assessed Valuation (1)	Debt Service Tax Rate Per \$100.00	Tax Collection at 80%	Capitalized Interest (2)	Current Funds Available	Debt Service Requirement Series 1997	Debt Service Requirement Series 1998	Debt Service Requirement Series 2002	Debt Service Requirement Series 2004	Total Debt Service Required	Total Funds After Debt Service	Accumulated Fund Balance
1995	\$10,474,000	83.75	\$70,700		\$70,700	\$4,000,000.00	\$4,000,000.00	\$4,000,000.00	\$4,000,000.00	\$0	\$70,700	\$70,700
1996	\$26,674,000	83.75	\$180,000		\$180,000					\$0	\$180,000	\$250,749
1997	\$44,594,000	83.75	\$330,337	\$750,000	\$1,080,337	\$390,000				\$390,000	\$690,267	\$811,289
1998	\$61,824,000	83.75	\$417,312	\$750,000	\$1,167,312	\$408,000	\$390,000			\$390,000	\$67,312	\$969,599
1999	\$79,344,000	83.75	\$663,572	\$750,000	\$1,413,572	\$408,000	\$408,000			\$816,000	\$438,722	\$1,407,320
2000	\$96,864,000	83.75	\$809,832		\$809,832	\$408,000	\$408,000			\$816,000	\$918,016	\$1,244,302
2001	\$114,384,000	83.85	\$956,092	\$750,000	\$1,706,092	\$408,000	\$408,000	\$390,000		\$813,700	\$838,692	\$1,205,640
2002	\$131,904,000	83.85	\$1,002,352	\$750,000	\$1,752,352	\$408,000	\$408,000	\$390,000		\$1,273,700	\$912,920	\$1,681,310
2003	\$149,424,000	83.85	\$1,110,780	\$750,000	\$1,860,780	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$1,488,930
2004	\$166,944,000	83.85	\$1,219,208	\$750,000	\$1,968,208	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$1,786,744
2005	\$184,464,000	83.85	\$1,317,636		\$1,317,636	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$1,333,259
2006	\$198,984,000	83.85	\$1,373,779		\$1,373,779	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$1,028,632
2007	\$183,463,679	81.10	\$1,817,898		\$1,817,898	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$967,128
2008	\$168,943,359	81.10	\$1,896,433		\$1,896,433	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$915,188
2009	\$173,576,988	81.10	\$1,767,919		\$1,767,919	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$858,707
2010	\$163,635,016	81.10	\$1,820,987		\$1,820,987	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$804,294
2011	\$168,463,086	81.10	\$1,873,055		\$1,873,055	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$749,881
2012	\$183,186,698	81.00	\$1,798,230		\$1,798,230	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$695,468
2013	\$200,980,738	81.00	\$1,808,917		\$1,808,917	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$641,055
2014	\$207,020,481	80.80	\$1,674,869		\$1,674,869	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$586,642
2015	\$213,231,038	80.70	\$1,727,172		\$1,727,172	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$532,229
2016	\$218,026,028	80.70	\$1,780,475		\$1,780,475	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$477,816
2017	\$223,821,078	80.70	\$1,833,778		\$1,833,778	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$423,403
2018	\$229,616,128	80.70	\$1,887,081		\$1,887,081	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$368,990
2019	\$235,411,178	80.70	\$1,940,384		\$1,940,384	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$314,577
2020	\$241,206,228	80.70	\$1,993,687		\$1,993,687	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$260,164
2021	\$247,001,278	80.70	\$2,046,990		\$2,046,990	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$205,751
2022	\$252,796,328	80.70	\$2,099,293		\$2,099,293	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$151,338
2023	\$258,591,378	80.70	\$2,151,596		\$2,151,596	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$96,925
2024	\$264,386,428	80.70	\$2,203,899		\$2,203,899	\$408,000	\$408,000	\$408,000		\$1,273,700	\$288,154	\$42,512

1) Assessed Values are as of the current tax year

2) The District will capitalize two years of interest for each bond issue at a rate of 9% per annum

3) Interest on the Bonds has been calculated at 9% per annum/20 year issue/2 years interest only/18 year amortization of principal

X. RECOMMENDATIONS AND CONCLUSIONS

As outlined in this report, the plan for development of the District should not create any adverse impact on land elevation, subsidence, ground water levels and recharge capabilities, natural runoff rates, drainage or water quality. All development will be in accordance with design standards and criteria set by the City of Austin, Travis County and the State of Texas.

The proposed District tax rate of \$0.75 per \$100 of assessed valuation and total tax rate of \$2.9904 per \$100 of assessed valuation is considered acceptable for developments of this type and location.

The bonding requirements for the District are feasible, practical and necessary to provide water, wastewater and drainage facilities required to benefit all land within the District.

APPENDICES

- Appendix A - First Amended and Restated Agreement Concerning Creation and Operation of Senna Hills Municipal Utility District
- Appendix B - Field Notes for 322.68 Tract (The District)
- Appendix C - Water Sale Contract for Municipal Uses
- Appendix D - Irrigation Area Topsoil Assessment, Senna Hills Municipal Utility District, Travis County, Texas
- Appendix E - Preliminary Plan for Senna Hills
- Appendix F - Water Service Agreement Between Lower Colorado River Authority and Senna Hills Municipal Utility District
- Appendix G - Permit No. 13238-001 for Wastewater Treatment Facility
- Appendix H - Equipment Lease Agreement for Wastewater Treatment Plant
- Appendix I - Order Establishing Water and Wastewater Service Rates, Charges and Tap Fees, and Adopting General Policies with Respect to the District's Water, Wastewater and Drainage Systems (August 1, 1994).

FIRST AMENDED AND RESTATED
AGREEMENT CONCERNING CREATION AND OPERATION
OF
SENNA HILLS MUNICIPAL UTILITY DISTRICT

THE STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF TRAVIS §

THIS FIRST AMENDED AND RESTATED AGREEMENT CONCERNING CREATION AND OPERATION OF SENNA HILLS MUNICIPAL UTILITY DISTRICT (this "Agreement"), dated effective as of October 1, 1992, is made and entered into by and among the City of Austin, Texas (hereinafter referred to as the "City"), a Home Rule City situated in Travis County, Texas, acting herein by and through its undersigned duly authorized City Manager, as authorized by specific action of its City Council; Senna Hills Municipal Utility District (hereinafter the "District"), a municipal utility district created on the 6th day of April, 1988, by order of the Texas Water Commission, and operating pursuant to Chapter 54 of the Texas Water Code; and Senna Hills, Ltd., a Texas limited partnership (hereinafter "Senna Hills"), successor in interest to Senna Hills, Ltd., a Texas limited partnership, as the holder of legal title to a majority in value of the land comprising the District, which land is more particularly described in Exhibit "A" (the "Property"), attached hereto and incorporated herein by reference, consisting of approximately 316.695 contiguous acres situated wholly in Travis County, Texas, and lying wholly within the extraterritorial jurisdiction of the City.

The City, the District, and Senna Hills, Ltd. previously entered into that certain Agreement Concerning Creation and Operation of Senna Hills Municipal Utility District (the "Original Agreement") which details the terms and conditions upon which the property within the District is to be developed and the District is to be operated. The property in the District covered by the Original Agreement included the Property and an additional 76.10 acres of land (the "76 Acre Tract") out of the Chris Parker Survey No. 80, the Chris Parker Survey No. 400, the J.R. Watson Survey No. 646, the E.C. Gaines Survey No. 76, and the John Mustain Survey No. 40, all in Travis County, Texas, located on the south side of FM 2244. Title to the 76 Acre Tract has been acquired by Charles E. Ball and Troylyn W. Ball (collectively the "Balls"). The Balls submitted a request to the Board of Directors of the District to have the 76 Acre Tract de-annexed from the District. This request was approved by the Board of Directors of the District, subject to the City's approval of the deletion of the 76 Acre Tract from the coverage of the Original Agreement. The City is willing to delete the 76 Acre Tract from the coverage of the Original Agreement in accordance with the terms and provisions hereof. The City, the District, and Senna Hills also wish to make other modifications and amendments to the Original Agreement and to restate the Original Agreement, as so modified and amended, in its entirety.

Therefore, for and in consideration of the mutual agreements, covenants, and conditions hereinafter set forth, the parties hereto hereby contract and agree as follows:

ARTICLE 1

COMPLIANCE WITH CITY'S WATER DISTRICT ORDINANCE

Section 1.1 General Statement. Except as otherwise expressly provided herein, the consent to the creation of the District hereby granted by the City is subject to, and the creation and operation of the District shall be in accordance with, the Water District Ordinance adopted by the City Council of the City of Austin on August 19, 1981, by Ordinance Number 810819-E, as amended, a true and correct copy of which is attached hereto as Exhibit "B" and incorporated herein by reference ("Water District Ordinance"). The terms and conditions of the Water District Ordinance are made a part of this Agreement for all purposes to the extent permitted by law.

Section 1.2. Exemptions. Notwithstanding any provision in the Water District Ordinance to the contrary, the City has granted exemptions and/or variances to the District from certain sections of the Water District Ordinance as follows: (a) Sections II A. and III.: Granting the District the authority to issue bonds for all water, wastewater and drainage facilities of the District to the extent permitted by the Texas Water Commission, and (b) Section IV: Granting the District the authority to make surcharge calculations based on the bonding authority permitted by this Section 1.2.

ARTICLE 2

ISSUANCE OF BONDS BY THE DISTRICT

Section 2.1. General Statement. The District agrees that it shall only issue bonds and notes, including bond anticipation notes, for the purposes and in the manner provided by the rules and requirements of the Texas Water Commission and the Water District Ordinance. All bonds and notes of the District (the "District Bonds") and the terms and provisions thereof shall be approved by the City Council of the City in accordance with Section 9-13-1, et. seq. of the 1981 Code of the City of Austin, as amended ("Water District Procedure Ordinance"), prior to the issuance thereof, which approval shall not be unreasonably withheld; provided, however, that any authorization which may be granted hereunder by the City of a principal amount of District bonds (plus interest) proposed to be issued by the District shall be deemed to include the approval of bond anticipation notes in a principal amount not to exceed the amount of principal and interest of the District Bonds so authorized. It is specifically agreed that the District Bonds, when issued, shall be secured by a pledge of the District's taxes and revenues.

Section 2.2 Use of Bonds and Other Funds. The parties hereto acknowledge and agree that this Agreement and the Water District Ordinance have the effect of restricting the general statutory purposes for which the District may issue bonds and notes. The parties further recognize and agree that neither this Agreement nor the Water District Ordinance

otherwise restrict or limit the powers and authority of the District to acquire, own, operate and maintain water or wastewater systems, drainage facilities, recreational facilities, or any other systems, facilities, assets or properties of or serving the District. The District may use funds and assets from any other available, lawful source to provide for such acquisition, ownership, maintenance and operation, as well as to accomplish any purpose or to exercise any function, act, power or right authorized by law. Such funds and assets shall include, without limiting the generality of the foregoing, revenues from any of the systems, facilities, properties and assets of the District not otherwise committed for the payment of indebtedness of the District; maintenance taxes; loans, gifts, grants and donations from public or private sources; and revenues from any other source lawfully available to the District. The District bonds and notes may be issued by the District for any purpose not specifically prohibited by this Agreement or the Water District Ordinance.

ARTICLE 3

DISTRICT FACILITIES

Section 3.1. General Statement. It is understood and acknowledged that the District may provide water service to the Property by acquisition and/or construction of a District water treatment facility and distribution system; shall provide wastewater service by acquisition and/or construction of a District collection, treatment and irrigation system; shall provide drainage facilities, as necessary, within the District; and shall own and maintain certain parkland and associated recreational facilities within the District (collectively referred to as "District Facilities"); provided, however, notwithstanding the above, the District may purchase treated water from another political subdivision of the State of Texas through the use of said political subdivision's water treatment system if an agreement relating to water purchase is reached between such a political subdivision and Senna Hills and/or the District. Senna Hills shall file a copy of any such executed agreement with the Law Department of the City. Subject to the consent of the District, Senna Hills may serve as the project manager for the construction of all or a portion of the District Facilities to be constructed or acquired by the District. Senna Hills and/or the District shall cause the District Facilities to be designed and constructed in accordance with the plans prepared by the engineer for Senna Hills and/or the District. Construction of any District Facility shall not commence unless the plans and specifications therefor have been approved by the City and all other governmental entities having jurisdiction; provided, however, the District and/or Senna Hills shall have the right to impose specifications and requirements for construction and installation which exceed or are more restrictive than those established by the governmental agencies.

Section 3.2. Water and Wastewater Lines. The routing and design of District water and wastewater lines crossing any draws (100 year floodplain) shall be subject to the review and approval of the City's Environmental and Conservation Services Department ("ECSD"). The following mitigative measures shall be utilized during water and wastewater line

construction, as appropriate: Crossing points shall be chosen to minimize the impact on the environment to the extent feasible, work space and areas of disturbance shall be reasonably restricted, erosion and sedimentation controls as required by the City's Environmental Criteria Manual shall be utilized, and any disturbed area shall be immediately and properly restored with native vegetation. Restoration shall be subject to review of ECSD. Installation of all District water and wastewater lines shall comply with the applicable watershed ordinances and other applicable ordinances.

Section 3.3. No-discharge Permit. The parties acknowledge that Senna Hills has received a no-discharge wastewater disposal permit No. 13238-01 ("Permit") from the Texas Water Commission. Senna Hills shall file and diligently pursue an application with the Texas Water Commission to amend the Permit to require parameters of five (5) milligram per liter limit on five day biological oxygen demand (BOD5), five (5) milligram per liter limit on total suspended solids (TSS), and two (2) milligram per liter limit on ammonia nitrogen (N). In any case, Senna Hills shall operate the wastewater treatment facilities at the parameters stated in this Section. Senna Hills shall initiate proceedings before the Texas Water Commission to transfer the Permit to the District at or near the time the wastewater treatment facilities are acquired or constructed by the District. The orders of the Texas Water Commission amending the Permit and transferring the Permit shall be promptly filed with the City Attorney's office of the City.

Section 3.4. Use of Irrigation Land. Senna Hills and/or the District, as said permittee, shall utilize irrigation land having slopes of 0%-15%. Senna Hills and/or the District shall augment areas of existing vegetation with seeding of grasses through a seeding program. General guidelines for said program are shown in the attached Exhibit "C", made a part hereof for all purposes, which guidelines are subject to refinement by Senna Hills and/or the District in conjunction with ECSD. No irrigation shall be Permitted in the one hundred (100) year flood plain or during wet weather conditions.

Section 3.5. Tailwater Control Facilities. Tail water control facilities, such as berms, shall be provided in a manner consistent with sound engineering principles within the area of effluent irrigation, if necessary. ECSD and the Water and Wastewater Utility shall have the right of prior approval of the proposed design and location of the facilities. The location and design of tailwater control facilities shall be shown on site development permits.

Section 3.6. Water and Soils Monitoring Program. Senna Hills and/or the District shall implement and comply with the water quality and soils monitoring program as generally described in Exhibit "D", attached hereto and incorporated herein by reference. Any potential for significant water quality or soils degradation revealed by the program shall be addressed by any mechanisms agreed upon by ECSD and Senna Hills and/or the District, including, but not limited to, the mitigative measures shown on Exhibit "D". If said entities are not able to agree upon a mechanism(s), any of said entities may request that the City Council make a recommendation as to said mechanism(s).

Section 3.7. Effluent Pond. The parties agree that the effluent storage pond shall be constructed in the Lake Austin Watershed and will be of sufficient size so as to provide up to one hundred (100) days of effluent storage, in accordance with the then current standards of the Texas Water Commission. Senna Hills shall line the holding pond with an impermeable liner which meets the specifications and requirements of the Texas Water Commission.

Section 3.8. Lift Stations. Senna Hills and/or the District shall design and install lift stations in accordance with City of Austin specifications and regulations. The City shall have the right to review and approve the design of the lift stations and overflow containment facilities.

Section 3.9. Acquisition by District. The District may reimburse Senna Hills for the cost of construction of any District Facilities constructed by Senna Hills to the extent authorized by the Texas Water Commission. To the extent the District is not permitted by the Texas Water Commission to pay Senna Hills for any facility, Senna Hills shall dedicate such facility to the District without compensation.

ARTICLE 4

OPERATION AND MAINTENANCE

Section 4.1. District Facilities. The District shall operate and maintain the District Facilities, unless the City and the District enter into a contract for the City to operate the District Facilities in such manner and for such compensation as may be mutually agreeable. The District shall have the obligation to inspect all water and wastewater connections made in the District for compliance with the requirements of the Uniform Plumbing Code, the City's local amendments thereto, the water and wastewater service detail Promulgated by the Water and Wastewater Utility of the City, as hereinafter amended from time to time, and the rules and regulations of the Texas Water Commission.

Section 4.2. Living Unit Equivalentents The City acknowledges that the District's overall water and wastewater capacity demand, as expressed in living unit equivalentents ("LUEs"), to fully develop the District is 494 LUEs of water service and 494 LUEs of wastewater service, based on a maximum of 484 LUEs for residential use and 10 LUEs for school use. LUEs per land use category are calculated based on City criteria.

Additional water and wastewater requirements shall be determined if (a) the District annexes land in accordance with Article V, (b) the land use plan for the Property is amended in accordance with Article 9 or (c) zoning, platting or replatting of property within the District affects the capacity demand.

Nothing herein shall be construed as a prohibition against the District or Senna Hills petitioning for any water or wastewater capacity which may become available to the District or Senna Hills by the extension or addition of City facilities; provided, however, that nothing herein guarantees the District or Senna Hills any capacity in any facilities.

Section 4.3. Park. The District shall operate and maintain the District Park described in Section 9.4 herein and the recreational facilities located within said District Park to the extent permitted by law and the rules and regulations of the Texas Water Commission. Upon annexation and dissolution of the District by the City, said District Park shall be conveyed to and operated and maintained by the City.

Section 4.4. Audit. The District shall file a copy of its annual audit, and a copy of its proposed budget for the following year showing expenses, income and revenue sources with the City Clerk, the Director of Financial Services and City Manager of the City. The annual audit shall be filed within one hundred thirty-five (135) days after the end of the District's fiscal year.

Section 4.5. Filings with State Agencies. The District and/or Senna Hills shall notify the City of any filings made with the Texas Water Commission, other than routine reports required by state law, in advance of said filings and shall provide copies of said filings to the Law Department of the City simultaneously with the filing at the respective agency.

Section 4.6. Operations Manual. Senna Hills and/or the District shall develop an operations manual relating to the proper operation of the wastewater treatment plant and the irrigation system and a copy of said manual shall be filed with the Law Department of the City.

ARTICLE 5

AREA OF AND LIMITATIONS ON SERVICE

Section 5.1. General Statement. Unless the prior approval of the City Council of the City is obtained, which approval shall not be unreasonably withheld, the District shall not: (1) construct or install water or wastewater lines or facilities to serve areas outside the District; (2) sell or deliver water or wastewater service to areas outside the District; or (3) annex any additional lands to the District.

Section 5.2. Procedure. With respect to all land for which approval for annexation to or out-of-district service from the District is hereafter requested, the petitioner shall comply with the Water District Procedure Ordinance and shall submit a land use plan covering the land for which annexation or out-of-district service is sought at the time such approval is requested. Any land for which annexation or out-of-district service is requested shall be developed in accordance with the approved land use plan in the same manner set forth in Article 9 for land originally included within the District.

ARTICLE 6

ANNEXATION BY CITY

Section 6.1. General Statement. The parties hereto acknowledge and agree that the land comprising the District lies within the extraterritorial jurisdiction of the City and is not bordered by another city, town, or village. The parties further acknowledge that the creation of the District, and the City's consent thereto, are for the purpose of promoting the orderly development of services to the Property.

Section 6.2. Incorporation. In furtherance of the purposes of this Agreement, the District and Senna Hills covenant and agree to the extent allowed by law that, except upon written consent of the City Council of the City they will not: (1) seek or support any attempt to incorporate any land within the District, or any part thereof; or (2) sign, join in, associate with, or direct to be signed any petition seeking to incorporate any land in the District or to include any of such land within the boundaries of the City or any other incorporated entity. Senna Hills shall notify each person or entity purchasing property within the District from Senna Hills of the annexation provisions of this Agreement and that any attempt to incorporate all or any part of the District would be contrary to the intent and purpose of this Agreement.

Section 6.3. Annexation Generally. All parties to this Agreement respectively agree that one of the purposes of this Agreement is to effectuate the provisions of Section 54.016(f) of the Texas Water Code regarding annexation of all of a district pursuant to the terms and conditions of a contract between the district and a city. It is further understood that, by enacting the ordinance granting consent to the creation of the District and by executing this Agreement, the City has begun to provide for the legal process of annexation of the District, and it is mutually agreed that all parties hereto shall use their best efforts to bring about the conclusion of that process in accordance with the terms hereof.

Section 6.4. Timing. It is expressly understood and agreed that the City may annex the District's lands and dissolve the District upon the following terms and conditions:

a. The District agrees that at least ninety percent (90%) by dollar amount of the total District Facilities to be constructed for which District bonds are authorized ("requisite percentage of District Facilities") will be installed within fifteen years from the date of confirmation of the creation of the District. At any time following the installation of the requisite percentage of District Facilities, such land may be included in the corporate boundaries of the City in accordance with applicable law. If the installation of the requisite percentage of District Facilities has not been accomplished within said fifteen years, the City, at its option, may annex land within the District in accordance with applicable law.

b. Notwithstanding the provisions of Section 6.4.a. of this Agreement, if prior to the installation of the requisite percentage of District Facilities, the City is presented with a valid petition for annexation of lands within the District in aid of incorporation which complies with the provision of the Municipal Annexation Act (Article 970a, V.T.C.S.) and all other statutes, ordinances and charter provisions relating to incorporation, or if the City finds annexation to be feasible, the City shall be authorized to annex such land into the corporate boundaries of the City.

c. Notwithstanding the above, if the installation of any item of authorized District Facilities financed with the proceeds of District bonds has commenced in good faith in compliance with and in reliance upon the provisions of this Agreement and is in progress at the time the City finds annexation of the District to be feasible, the City shall give written notice of its intent to proceed to annex the District, by registered or certified mail, return receipt requested, to the address of the District designated in the registration statement on file with the Texas Water Commission, with a copy to the District's attorney of record, and annexation of the District shall be postponed until: (i) the installation of the items has been completed; or (ii) the expiration of one (1) year, whichever occurs first.

Section 6.5. Allocation Agreement. Upon the annexation and dissolution of the District, the City shall immediately succeed to all properties, powers, duties, assets, debts, liabilities, and obligations of the District; provided, however, in the event the District and the City agree that the District shall continue to exist following the effective date of such annexation, such existence shall be subject to the following terms and conditions:

a. The provisions of this Agreement shall remain in full force and effect until the District is dissolved in accordance with the provisions of Section 6.5.d. herein.

b. The total ad valorem taxes collected by the City and the District on taxable property within the District during any year between annexation of the District and dissolution of the District shall not exceed an amount greater than the City's ad valorem tax upon property located outside the District. As between the City and the District, the District shall be entitled to levy and collect an ad valorem tax which, when added to the projected revenues of the District for the next year, will yield an amount sufficient to meet all financial obligations of the District and provide a ten percent (10%) contingency fund. The City shall be entitled to levy and collect an ad valorem tax which, when added to that which the District is entitled to levy and collect, shall not cause the total ad valorem taxes on taxable property within the District to exceed the limitation set forth above. It is provided, however, that if the foregoing limitation upon the total amount of ad valorem taxes shall be declared invalid by a court of competent jurisdiction and no appeal is or can be taken from that decision or if the statutory limitation should be repealed by the state legislature, then such limitation shall not apply and the City and District may each levy such ad valorem taxes as may be authorized by law.

c. During the period following annexation but preceding dissolution of the District, the District shall, to the extent permitted by law, be responsible for providing water and wastewater service to the residents of the District. The City shall be responsible for the provision of all other governmental services, including maintenance of public parks and recreational areas, to residents of the District until dissolution of the District, at which time the City shall become responsible for the provision of all governmental services to residents of the District.

d. The District shall be dissolved and the City shall succeed to all the remaining properties, powers, duties, assets, debts, liabilities, and obligations of the District upon: (1) the retirement of the District's bonded indebtedness or (2) the expiration of forty (40) years from the date this Agreement is executed by the District, whichever occurs first, unless the City and the District agree otherwise.

Section 6.6. City Surcharge. After annexation of the District by the City and dissolution of the District, the City may charge and collect a special surcharge for the purpose of wholly or partially compensating the City for the assumption of the obligations of the District, as provided by Texas Water Code, Section 54.016(h). The surcharge shall be calculated pursuant to the criteria and formula provided for in Exhibit "E" attached hereto and incorporated herein by reference. The surcharge may be charged by the City in addition to the City's normal water and sewer rates to customers within the boundaries of the dissolved District until the bonded indebtedness of the District has been retired or for thirty (30) years after the initial District debt issue, whichever occurs last, but in no case for a longer period of time than is necessary to wholly compensate the City for its assumption of the bonded indebtedness of the District. It is understood and acknowledged that the formula and criteria contained in Exhibit "E" base such charge upon compensation of only a portion of the obligations to be assumed by the City. The City shall have the right to recalculate the amount of the surcharge so that such surcharge would compensate the City for additional outstanding obligations of the District. If the variables used to calculate the surcharge should change from the numbers used in Exhibit "E", the City may recalculate the surcharge accordingly, and such recalculated surcharge may be charged and collected as provided herein. The provisions of this Section 6.6 shall be disclosed at closing to each purchaser of a tract of land in the District in accordance with the Texas Water Code, Section 54.016(h)(4).

ARTICLE 7

OBLIGATIONS AFTER ANNEXATION

Except as otherwise provided herein, when the land within the District is annexed to the City and the District is dissolved, Senna Hills shall incur no further contractual obligations and responsibilities pursuant to this Agreement; provided, however, that any such

obligations or responsibilities which may have been incurred by Senna Hills prior to annexation and dissolution of the District shall not terminate unless and until the City and Senna Hills agree otherwise.

ARTICLE 8

LAND AND EASEMENT COSTS

All easements and rights-of-way needed for District purposes within the District shall be dedicated to the District by Senna Hills, its successors or assigns. The District may acquire land outside the District for District purposes from Senna Hills or other landowners in accordance with the rules of the Texas Water Commission. Land, easements, and rights-of-way outside the District required by the District shall be acquired by the District in accordance with the usual and customary public purchasing standards and procedures applicable to the District.

ARTICLE 9

LAND USE AND DEVELOPMENT

Section 9.1 Restrictive Covenants. Senna Hills, its successors and assigns, covenant and agree that, at the time the creation of the District is confirmed by the qualified voters in the District or prior to development of the Property, whichever occurs first, the following restrictive covenants, lettered a. through k., shall be placed of record in the Real Property Records of Travis County, Texas, in a form approved by the City Attorney, which covenants and restrictions shall run with the land and be binding upon Senna Hills, and its successors and assigns:

a. Senna Hills, its successors and assigns, shall develop and maintain the Property in accordance with the Land Plan, attached hereto as Exhibit "F" and made a part hereof for all purposes ("Land Plan"), including all notations thereon, as the same may be amended from time to time with the concurrence of a majority of the members of the City Council of the City and Senna Hills, its successors and assigns, in accordance with the Water District Procedure Ordinance, except as otherwise hereinafter provided. The District's overall gross residential density shall be limited to no more than 1.53 units per acre based on a maximum of four hundred eighty-four (484) residential units on 316.695 acres.

b. The Property shall be developed and maintained in a manner which meets or exceeds the standards for landscaping set out in the City's Landscape Ordinance, as codified in Chapter 13-2A of the 1981 Code of the City of Austin (the "Code"), as

amended from time to time, and the standards of the Tree Ordinance, as codified in Chapter 9-12 of the Code, as amended from time to time.

c. The Property is located partially within the Barton Creek Watershed and partially within the Lake Austin Watershed. Development of the Property specifically shall comply with the Comprehensive Watersheds Ordinance No. 860508-V, unless the Property is exempt from said Ordinance pursuant to the terms of said Ordinance in which case the Property shall be developed pursuant to the following standards: Development and maintenance of that portion of the Property which lies within the Barton Creek Watershed shall meet or exceed the standards set forth in the Barton Creek Watershed Ordinance, as codified in Article VII, Division 2 of Chapter 13-3 of the Code, pertaining to subdivision of property, and in Article V, Division 4 of Chapter 9-10 of the Code, pertaining to site development of property, as such may be amended from time to time. Development and maintenance of that portion of the Property which lies within the Lake Austin Watershed shall meet or exceed standards set forth in the Lake Austin Watershed Ordinance, as codified in Article VII, Division 5 of Chapter 13-3 of the Code, pertaining to subdivision of property, and in Article V, Division 5 of Chapter 9-10 of the Code, as such may be amended from time to time. That portion of the Property which lies within the Lake Austin Watershed is hereby granted a waiver from Sections 9-10-421 and 13-3-663 of the Code as follows: Senna Hills shall provide eight thousand (8000) square feet per living unit equivalent of irrigation land on slopes up to 15%, provided, however, that Senna Hills may utilize seven thousand (7000) square feet per living unit equivalent of irrigation land on slopes of 0-15%, so long as said 7000 square feet contains not less than six inches of effective depth of soil as determined by Senna Hills and ECSD; and further provided, however, if in the best judgment of ECSD, the addition of soil to reach a level of six inches of effective depth of soil would be ineffective or adverse to the environment, ECSD may waive said requirement.

d. The standards for construction and maintenance on the Property shall be in compliance with the City's Building Code, including, but not limited to any provisions thereof relating to construction in flood plains (including floodplain modification standards of the Waterway Development Ordinance in effect at the time each subdivision is developed), the City's Plumbing Code, the City's Electrical Code, the City's Mechanical Code and the City's Fire Protection Code, as the same may be amended from time to time, as if the Property were within the City's corporate limits.

e. The subdivision of the Property shall require approval of subdivision plats by the City Planning Commission as provided by Art. 974a V.T.C.S., as amended; by applicable provisions of Chapter 13-3 of the Code, as amended from time to time; and by any variances, exemptions, or waivers from applicable ordinances granted by the City.

f. The erection and maintenance of billboards and signs in the District shall be consistent with the standards of Chapter 13-13 of the Code, as amended from time to time.

g. Development shall be prohibited within the Irrigation Lands as shown on the Land Plan; provided, however, said irrigation land may be utilized for recreational purposes and facilities which do not conflict with the use of said land for irrigation purposes. This restriction shall continue to be in effect following the time that irrigation may cease on said areas.

h. The following setbacks and easements shall be required and shall be indicated on required preliminary plans and final plats:

(1) An irrigation setback of one hundred fifty feet (150') from the centerline of the two (2) major draws within the District; and

(2) An irrigation setback of one hundred feet (100') from the seasonal seep as shown on the Land Plan; and

(3) An irrigation setback of twenty-five feet (25') from the centerline of the swale located in the ephemeral seepage zone as shown on the Land Plan; and

(4) A lot line or building setback of twenty-five feet (25') from the downslope limits of the 0% to 15% slope category, where this category occurs adjacent to the 35% or greater slope category at three locations as shown on the Land Plan.

(5) Erosion and sedimentation controls shall be maintained adjacent to and outside of said setbacks in compliance with applicable City ordinances.

i. Compliance with the applicable terms of the City's FM 2244 Ordinance shall be required.

j. Compliance with all applicable City environmental ordinances and any variances, exemptions or waivers granted by the City from said ordinances shall be required.

k. All City reviews, permits, approvals, or inspections required by these covenants and restrictions shall require the payment to the City of the standard fees charged for said reviews, permits, approvals or inspections, which fees shall not be included as bondable items. It is specifically understood and agreed that inspection fees for bondable water, sewer and drainage facilities are not addressed in this section and bonding of such fees is not prohibited. Failure to procure the required permits, (variances, waivers,) reviews, approvals or inspections, whether conducted by the City or an authorized outside agency, shall subject Senna Hills, its successors and assigns, or the permit holder, as appropriate, to stop work orders issued by the appropriate agents of

the City as authorized by the applicable ordinance or a court of competent jurisdiction requiring the cessation of any further construction or related operations until such permits, (variances, waivers,) reviews, approvals or inspections are acquired.

Section 9.2 Land Plan Changes. It is acknowledged and agreed that the densities and land use intensities reflected on the Land Plan and in Section 9.1a above are not guaranteed levels of development, but rather are subject to changes thereof necessitated by compliance with the requirements of applicable ordinances and applicable provisions of the City's Comprehensive Plan, as such may be amended from time to time, and the aforementioned gross density limit. Senna Hills may request variances from applicable ordinances in accordance with the provisions of said ordinances but variances are not guaranteed except as stated in this Agreement. Senna Hills may also request variances, exceptions, and waivers from the requirements of Section 9.1, however, variances, exceptions, and waivers are not guaranteed except as stated in this Agreement. Any increase in the overall residential density within the District, any increase in the number of LUEs, any increase in the intensity of the land uses, or any change in the land uses shown on the Land Plan may only be made with the concurrence of a majority of the members of the City Council of the City and Senna Hills, its successors and assigns, in accordance with the Water District Procedure Ordinance; provided, however, other changes may be approved administratively by the City's Director of Planning and Development.

Section 9.3. Subdivision Plats. All of the Property shall be developed consistent with the City's Subdivision Ordinance, Chapter 13-3 of the Code, as such may be amended from time to time, except as stated in this Agreement, and with the Land Plan, which shall be updated as each section of the Property is platted, and shall further comply with any applicable provisions of the City's Comprehensive Plan, as such may be adopted and amended from time to time. Senna Hills agrees to supply the City with density and LUE analysis as each site plan, preliminary subdivision plan, and final plat for any portion of the Property is submitted to the City, for the purpose of monitoring compliance with the aforementioned density and LUE limits. The Director of the Department of Planning and Development shall determine whether a plat is in substantial compliance with the Land Plan. Any person aggrieved by the decision of said Director may appeal such decision by filing a written notice thereof with the City Clerk within ten (10) days of the date of such decision. The City Council shall then hold a public hearing and render a decision either affirming or reversing such decision within fifteen (15) days of the date of such notice of appeal.

Section 9.4. Public Park. Senna Hills agrees and covenants to dedicate, as public parkland, and by these presents does hereby express its intention to dedicate at approximately 14 acres of public parkland to the District, with approximately 500 feet of roadway frontage, as such acreage is shown on the Land Plan, within seven (7) years of the creation of the District. Senna Hills shall finance the design and installation of at least \$98,000.00 worth of park and recreational facility improvements on the dedicated

parkland (the "Recreational Facilities"), with such installation to be completed within two years of the dedication of the public parkland to the District. Senna Hills agrees to allow the City to review and approve the plans and specifications for the Recreational Facilities prior to installation, using the same criteria as if the site were located within the City limits. The park and Recreational Facilities shall be constructed to City specifications and shall be dedicated to the District at no cost to the District.

Section 9.5. Irrigation Land. Senna Hills shall dedicate the Irrigation Land indicated on the Land Plan and required by Section 9.1 herein to the District. The Irrigation Land may be dedicated in portions as final plats for the Property are approved; provided, however, each preliminary subdivision plan, final plat or previously approved preliminary plan or final plat shall show a sufficient amount of Irrigation Land at the time of any final plat approval as needed to provide sufficient Irrigation Land for the lots on said final plat and all previously approved final plats for the Property. Senna Hills shall have the right to use such acreage under the provisions of the City's Subdivision Ordinance during the platting process, including but not limited to the use thereof for density and impervious cover calculations, to the extent permitted under applicable City ordinances.

Section 9.6. Conservation Easements. Conservation easements shall be created and executed and recorded to protect all of the Conservation Easement Areas shown on the Land Plan. All conservation easements shall permit Senna Hills, its successors and assigns, to utilize said easements for utilities as reasonably necessary subject to the review and approval of ECSD; provided, however, this section is not intended to waive any requirement relating to the obtaining of site development permits contained in applicable ordinances of the City or this Agreement. All other construction site disturbance shall be prohibited. A copy of all conservation easements shall be filed with the City Attorney's Office.

Section 9.7. Drainage. Energy dissipation and filtration shall be provided on all storm sewer drainage outfalls within one hundred fifty feet (150') of all canyon heads and major ravines in accordance with the applicable City watershed ordinance. Energy dissipation and filtration may be accomplished through the use of grassed swale or other acceptable method.

Section 9.8. Springs. All groundwater discharge areas defined as "springs" by the City's Comprehensive Watershed Ordinance, Chapter 13-15 of the Code, shall be identified on all required site plans, preliminary plans, final plats and site development permit applications.

Section 9.9. Transportation.

a. Senna Hills shall provide traffic signals when warranted at the intersections of any access roads to the Property from FM 2244. Traffic warrants will be

determined by the Texas Department of Transportation ("TxDOT") and the City's Department of Public Works and Transportation ("DPWT").

b. Senna Hills shall provide right turn lanes on FM 2244 at the intersections of any access roads to the Property, with FM 2244 at the discretion of the TxDOT.

c. Senna Hills shall evidence its ability to fully fund the requirements of Section 9.9, a and b by posting fiscal arrangements prior to the recording of any final subdivision plat on the Property unless:

(1) The TxDOT approves a lesser amount in consequence of its FM 2244 budgeting and construction through TxDOT's financing of all or a part of said requirements or,

(2) Additional roadway access through the Property to the adjacent Wolf tract is proposed prior to the Provision of any of the above referenced roadway improvements. In that case the fiscal participation of Senna Hills would be based on a pro-rata share as determined by a Traffic Impact Analysis ("TIA"). If the proposed Wolf tract development is not required to perform a TIA by City ordinances, then Senna Hills would be required to submit a new TIA to support its reduced percentage of participation.

TxDOT must deliver or have delivered to the City Manager, or his or her designee, a written release from this Section 9.9.c. prior to any such reduction by the City of Senna Hills' fiscal responsibility.

d. Senna Hills shall post fiscal arrangements to fully fund all internal roadway construction and traffic control signs or devices for each phase of development of the Property prior to the recording of any final plat for such phase.

ARTICLE 10

ASSIGNMENT OF AGREEMENT

Section 10.1. General Statement. Senna Hills, its successors and assigns may, from time to time, transfer, convey or assign all or any part of its rights and obligations under this Agreement with respect to all or any part of the land within the District owned by it. Upon approval by the City of the assignee or assignees, which approval shall not be unreasonably withheld, provided that the assignee or assignees assume the liabilities, responsibilities and obligations of the assignor under this

Agreement, the party assigning its rights and obligations under this Agreement shall be released from the liabilities, responsibilities and obligations hereof to the extent of the land involved in such assignment or assignments or to the extent otherwise approved by the City. The Purchaser of an undeveloped tract of land within the District shall agree to accept an assignment of the land use and development rights and obligations of this Agreement with respect to the tract being Purchased. The seller of said tract shall agree to make such an assignment. Purchasers of a developed - but unimproved lot shall be required at the time of purchase to sign a statement acknowledging and agreeing to abide by the land use and development requirements herein. Neither the District nor the City shall assign this Agreement without written consent of each of the other parties hereto, which consent shall not be unreasonably withheld. Senna Hills may pledge or assign any of its rights hereunder to a lending institution as security for development financing of the Property. Senna Hills is specifically authorized to assign this Agreement to the District upon its creation; provided, however, that such assignment shall not relieve Senna Hills or its successors or assigns from the obligation to comply with the land use requirements and the other provisions contained herein affecting the use and conditions of sale of property within the District.

ARTICLE 11

TERM OF AGREEMENT

Section 11.1. General Statement. This Agreement shall be effective from the date of execution hereof by the City and Senna Hills and shall continue in effect for a period of forty (40) years from the date of the creation of the District.

ARTICLE 12

JOINT CONTRACTING

Section 12.1. General Statement. The District shall be and is hereby authorized to contract with any entity, individual, governmental authority or political subdivision for the construction, operation and maintenance of any water, wastewater or other facilities which are within the power of the District to construct, operate or maintain in accordance with the Texas Water Code, Section 54.218.

ARTICLE 13

SEVERABILITY AND ENFORCEABILITY

Section 13.1. Severability. The provisions of this Agreement are severable and, in the event any word, phrase, clause, sentence, paragraph, section or other provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held or determined to be invalid, illegal or unenforceable for any reason, the remainder of this Agreement shall remain in full force and effect and the application thereof to any other person or circumstance shall not be affected thereby.

Section 13.2. Enforceability. In the event that the Texas Water Commission or any court of competent Jurisdiction determines that any provision of this Agreement is beyond the scope of the Texas Water Code; the City, Senna Hills and the District agree to immediately amend this Agreement to conform to any final ruling or decision.

ARTICLE 14

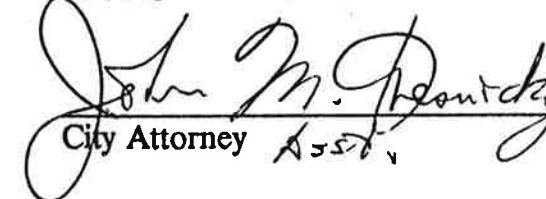
BENEFITS OF AGREEMENT

Section 14.1. General Statement. This Agreement is for the benefit of the City, the District, and Senna Hills, and their respective successors and assigns, and shall not be construed to confer any benefit on any other party except as expressly provided herein.

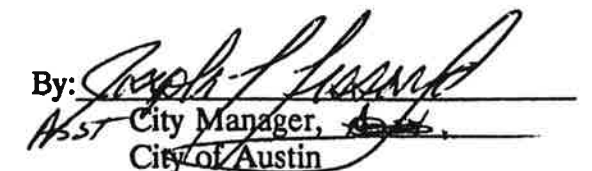
This Agreement may be executed by the City and Senna Hills prior to creation of the District and shall be binding upon the City and Senna Hills for a period of eighteen (18) months following such execution by the City, pending creation and confirmation of the creation of the District and approval and execution of this Agreement by the Board of Directors of the District.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its undersigned duly authorized representative, in multiple copies, each of equal dignity, effective as of the date first written above.

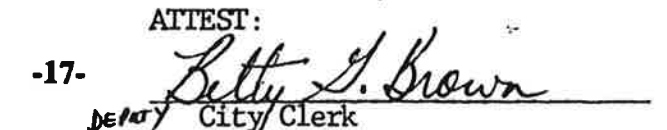
APPROVED AS TO FORM:


City Attorney

CITY OF AUSTIN, TEXAS

By: 
Asst. City Manager,
City of Austin

ATTEST:

-17- 
City Clerk

SENNA HILLS MUNICIPAL UTILITY DISTRICT

By: *Charles A. Brown*
Charles A. Brown,
President,
Board of Directors

Attest: *Tom Ball*
Tom Ball,
Secretary,
Board of Directors

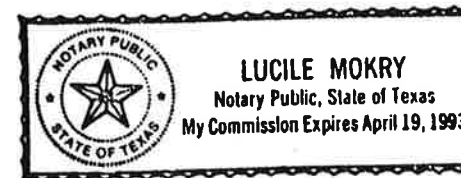
SENNA HILLS, LTD.,
a Texas limited partnership
By: SH DEVELOPMENT, L.C.,
a Texas limited liability company

By: *Don P. Miller, II*
Don P Miller, II, President

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was ACKNOWLEDGED before me on Feb 4, 1993, by
Joseph L. Lessard, City Manager of the City of Austin, Texas, on behalf of
said city. *Asst.*

[SEAL]



Lucile Mokry
Notary Public - State of Texas

My Commission Expires: _____

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was ACKNOWLEDGED before me on JANUARY 11, 1993, by Charles A. Brown, President of the Board of Directors of Senna Hills Municipal Utility District, on behalf of said District.

[S E A L]

Michelle Massey Ruller
Notary Public - State of Texas

My Commission Expires: 9/11/93

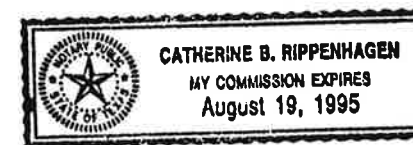
THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was ACKNOWLEDGED before me on January 11, 1993, by DON P MILLER, II, President of SH DEVELOPMENT, L.C. a Texas limited liability company, acting in its capacity as general partner of SENNA HILLS, LTD., a Texas limited partnership, on behalf of said limited partnership.

[S E A L]

Catherine B. Rippenhagen
Notary Public - State of Texas

My Commission Expires: _____



The Resolution Trust Corporation, as Conservator for Sunbelt Federal Savings, FSB is the beneficiary of a Deed of Trust With Security Agreement and Assignment of Rental which creates a first lien against the Property, and hereby executes this Agreement solely to evidence its consent to the provisions hereof.

The Resolution Trust Corporation, as
Conservator for Sunbelt Federal Savings, FSB

By: *I. A. Adler*
Its: Irving A. Adler, Authorized Signatory for RT

THE STATE OF FLORIDA §
 §
COUNTY OF BROWARD §

This instrument was ACKNOWLEDGED before me on January 20, 1993, by Irving A. Adler, Authorized Signatory for of the Resolution Trust Corporation, as Conservator for Sunbelt Federal Savings, FSB, a Federal corporation, on behalf of said corporation.

[SEAL]


Rita A. Dickerson
Notary Public - State of Florida

My Commission Expires: _____


NOTARY PUBLIC, STATE OF FLORIDA.
MY COMMISSION EXPIRES: DEC. 18, 1993.
BONDED THRU NOTARY PUBLIC UNDERWRITERS.

The undersigned are each owners of one acre tracts out of the Property as more particularly described on Exhibits G-1 through G-5 attached hereto, and hereby execute this Agreement to evidence our intent to have our properties be bound by and our consent to the provisions hereof.


Bill Sullivan


Bryan Dabbs

(7/20)


Tom Ball


Larry Richardson

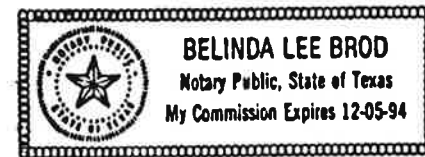

Charles Andrew Brown

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was ACKNOWLEDGED before me on January 12, 1993, by BILL SULLIVAN.

[S E A L]


Notary Public - State of Texas

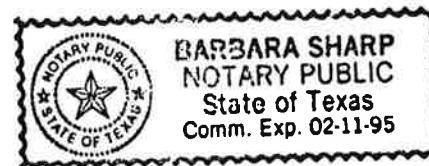


My Commission Expires: 12-05-94

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was ACKNOWLEDGED before me on January 11, 1993, by
BRIAN DABBS.

(B&D)
[S E A L]

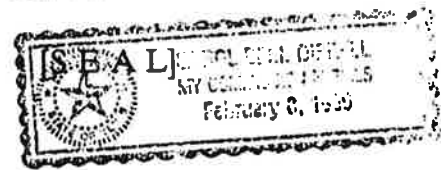


Barbara Sharp
Notary Public - State of Texas

My Commission Expires: 2-11-95

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was ACKNOWLEDGED before me on Jan 31, 1993, by
TOM BALL.



Carol Bell Mitchell
Notary Public - State of Texas

My Commission Expires: _____

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was ACKNOWLEDGED before me on January 11, 1993, by
LARRY RICHARDSON.

[S E A L]



Catherine B. Rippenhagen
Notary Public - State of Texas

My Commission Expires: _____

THE STATE OF TEXAS
COUNTY OF TRAVIS

§
§
§

This instrument was ACKNOWLEDGED before me on JANUARY 11, 1993, by
CHARLES ANDREW BROWN.

[S E A L]


Notary Public - State of Texas

My Commission Expires: 9/11/93

EXHIBIT A

EXHIBIT "A"

PROPERTY DESCRIPTION

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND OUT OF THE JOHN G. MUSTAIN SURVEY NO. 40, THE J.M. TEAGUE SURVEY NO. 40, THE E.C. GAINES SURVEY NO 76 AND THE J.R. WATSON SURVEY NO. 646 IN TRAVIS COUNTY, TEXAS, BEING A PORTION OF THAT CERTAIN TRACT OF LAND DESIGNATED AS TRACT 2, CONTAINING 322.68 ACRES OF LAND AS CONVEYED TO CUNNINGHAM & ASSOCIATES NUMBER III, BY DEED RECORDED IN VOLUME 8467, PAGE 4 OF THE REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS, ALSO BEING ALL OF LOTS 1 & 2 AND A PORTION OF LOT 3, SENNA HILLS SECTION ONE P.U.D., A SUBDIVISION IN TRAVIS COUNTY, TEXAS, AS RECORDED IN PLAT BOOK 86, PAGES 121A AND 121B OF THE PLAT RECORDS OF TRAVIS COUNTY, TEXAS, ALSO BEING ALL OF SENNA HILLS DRIVE, A PUBLIC RIGHT-OF-WAY DEDICATED BY PLAT RECORDED IN BOOK 86, PAGES 121A AND 121B OF THE PLAT RECORDS OF TRAVIS COUNTY, TEXAS, THE HEREIN DESCRIBED TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at a 1/2 inch iron pin set at the intersection of the East line of the said 322.68 acre tract and the new North r.o.w. line of F.M. Hwy No. 2244, being in the West line of that certain tract of land as conveyed to Rex D. Bible by deed recorded in Volume 7322, Page 148 of the Deed Records of Travis County, Texas, for the Southeast corner hereof;

THENCE along the new North r.o.w. line of F.M. Hwy. No. 2244 (fence varies along r.o.w. line) for the following courses:

S 69° 06' 47" w for a distance of 1427.11 feet to a highway monument found (brass disc in concrete) at a point of curve

Along a curve to the right whose radius is 1064.40 feet, whose arc is 1101.52 feet and whose chord bears N 81° 12' 49" W for a distance of 1053.02 feet to a 1/2 inch iron pin set

N 51° 33' 20" W for a distance of 1418.11 feet to a highway monument found at a point of curve

Along a curve to the left whose radius is 1532.40 feet, whose arc is 596.54 feet and whose chord bears N 70° 44' 57" W for a distance of 592.78 feet to a highway monument found

N 86° 32' 4" W for a distance of 61.26 feet to a 1/2 inch iron pin set at the intersection of the West line of the said 322.68 acre tract and the new North r.o.w. line of F.M. Hwy No. 2244, for the southwest corner hereof;

THENCE along the west line of the said 322.68 acre tract as fenced upon the ground for the following courses:

N 27° 49' 14" E for a distance of 315.50 feet to a 1/2 inch iron pin found

N 27° 56' 30" E for a distance of 539.35 feet to a 1/2 inch iron pin found

S 52° 19' 20" E for a distance of 100.26 feet to a 1/2 inch. iron pin found

N 28° 22' 39" E for a distance of 932.65 feet to a 1/2 inch iron pin found

N 28° 22' 50" E for a distance of 1152.29 feet to a 1/2 inch iron pin found

N 28° 01' 27" E for a distance of 757.54 feet to a 60-d nail found in a cedar tree at the Northwest corner of the said 322.68 acre tract for the Northwest corner hereof;

THENCE along the North line of the said 322.68 acre tract as fenced upon the ground for the following courses:

S 60° 09' 10" E for a distance of 411.60 feet to a 1/2 inch iron pin found

S 80° 47' 10" E for a distance of 35.84 feet to a 1/2 inch iron pin found

S 62° 30' 10" E for a distance of 78.20 feet to a 60-d nail found in a cedar tree

S 64° 03' 36" E for a distance of 43.66 feet to a 60-d nail found in a cedar tree

S 63° 18' 05" E for a distance of 139.88 feet to a 60-d nail found in a cedar tree

S 61° 56' 14" E for a distance of 91.40 feet to a 60-d nail found.

S 61° 26' 20" E for a distance of 469.07 feet to a 1/2 inch iron pin found

S 62° 11' 20" E for a distance of 917.23 feet to a 1/2 inch iron pin found

S 61° 47' 20" E for a distance of 385.36 feet to a 1/2 inch iron pin found

S 62° 38' 20" E for a distance of 587.05 feet to a 1/2 inch iron pin found

S 61° 06' 09" E for a distance of 175.60 feet to a 1/2 inch iron pin found

S 62° 42' E for a distance of 103.60 feet to a 1/2 inch iron pin found

S 35° 02' 11" E for a distance of 615.71 feet to a 1/2 inch iron pin found at the Northeast corner of the said 322.68 acre tract, for the Northeast corner hereof;

THENCE along the East line of the said 322.68 acre tract as fenced upon the ground for the following courses:

S 28° 51' 25" W for a distance of 1094.38 feet to a 1/2 inch iron pin found

S 28° 07' 13" W for a distance of 408.38 feet to a 1/2 inch iron pin found

S 27° 10' 38" W for a distance of 24.90 feet to a 1/2 inch iron pin found

S 26° 10' W for a distance of 217.65 feet to a 1/2 inch iron pin set at the Northeast corner of a 0.50 acre tract;

THENCE along the North line of the said 0.50 acre tract, N 63° 50' W for a distance of 200.12 feet to a 1/2 inch iron pin set for the Northwest corner of the said 0.50 acre tract;

THENCE along the West line of the said 0.50 acre tract, S 15° 31' W for a distance of 134.62 feet to a 1/2 inch iron pin found at the Northwest corner of the said Bible Tract, being in the East line of the said 322.68 acre tract;

THENCE along the East line of the said 322.68 acre tract, being the West line of the said Bible Tract as fenced upon the ground, S 15° 38' W for a distance of 249.63 feet to the PLACE OF BEGINNING and containing 316.695 acres of land, more or less.

EXHIBIT B

ORDINANCE NO. 81 0819-E

AN ORDINANCE REPEALING ORDINANCE NO. 800320-E; ESTABLISHING A POLICY RELATING TO POLITICAL SUBDIVISIONS CREATED PURSUANT TO ARTICLE III, SECTION 52 OF THE TEXAS CONSTITUTION OR ARTICLE XVI, SECTION 59 OF THE TEXAS CONSTITUTION FOR THE CITY OF AUSTIN; ESTABLISHING THEREIN BASIC QUALIFICATIONS FOR CONSENT TO THE CREATION OF A WATER DISTRICT; PROVIDING PERCENTAGES ALLOWED FOR BOND FINANCING; ESTABLISHING THE PROVISIONS OF THE BONDING PACKAGE; PROVIDING FOR THE PROVISION OF SPECIAL WATER AND SEWER RATES WITHIN THE CONSENT AGREEMENT AS AUTHORIZED BY SECTION 54.016(h) OF THE TEXAS WATER CODE; ESTABLISHING VARIOUS REQUIREMENTS; DECLARING A POLICY STATEMENT; SUSPENDING THE RULE REQUIRING THE READING OF ORDINANCES ON THREE SEPARATE DAYS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, The City Council, of the City of Austin, Texas, wishes to allow the prudent utilization of Water Districts to encourage development in accordance with its Growth Management Plan, and

WHEREAS, The City Council wishes to develop policies to curtail the rising costs of housing and the size of purchase-money mortgages, and

WHEREAS, The City Council wishes to develop a policy for creation of Water Districts in a manner that will not burden the citizens of Austin with future debt, and

WHEREAS, The City Council wishes to develop a policy for the creation of Water Districts in a manner that will discourage urban sprawl; Now, Therefore,

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

PART 1. That Ordinance No. 800320-E, as amended, be and it is hereby repealed.

PART 2. That this policy relating to the political subdivisions created pursuant to Article III, Section 52 of the Texas Constitution or Article XVI, Section 59 of the Texas Constitution, be adopted pursuant to the applicable provisions of the Texas Water Code and the Texas Municipal Annexation Act of the State of Texas, to be equitably applied to all petitioners for new Water Districts within the City's Extra-Territorial Jurisdiction.

I. BASIC QUALIFICATIONS FOR CONSENT TO THE CREATION OF A WATER DISTRICT INCLUDING BUT NOT LIMITED TO MUNICIPAL UTILITY DISTRICTS (MUD), WATER CONTROL AND IMPROVEMENT DISTRICTS (WCID), AND FRESH WATER SUPPLY DISTRICTS (FWSD).

- A. The Water District shall contain acreage necessary to assure the economic viability of the District, but in no event shall a Water District contain less than 100 acres.
- B. The land to be included within the Water District must lie entirely outside the City limits; provided however, that land within the City by virtue of strip-annexation along major thoroughfares may be included with the Water District if such land within the City, constitutes no more than 5% of the total acreage of the Water District.
- C. The economic viability of the district must be shown in the same manner as required by the State.
- D. The consent resolution and agreement must reflect, and conform to, all the applicable stipulations of this policy.
- E. The City Council must determine that the district is not likely to be annexed by the City within three (3) years. Such determination shall not be binding on the City, however.
- F. When the City Council receives a petition for creation of a Water District within the City's Extra-Territorial Jurisdiction, it shall be evaluated in accordance with the policy set forth herein.

II. PERCENTAGES ALLOWED FOR BOND FINANCING.

- A. A Municipal Utility District will be allowed to issue bonds equal in amount to the bonding package outlined in Section III. hereof, times the appropriate percentage determined in Exhibit "A", attached hereto. All other forms of Water Districts including Water Control and Improvement Districts and Fresh Water Supply Districts in Growth Management Areas III and IV will be allowed bonding authority equal to one half the percentages for the following items only listed in Exhibit "A" Municipal Utility Districts: 1) internal water lines, 2) regional drainage, 3) water approach mains, and 4) water facilities. All such other forms of Water Districts located in Growth Management Area V will be allowed bonding authority equal to three quarters of the percentages for the items listed. Exceptions to the percentage limitations in Exhibit "A" may be granted by the City Council only where a proposed Water District will serve established residential areas and is not being created primarily to serve undeveloped land. Further, when a petition is received for creation of a Municipal Utility

District in Area V which in the estimation of the City Council will not have a deleterious effect on the urban planning decisions including annexation, extension of utility service, protection of the environment, the fiscal integrity of the City of Austin and other goals delineated in the Austin Tomorrow Comprehensive Plan, it shall be evaluated on a case by case basis and considered individually on its merits and not necessarily subject to the provisions of this policy.

- B. Where a Water District overlaps any of the boundary lines in Exhibit "A", the percentage shall be apportioned according to the number of living unit equivalents in each area. The percentage shall be determined with respect to area designation and City limits at the date the consent agreement is approved by the City Council.
- C. The following definitions shall apply when used in Exhibit "A":
1. "Growth management area" refers to an area as described within the Master Plan of the City of Austin.
 2. "Extra-territorial jurisdiction area" refers to that area between the City limits and 5 miles beyond that as defined in appropriate state enabling legislation.
 3. "Internal water lines" or "Internal wastewater lines" means those lines, constructed within the Water District, including any oversize required which will not be recovered under the City's oversize policy since that policy shall be applicable to the developer.
 4. "Storm sewer/drainage" is limited to the cost of storm sewer pipe and open channels and their installation where impervious channel surfaces are required.
 5. "Regional drainage" means regional type storm water retention/detention features designed and constructed to control and/or manage storm water, a substantial portion of which issues from one or more watersheds outside the Water District, and provided such construction is approved by the Engineering Department of the City of Austin.

6. "Wastewater facilities" means treatment plants, storage facilities and other items not included in 3 or 9 of this section.
7. "Water facilities" means treatment plants, storage facilities, wells and other items not included in 3 or 10 of this section.
8. "Water Facilities Using Ground Water from Edward's Aquifer" means all such facilities listed in definition 7 above which, in this case, derive their raw water source from the Edward's Aquifer.
9. "Irrigation land" means land irrigated in connection with a sewage treatment plant. The bonds allowed for this land are to be determined by the raw land cost. When land or irrigation is no longer used for that purpose, and it is sold, the proceeds from the sale shall be placed in the Debt Retirement Fund of the district. If annexation has occurred, such proceeds shall be placed in the Utility Enterprise Debt Retirement Fund of the City of Austin.
10. Approach mains are defined as those water and/or wastewater lines which lead up to but not within the property to be served and as further defined, by the Cost Participation Ordinance of the City of Austin.

III. BONDING PACKAGE.

A. WATER, WASTEWATER AND DRAINAGE

A Water District shall be permitted the bonding permitted under the State law and the rules of the Texas Water Development Board for 1) construction, and for 2) land and easement costs for water, sewer, and drainage improvements (in accordance with Exhibit "A"). Further, the "30% rule" instituted by the Texas Water Commission shall apply in determining the bonding allowed for Water, Wastewater and Drainage. The percentages in Exhibit "A" shall apply after limits imposed by that rule and the delineation between types of districts and allowable bonding percentages established in Section II.A. of this Ordinance. The developer must pay 30% of the cost of internal lines and drainage. Additionally, that oversize portion of a water or wastewater approach main which the City of Austin has required to be constructed to serve areas outside of the

boundaries of the Water District may be financed with bonds. In such cases, the City shall repay the Water District annually for the City's pro rata share of the debt retirement cost of such facility. The City shall retain the right to allocate its pro rata share of the facility and collect subsequent users fees as defined in the Cost Participation Ordinance of the City of Austin. Provided, however, that the following items shall not be allowed to be financed by the issuance of bonds, and therefore, shall not be included in the bonding package:

1. Land or easements within the Water District, or any property owned by the developers of the Water District, dedicated for any water or wastewater line or facility, including treatment plants for any function related to drainage. Provided, however, that bonds may be authorized for the purchase of land for irrigation purposes connected with a package treatment plant (in accordance with the chart in Exhibit "A"). Provided further that irrigation land purchased from the developers of the Water District must be purchased at book value.
2. Curbs, gutters, inlets, culverts, and bridges.
3. Drainage improvement, except storm sewers and regional facilities, in accordance with Exhibit "A".

B. INTANGIBLES

1. A contingency factor of 10% shall be allowed on all water, wastewater and drainage costs.
2. Construction costs shall include 10% for engineering, and shall include all fees.
3. Interest during construction and capitalized interest shall be allowed to the full extent of the State law for all costs that qualify for bond financing.
4. Other non-construction costs allowed for bond financing are: fiscal agent fees, legal fees and administration organizational expense and printing the bonds, as allowed by State law.

C. BONDED AMENITIES

Additional bonding authority may be used as the City Council specifies for any of the following items. The City Council must approve the need for each item, the

site location and design. The aggregate of the City requirements shall be limited by the economic viability of the District. Bonded authority for any land under this section shall be based on raw land cost and carrying expenses.

1. Solid waste disposal sites.
2. Fire station sites.
3. Park lands, nature preserves, creek preservation easements, hike and bike trails, lakes and greenbelts in addition to those required by City ordinance.
4. Water quality monitoring stations, holding ponds and storm water treatment facilities.
5. Other items which might be mutually agreed upon by the City Council and the petitioners, and are permitted by the State.

D. NON-BONDED AMENITIES

The following amenities are required and shall not be financed by the issuance of bonds or by the incurrence of debt by the district.

1. Traffic control signs and devices constructed within the Water District.
2. Street signs.
3. Street lights.
4. Sidewalks, installed in accordance with Chapter 41 of the Austin City Code (Subdivision Ordinance), when developing by urban standards.
5. Recreational facilities on park land equal to 10% of the value assigned to the park land.

- IV. Consent agreements for Municipal Utility Districts shall provide, in adequate detail as required by Section 54.016(h) of the Texas Water Code that the water and sewer rates for properties within the MUD be specifically set so as to compensate the City of Austin for assuming the district's indebtedness after annexation. These special rates shall be in effect until the bonded indebtedness of the MUD is fully retired. If the bonds are called, these special rates shall nevertheless be in effect for the full projected life of the original bonds. These special rates shall consist of a component calculated to retire all or part of the bonded indebtedness incurred by the MUD as set out in "A" below. The component shall be determined by calculating the monthly debt retirement

payment for the appropriate bonded indebtedness and dividing the monthly payment by the number of planned living unit equivalents within the district. After annexation, this special rate shall be charged in addition to the water and sewer rates paid by other city consumers of similar customer classification.

If the Municipal Utility District requests City Council approval of subsequent, additional bonding authority beyond that agreed to in the original consent agreement, the special rates agreed to in this section will be recalculated as determined above to reflect the additional bonded indebtedness.

In addition, if it becomes evident via the subdivision approval process or otherwise, that the number of planned living unit equivalents within the district will exceed or be less than the figure originally used as the basis for computing the surcharge then the district and the City agree to adjust the special charges accordingly.

A. The bonded indebtedness used to calculate the special rate shall be:

- 1) Area III: the total amount of bonded indebtedness for construction, land and easement costs for water and wastewater internal lines, and all drainage as set out in Exhibit "A";
- 2) Area IV: the total amount of bonded indebtedness for construction, land and easement costs for water and wastewater internal lines, all drainage as set out in Exhibit "A"; and fifty percent of the total bonded indebtedness for construction, land and easement costs for water and wastewater approach mains and facilities and irrigation land as set out in Exhibit "A".
- 3) Area V: the total amount of bonded indebtedness for construction, land and easement costs for regional drainage, water and wastewater approach mains, water and wastewater facilities and irrigation land.

B. Since Section 54.016(h) of the Texas Water Code which permits the special rates used in this policy contains a provision which says that the City of Austin cannot annex the district prior to the installation of 90% of the facilities for which district bonds were authorized, the consent agreement must also contain a provision containing

a date for 90% installation beyond which authorization for all unissued bonds may be terminated at the option of the City Council. If the City Council elects to so terminate, it must concurrently annex the district. To facilitate this requirement the consent agreement must require that bonds be issued to finance only completed and approved facilities and existing items.

- C. Any water and sewer customer within the boundaries of the City may enforce the special rates required to be included in a contract authorized by this policy.
- D. Prior to annexation, the special rate calculated in Section IV shall be charged in addition to the regular rate which shall not be less than that charged by the City within the City limits for consumers of similar customer classification. The revenue from the special rate shall be deposited in the debt retirement fund of the district.
- V. The revenue and ad valorem taxing authority of the district shall be pledged on all bonds as the City's ad valorem taxing authority shall be after annexation has occurred.

VI. ADDITIONAL REQUIREMENTS AND POLICY STATEMENT.

The City shall require the following of all Water Districts, and these requirements shall be stipulated by the appropriate set of consent resolutions and agreements.

- A. All development activities within the district shall conform to all existing City of Austin ordinance requirements.
- B. Underground utilities may be required by the City Council.
- C. All development construction by the district or the developers must be done in accordance with the City of Austin standards for similar facilities and copies of plans and specifications must be approved by the City before construction begins.
- D. All planning, designs, and construction of drainage facilities and other facilities and/or features pertinent to drainage shall be done in accordance with the "Drainage

Criteria Manual" of the City of Austin. Drainage plans must be approved by the Director of Public Works prior to land development.

- E. The City shall have the right to inspect all facilities of the district at any time during construction, and final approval is required. In addition, the City shall have the right to charge inspection fees for review of facilities the cost of which is not covered by other appropriate charges.
- F. Bonds shall be issued only for those purposes specifically authorized by the consent agreement, and bonds authorized for one purpose shall not be used for another.
- G. Before the Water District issues bid invitations for its bonds, the City Council shall have the right of approval of all bond issues and sales, including bond prices, interest rates, and redemption premiums, and copies of all documents submitted to State agencies shall be concurrently submitted to the City.
- H. All records, files, books, information, etc., of the district shall be a matter of public record, and available for City inspection at all times.
- I. The district shall prepare annual reports for the City on the status of construction and bond sales.
- J. All bonds issued by the district shall have a call provision which allows the option to redeem the bonds at par.
- K. The district shall not furnish water or wastewater service to any tract of land unless the Planning Commission of the City of Austin has approved a subdivision plat covering such tract of land and such plat has been recorded in the deed records. The Planning Commission of the City of Austin will not be required to approve any subdivision within a Water District which does not conform to the provisions of the consent agreement.
- L. The district shall not provide service outside its boundaries unless approval is obtained from the City Council. If such permission is granted, no bond funds shall be expended or indebtedness incurred to provide such service without approval of the City Council.

- M. The City shall review and approve the adequacy, type and construction of all roadways in the Water District.
- N. The City may require the construction of facilities or improvements for the purpose of mitigating the impacts of storm water runoff.
- O. No land within the Water District shall be allowed, at any time in the future, to incorporate, join in an incorporation, or be annexed into any incorporated city other than the City of Austin.
- P. No land may be annexed to a district without the approval of the City Council.
- Q. Right-of-way, public park land, utility and drainage easements and all other appropriate lands and easements shall be properly dedicated to the public, the district and its ultimate successor.
- R. The net effective interest rate will not exceed 2% above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period preceding the date notice of sale is given.
- S. Any wastewater treatment plant constructed in whole or in part with bond proceeds under this policy, shall not discharge over the Edward's Aquifer recharge zone or in the Barton Creek Watershed but must instead irrigate. Any wastewater treatment plant constructed in whole or in part with bond proceeds under this policy must be reviewed and approved by the City Council prior to the issuance of the State permit or any amendment thereto if it is to discharge instead of irrigate.
- T. Water Districts that are not charging a special rate as described in this Ordinance Part I, IV. shall charge a regular rate for service not less than that charged by the City for service to customers outside of the City as shall be established by the City Council from time to time.
- U. Water service in a WCID, FWSD or any other type of Water District with the exception of a Municipal Utility District will only be provided to lots one (1) acre minimum in size to insure the capability to install and operate an on-site wastewater disposal system over the life of the property.

PART 3. That all ordinances, resolutions and orders heretofore passed, adopted and made, or any part of the same, affecting approach mains, which

are in conflict with this Ordinance, shall be and the same are hereby in all things repealed.

PART 4. Whereas, an emergency is apparent for the immediate preservation of order, health, safety and general welfare of the public, which emergency requires the suspension of the rule providing for the reading of an ordinance on three separate days, and requires that this ordinance become effective immediately upon its passage; therefore, the rule requiring the reading on three separate days is hereby suspended and this ordinance shall become effective immediately upon its passage as provided by the Charter of the City of Austin.

PASSED AND APPROVED

August 19, 1981

Y
Y
Y
Y
Y

Carole Keeton McClell...
Mayor

APPROVED: *Albert De La Rosa*
Acting City Attorney

ATTEST: *Grace Monroe*
City Clerk

EXHIBIT C

PROPOSED
SENA HILLS MUD
IRRIGATION FIELDS
PLANT SEEDING & MAINTENANCE PROGRAM

Introduction

To insure maximum consumption of irrigated effluent a plant seeding and maintenance program has been defined for the Senna Hills irrigation fields. Four grasses were chosen for the different soil types and topography found on the fields. Each cover type will be maintained to maximize water and nutrient uptake. Proposed plant covers and their consumptive rates are shown in the attached table. A brief description of each type of grass and its properties follows:

Planting Program

1. Eastern Gamma Grass

Eastern Gamma grass is a high yielding hay grass producing as much as 12,000 lb of hay per acre per year. This grass requires at least 84 inches of water per year and grows well in Volente soils. Since the Volente soils on the Senna Hills site are located on flat areas, these grasses will be amenable to intensive harvesting. Unlike other native grasses, Eastern Gamma grass is metabolically active year round especially in the spring and fall. Approximately 37 acres of this grass will be planted.

2. Wild Rye and Fescue Tall Bunch Grass Meadows

Fescue and Wild Rye will be planted in the well developed Brackett soils. These grasses require approximately 68 inches of water per year and produce about 6,000 pounds of hay per acre. These grasses are metabolically most active in the cool seasons and will

require harvesting once a year. Approximately 40 acres of this grass will be planted.

3: Bahia Grass

This grass is well suited to sloped areas susceptible to erosion. Bahia grass grows well in Brackett soils, with a higher percentage of limestone cobble. It is metabolically most active in the summer and requires about 50 inches of water annually. Bahia grass will be overseeded with Gulf Annual Rye grass which is metabolically most active in the winter. Approximately 30 acres of this grass will be planted.

4. Indiangrass

Indiangrass will be planted with a winter overseeding of Gulf Annual Rye. Indiangrass grows well in Brackett soils with a high percentage of rocks but is shorter than Bahia grass and requires little or no harvesting. The water requirement of this grass is approximately 50 inches per year with additional water consumption expected from the overseeding of Gulf Annual Rye in the winter. Approximately 19 acres of this type of cover will be planted.

SUMMARY

Using City criteria the projected flows from the Senna Hills Wastewater Treatment Plant are 286 acre-ft per year. The total water consumption from the proposed planting program is approximately 333 acre-ft per year providing a 16% safety factor. Including evaporation losses from the sprinkler heads and the holding pond, the safety factor is increased to more than 50%.

SENNA HILLS

Plant Cover for Irrigation Areas

Irrigation Field	Type Cover	Acres	Water Required	Average Rainfall	Net Deficit	Net Acre-Ft of Effluent Consumption Capacity (Acre Ft Per Year)	Actl Soas	
1	Eastern Gamma Grass	32	84	32	52	139	Year dried	
2	Wild Rye & Fescue (mixed tall grass)	40	68	32	36	120	Year espec: c-1.	
3	Native Grass (easily erodable areas)	30	50	32	18	45	Summer	
4	Indian grass Switchgrass. Mixed tall bunch grass	19	50	32	18	29	Summer	
Total Grass Consumption							333	
Sprinkler Evaporation							71.5	
Pond Evaporation							32.6	
Total Available Consumption							436.6 Acre-Ft	
Total Effluent to be Irrigated							286.0 Acre-Ft	
Excess Consumption Capacity Available							150.6 Acre-Ft	

* PAN Evaporation Rate

Area 2

POLICY FOR USE OF NATURAL AREA MAINTENANCE
CHEMICALS
WITHIN PROPOSED SENNA HILLS DEVELOPMENT

Pesticide Use Restrictions

1. No State or Federal Restricted Use pesticides may be used.
2. No use of any pesticide within 50 feet of a waterway.
3. No use of any pesticide within 150 feet of any sensitive environmental feature such as a cave, sinkhole, spring, wetland, rimrock or fault.
4. No pesticides should be applied during wet weather or when rainfall is imminent.

<u>Use</u>	<u>Approved Pesticide</u>
Post-emergent weed control	glyphosate (Round-up*)
Fire ant control	amidinohydrazone (Amdro*) fenoxycarb (Logic*)
Broad spectrum insecticide	Safer soap*, synthetic pyrethrins
Caterpillar control	Bacillus thuringensis (B.t.) (Thuricide*, Dipel*)

* Registered trade-mark of commonly used product.

Use of biological pest controls (such as introductions of lady-bugs, lace-wings, or Bacillus) and cultural pest controls (such as mulching for weed control in beds) are highly recommended over chemical applications in sensitive watersheds. Other pesticides may be approved by the Environmental and Conservation Services Department (499-2550) in consultation with the City's Integrated Pest Management Committee. Any pesticide must be applied in strict accordance with label instructions and manufacturer's recommendations.

Fertilizer Use

Use of chemical fertilizer is discouraged in areas of shallow soils and karst topography. Nutrient loading due to contamination by fertilizers of surfacewaters or groundwater and springs may result in algal blooms, growth of filamentous algae and excessive aquatic plant growth. Nitrates from chemical fertilizers may be a significant human health threat if groundwater is contaminated in areas where domestic wells are in use. Organic slow release fertilizers such as manure, compost, or seaweed concentrates are readily available, should not contaminate area water

supplies, and will serve to improve the soil as well as add nutrients.

EXHIBIT D

MONITORING PROGRAM
SINNA HILLS MUD (rev. 10-8-86)

1. Areas of natural groundwater discharge (springs and seepage zones) will be monitored to assess lateral movement of effluent in the subsurface, and to monitor for discharge of effluent to surface drainages via shallow groundwater systems. The District will work in conjunction with the Department of Environmental Protection (DEP) to locate springs and seeps directly recharged from the irrigation areas that are suitable for sampling. A minimum of three springs and/or seeps will be monitored.
2. If an insufficient number of springs or seeps are found, shallow groundwater monitoring wells will be located along the downslope areas of the irrigation fields.
3. Monitoring will occur at the underdrain of the lined effluent holding pond, to detect any possible leakage.
4. A surface water monitoring station, with a flow meter, automatic sampler, and permanent control section, will be operated to monitor an area which receives runoff from the irrigation fields. The Department of Environmental Protection shall review and approve the site with DEP's Water Quality Management Division approving the design of the monitoring station.
5. A soil water percolate (unsaturated zone) monitoring program shall be established in conjunction with the soil monitoring program, and surface water monitoring and spring/seepage zone monitoring programs within one of the irrigation fields for the purpose of monitoring vertical movement of various wastewater effluent constituents.
6. A soil monitoring program shall be established in conjunction with the unsaturated zone monitoring and surface water monitoring stations to provide information on the potential loading impacts to the irrigated lands and associated surface water and groundwater systems.

PARAMETERS

The following parameters will be analyzed, to provide data for the surface water, groundwater discharge, unsaturated zone water, and soil monitoring programs. Soil and water samples will be tested for by an independent testing laboratory.

Surface Water and Groundwater Discharge Monitoring Program

A complete nitrogen series (NO₃-N + NO₂-N, TKN, NH₃-N), total phosphorus, BOD, chloride, fecal coliform and fecal streptococci.

EXHIBIT D

PAGE 1 OF 5

Soil Water Percolate (Unsaturation Zone) Monitoring Program

A complete nitrogen series ($\text{NO}_3\text{-N} + \text{NO}_2\text{-N}$, TKN, $\text{NH}_4\text{-N}$), total phosphorus, BOD, specific conductivity, chloride, fecal coliform and fecal streptococci.

Soil Monitoring Program

A complete nitrogen series ($\text{NO}_3\text{-N} + \text{NO}_2\text{-N}$, TKN, $\text{NH}_4\text{-N}$), total phosphorus, chloride, percent moisture, depth of soil and soil texture (Soil texture may be determined in the field by qualified personnel.)

SCHEDULE

Surface water and groundwater discharge will be conducted quarterly. Soils and unsaturated zone water may be sampled twice a year, in mid-March and mid-August. It may be advisable to do monthly monitoring for one year to establish baseline conditions. The sampling and analyses program and the sampling locations acceptable to both the District and the City shall be finalized no later than 120 days from confirmation of the District. Sampling for surface water, groundwater discharge, unsaturated zone water, and soils baseline conditions should commence no later than one year prior to the projected start-up date of the irrigation system. Results of the various monitoring programs will be sent to the Department of Environmental Protection on a quarterly basis.

TRIGGER MECHANISM

Trigger values for each parameter shall be agreed upon by the District and the City staff of the Department of Environmental Protection, after collection of baseline data. If the trigger values are exceeded by the average of the three most recent test results for any analyte being sampled, appropriate mitigative measures shall then be considered by the District and the City staff and the agreed upon measures shall be implemented by the District.

MITIGATIVE MEASURES

Mitigative measures could include: 1) modification of the irrigation system design, 2) modification of application rates and schedules and other operating guidelines, 3) rotation of applications on various tracts to allow for resting periods, 4) implementation of water conservation within the development to reduce inflow volumes, 5) physical modification of the irrigation areas to include topsoil additions and planting of high-yield grass and forb cover, and 6) enhanced pond evaporation, and other mitigative measures.

EXHIBIT D

PAGE 2 OF 5

DESCRIPTIONS OF MONITORING PROGRAMS

PURPOSE AND OBJECTIVES

This monitoring approach should be used to identify the major contaminant pools, fluxes and pathways in the soil-water continuum. It will be valuable in making future management recommendations for operation of the irrigation system.

This monitoring strategy should be required under the MUD's consent agreement in order to provide information on pollutant loading effects on the irrigated lands and potential impacts to the underlying groundwater aquifer and surface waters. The monitoring strategy should be related to the specific trigger mechanisms referenced in the consent agreement.

SURFACE WATER MONITORING PROGRAM

A. SAMPLING SITES

A permanent control section should be established at an appropriate downslope location on Tract 8. The site will be agreed to by the District and DEP Water Quality Division.

B. SAMPLING METHODOLOGY

At the permanent control section, flowrate shall be monitored with a recording flowmeter at a frequency sufficient to adequately depict a hydrograph (as determined during the baseline data collection period). Recalibration of the flowmeter will be conducted quarterly. Samples will be flow proportional as controlled by the flowmeter. Samples may be either discrete or composite, but there must be at least four discrete or four composite subsamples per storm. EPA approved sample containers, preservation techniques, and laboratory methods must be used.

GROUNDWATER DISCHARGE MONITORING PROGRAM

A. SAMPLING SITES

At least one natural spring or seepage zone will be monitored in each of the three major ravines on the project. One of these sites will be the spring in the Barton Creek tributary on Tract 9.

B. SAMPLING METHODOLOGY

The groundwater discharge areas will be grab sampled. The sampling will be from natural discharge points where possible. Where necessary or preferable, a flume or other controlled flow section will be constructed for the purposes of discharge sampling. EPA-approved containers and methods will be used.

UNSATURATED ZONE MONITORING PROGRAM

A. SAMPLING SITE

Soil samples shall be collected in order to monitor the unsaturated (soil-water percolate) zone in the vicinity of the permanent surface water runoff station and in conjunction with soil samples collected for the soil monitoring program.

B. SAMPLING METHODOLOGY

Duplicate soil samples shall be collected, one set for the soil monitoring program, and one set to collect soil water percolate for the unsaturated zone monitoring program. The sampling methodology shall be the same as and in conjunction with the soil monitoring program methodology, as follows. An acid/water leach procedure shall be performed on the soil sample in order to determine the parameters previously enumerated for the soil water percolate.

SOIL MONITORING PROGRAM

A. SAMPLING SITE

A soil sampling area of sufficient size and soil depth shall be selected in the vicinity of the surface water monitoring station and the groundwater seep/spring monitoring area. The soil sampling area should be representative of average soil conditions throughout the irrigation fields. The sampling location will be subject to the review and approval of the DEP.

B. SAMPLING METHODOLOGY

Stratified soil sampling will be conducted at the approved site. Soil analyses should be completed on a composite basis, with soils collected from 4 representative sites, and mixed thoroughly. The first composite sample is for shallow soils: the samples should be representative of the upper 6 inches of the area to be monitored. Two composite samples are to be taken for deeper soils: the first sample should be representative of the upper 6 inches for the surficial composite sample and the second sample should be representative of the 6 to 12 inch interval for the deeper composite sample. Sampling should occur in mid-August and mid-March. Duplicate soil samples should be taken, one set for the soil monitoring program and one set to collect soil water percolate for the unsaturated zone monitoring program. A total digestion procedure shall be performed on the soil sample in order to determine the parameters previously enumerated for the soil monitoring program.

EXHIBIT D

PAGE 4 OF 5

C. ESTIMATES ON NITROGEN CYCLING

After two years of system operation and monitoring and every two years thereafter, a report should be submitted, indicating an estimation of: nitrogen inputs to the system from irrigation water and soil nitrogen mineralization; soil nitrogen losses to the atmosphere from volatilization and denitrification; and nitrogen pools and fluxes found in the various species of soil nitrogen and the surface organic matter, if any.

Due to the relative inaccuracy of quantifying nitrogen cycles or a nitrogen mass balance in the field, all the above monitoring studies are required in order to make a rough attempt at estimating nitrogen cycling's inputs, outputs, pools and fluxes.

BASELINE MONITORING

SURFACE WATER MONITORING PROGRAM

In order to determine baseline conditions, surface water samples will be collected for 8 storm events, using the above mentioned surface water monitoring site and methodologies.

GROUNDWATER DISCHARGE MONITORING PROGRAM

Groundwater discharge samples, for collecting data on baseline conditions, will occur 8 separate times at various springs and seeps.

UNSATURATED ZONE MONITORING PROGRAM

Soil water percolate will be sampled 4 times, in conjunction with the soil baseline data sampling.

SOIL MONITORING PROGRAM

Baseline conditions data will be collected 4 times, using the sampling sites and methodologies to be used in the regular soil monitoring program.

EXHIBIT D

PAGE 5 OF 5

EXHIBIT E

MUNICIPAL UTILITY DISTRICT
SURCHARGE CALCULATION

The post-annexation surcharge shall be calculated such that the present value of the surcharges collected, through a uniform surcharge per LUE, shall equal the present value of the debt service on outstanding district bonds (issued for internals) less applicable credits as provided in ARTICLE VI, E. of the Consent Agreement.

The calculation of such a levelized monthly surcharge is made using the following formula:

$$\frac{\text{Present Value of} \\ \text{(District Debt Service - Annual Credit Amortization)}}{\text{Adjusted Living Unit Equivalents}} + 12 = \text{Monthly Surcharge}$$

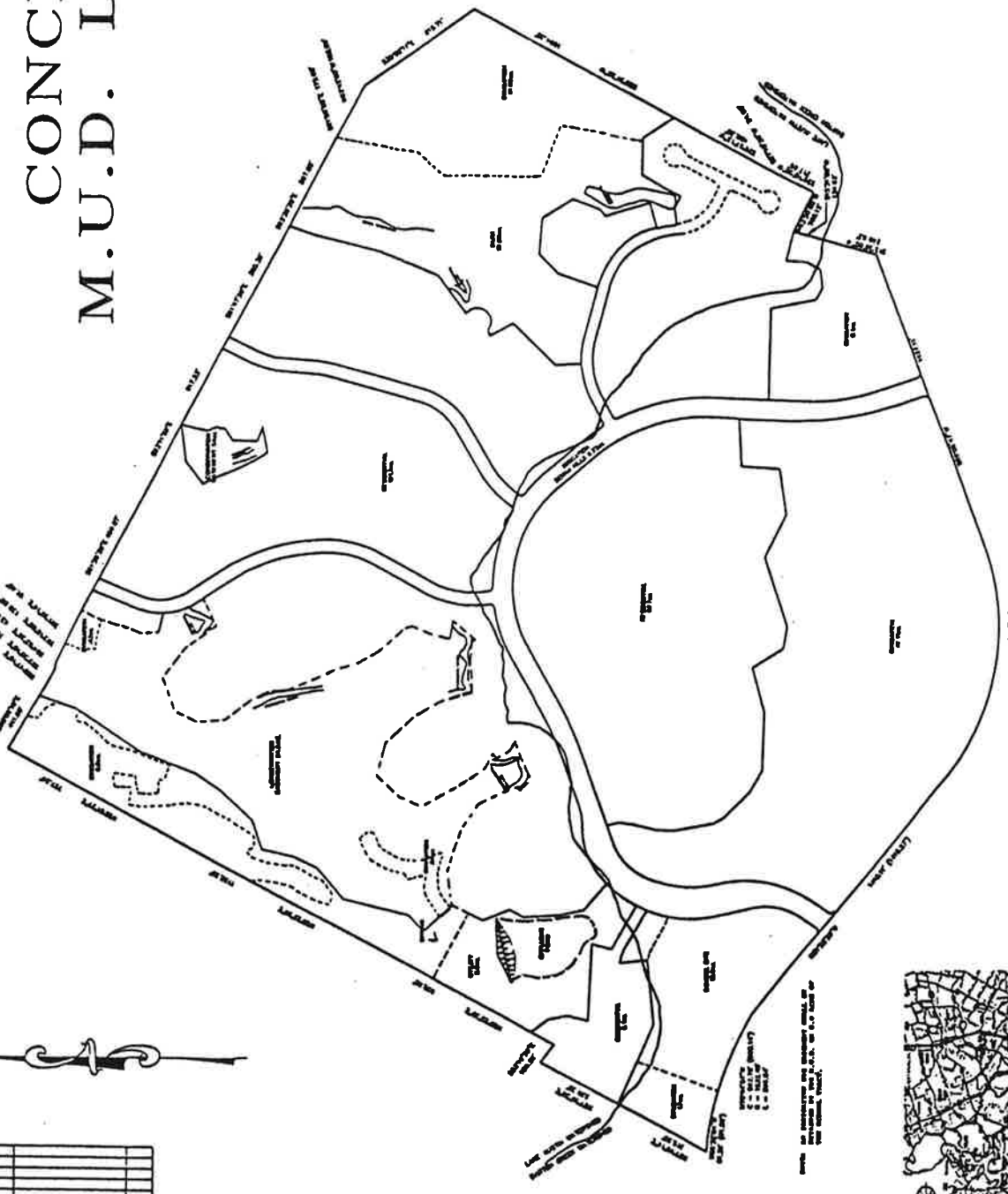
where:

1. The present value of district debt service is calculated using a discount rate equal to the average effective interest rate on the last three (3) City of Austin Combined Utility System revenue bond issues.
2. Credits, as provided for in Article VI, E. are amortized such that credits against debt service are applied in equal amounts. The credits that are provided over the debt service period equal the total credit granted under Article VI, E. plus interest earned on unamortized credit balances.
3. Adjusted Living Unit Equivalents is the number of Living Unit Equivalents such that the calculated levelized surcharge, when multiplied by cumulative LUEs connected to the District's water and wastewater system in each year of the remaining District debt service period, will yield a surcharge revenue stream whose present value equals the present value of applicable District debt.

(This value may be approximated by calculating "discounted" LUEs through a procedure similar to calculation of present values but applied to build-out.)

EXHIBIT F

NO.	REV.	DESCRIPTION	BY



DATE: NOVEMBER 1, 1968

CONCEPTUAL M.U.D. LAND PLAN

GENERAL NOTES:

1. THIS PLAN IS A CONCEPTUAL LAND PLAN AND IS NOT A FINAL DESIGN.
2. THE PLAN IS BASED ON THE ASSUMPTION THAT THE LAND IS AVAILABLE FOR DEVELOPMENT.
3. THE PLAN IS BASED ON THE ASSUMPTION THAT THE LAND IS AVAILABLE FOR DEVELOPMENT.
4. THE PLAN IS BASED ON THE ASSUMPTION THAT THE LAND IS AVAILABLE FOR DEVELOPMENT.
5. THE PLAN IS BASED ON THE ASSUMPTION THAT THE LAND IS AVAILABLE FOR DEVELOPMENT.
6. THE PLAN IS BASED ON THE ASSUMPTION THAT THE LAND IS AVAILABLE FOR DEVELOPMENT.
7. THE PLAN IS BASED ON THE ASSUMPTION THAT THE LAND IS AVAILABLE FOR DEVELOPMENT.
8. THE PLAN IS BASED ON THE ASSUMPTION THAT THE LAND IS AVAILABLE FOR DEVELOPMENT.
9. THE PLAN IS BASED ON THE ASSUMPTION THAT THE LAND IS AVAILABLE FOR DEVELOPMENT.
10. THE PLAN IS BASED ON THE ASSUMPTION THAT THE LAND IS AVAILABLE FOR DEVELOPMENT.



EXHIBIT G

EXHIBIT = G-1

1.00 Acres of Land
Tract A

DESCRIPTION

DESCRIPTION OF 1.00 ACRES OF LAND OUT OF THE J.M. TEAGUE SURVEY NO. 40, SAME BEING A PORTION OF THAT CERTAIN TRACT OF LAND DESCRIBED AS 322.68 ACRES OF LAND IN A DEED TO CUNNINGHAM & ASSOCIATES NO. 111, OF RECORD IN VOLUME 8467, PAGE 4, DEED RECORDS OF WILLIAMSON COUNTY, TEXAS; SAID 1.00 ACRE OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at the northwest corner of this tract, same being the northwest corner of said 322.68 acre tract;

THENCE, with the north line of this tract, same being the north line of said 322.68 acre tract, S57°19'43"E 200.00 feet to the northeast corner of this tract;

THENCE, with the east and south lines of this tract and crossing said 322.68 acre tract, the following two (2) courses:

- 1) S30°50'35"W 217.91 feet to the southeast corner of this tract; and
- 2) N57°19'43"W 200.00 feet to the southwest corner of this tract, said point being in the west line of said 322.68 acre tract;

THENCE, with the west line of this tract same being the west line of said 322.68 acre tract, N30°50'35"E 217.91 feet to the POINT OF BEGINNING and containing 1.00 acres of land within these metes and bounds.

PREPARED FROM RECORD INFORMATION BY:

McGRAY & McGRAY LAND SURVEYORS, INC.
3301 Hancock Drive, Suite 6
Austin, Texas 78731 512-451-8591
November 2, 1987

870526AT

~~FILED~~

~~FILED
NOV 17 1987 11 25 AM
TRAVIS COUNTY, TEXAS~~

~~RECORDED
NOV 17 1987~~

~~NOV 17 1987
COUNTY CLERK
TRAVIS COUNTY, TEXAS~~

~~REAL PROPERTY RECORDS
TRAVIS COUNTY, TEXAS~~

~~11656 1797~~

EXHIBIT G-2

1.00 Acres of Land
Tract B

DESCRIPTION

DESCRIPTION OF 1.00 ACRES OF LAND OUT OF THE J.M. TEAGUE SURVEY NO. 40, SAME BEING A PORTION OF THAT CERTAIN TRACT OF LAND DESCRIBED AS 322.68 ACRES OF LAND IN A DEED TO CUNNINGHAM & ASSOCIATE NO. 111, OF RECORD IN VOLUME 8467, PAGE 4, DEED RECORDS OF WILLIAMSON COUNTY, TEXAS; SAID 1.00 ACRE OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at the northwest corner of this tract, said point being in the west line of said 322.68 acre tract, and from which point, for reference, the northwest corner of said 322.68 acre tract bears N30°50'35"E 217.91 feet;

THENCE, with the north, east and south lines of this tract and crossing said 322.68 acre tract, the following three (3) courses:

- 1) S57°19'43"E 200.00 feet to the northeast corner of this tract;
- 2) S30°50'35"W 217.91 feet to the southeast corner of this tract; and
- 3) N57°19'43"W 200.00 feet to the southwest corner of this tract, said point being in the west line of said 322.68 acre tract;

THENCE, with the west line of this tract, same being the west line of said 322.68 acre tract, N30°50'35"E 217.91 feet to the POINT OF BEGINNING and containing 1.00 acres of land within these metes and bounds.

PREPARED FROM RECORD INFORMATION BY:

McGRAY & McGRAY LAND SURVEYORS, INC.
3301 Hancock Drive, Suite 6
Austin, Texas 78731 512-451-8591
November 2, 1987

870526BT

~~EDITED~~

~~FILED
NOV 17 1987
CLERK OF COUNTY CLERK
TRAVIS COUNTY, TEXAS~~

~~STATE OF TEXAS
COUNTY OF TRAVIS
NOV 17 1987
COUNTY CLERK
TRAVIS COUNTY, TEXAS~~

~~REAL PROPERTY RECORDS
TRAVIS COUNTY, TEXAS~~

~~11666 1792~~

EXHIBIT = G-3

1.00 Acres of Land
Tract C

DESCRIPTION

DESCRIPTION OF 1.00 ACRES OF LAND OUT OF THE J.M. TEAGUE SURVEY NO. 40, SAME BEING A PORTION OF THAT CERTAIN TRACT OF LAND DESCRIBED AS 322.68 ACRES OF LAND IN A DEED TO CUNNINGHAM & ASSOCIATES NO. III, OF RECORD IN VOLUME 8467, PAGE 4, DEED RECORDS OF WILLIAMSON COUNTY, TEXAS; SAID 1.00 ACRE OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at the northwest corner of this tract, said point being in the west line of said 322.68 acre tract, and from which point, for reference, the northwest corner of said 322.68 acre tract bears N30°50'35"E 435.82 feet;

THENCE, with the north, east and south lines of this tract and crossing said 322.68 acre tract, the following three (3) courses:

- 1) S57°19'43"E 200.00 feet to the northeast corner of this tract;
- 2) S30°50'35"W 217.91 feet to the southeast corner of this tract; and
- 3) N57°19'43"W 200.00 feet to the southwest corner of this tract, said point being in the west line of said 322.68 acre tract;

THENCE, with the west line of this tract, same being the west line of said 322.68 acre tract, N30°50'35"E 217.91 feet to the POINT OF BEGINNING and containing 1.00 acres of land within these metes and bounds.

PREPARED FROM RECORD INFORMATION BY:

McGRAY & McGRAY LAND SURVEYORS, INC.
3301 Hancock Drive, Suite 610
Austin, Texas 78731 512-451-8591
November 2, 1987

870526CT

CITED

NOV 17 1987

TRAVIS COUNTY, TEXAS

STATE OF TEXAS
COUNTY OF TRAVIS
NOV 17 1987

COUNTY CLERK
TRAVIS COUNTY, TEXAS

REAL PROPERTY RECORDS
TRAVIS COUNTY, TEXAS

11666 1802

EXHIBIT = G-4

1.00 Acres of Land
Tract D

DESCRIPTION

DESCRIPTION OF 1.00 ACRES OF LAND OUT OF THE J.M. TEAGUE SURVEY NO. 40, SAME BEING A PORTION OF THAT CERTAIN TRACT OF LAND DESCRIBED AS 322.68 ACRES OF LAND IN A DEED TO CUNNINGHAM & ASSOCIATES NO. 111, OF RECORD IN VOLUME 8467, PAGE 4, DEED RECORDS OF WILLIAMSON COUNTY, TEXAS; SAID 1.00 ACRE OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at the northwest corner of this tract, said point being in the west line of 322.68 acre tract, and from which point, for reference, the northwest corner of said 322.68 acre tract bears N30°50'35"E 653.73 feet;

THENCE, with the north, east and south lines of this tract and crossing said 322.68 acre tract, the following four (4) courses:

- 1) S57°19'43"E 200.00 feet to the northeast corner of this tract;
- 2) S30°50'35"W 103.79 feet to an angle point in the east line of this tract;
- 3) S31°11'54"W 114.10 feet to the southeast corner of this tract; and
- 4) N57°19'43"W 200.00 feet to the southwest corner of this tract, said point being in the west line of said 322.68 acre tract;

THENCE, with the west line of this tract, same being the west line of said 322.68 acre tract, the following two (2) courses:

- 1) N31°11'54"E 114.10 feet to an angle point; and
- 2) N30°50'35"E 103.79 feet to the POINT OF BEGINNING and containing 1.00 acres of land within these metes and bounds.

PREPARED FROM RECORD INFORMATION BY:

McGRAY & McGRAY LAND SURVEYORS, INC.
3301 Hancock Drive, Suite 16
Austin, Texas 78731 512-451-8591
November 2, 1987

870526DT

ETTU

STATE OF TEXAS
COUNTY OF TRAVIS
I hereby certify that this instrument was FILED on
the date and at the time and place herein stated, and
was duly recorded in the public records of the
County of Travis, Texas.

NOV 17 1987

[Signature]
COUNTY CLERK
TRAVIS COUNTY, TEXAS

~~NOV 17 1987~~
~~FR 2 50~~
~~TRAVIS COUNTY, TEXAS~~

REAL PROPERTY RECORDS
TRAVIS COUNTY, TEXAS

11886 1787

EXHIBIT ~~1~~ **G-5**

1.00 Acres of Land
Tract E

DESCRIPTION

DESCRIPTION OF 1.00 ACRES OF LAND OUT OF THE J.M. TEAGUE SURVEY NO. 40, SAME BEING A PORTION OF THAT CERTAIN TRACT OF LAND DESCRIBED AS 322.68 ACRES OF LAND IN A DEED TO CUNNINGHAM & ASSOCIATES NO. 111, OF RECORD IN VOLUME 8467, PAGE 4, DEED RECORDS OF WILLIAMSON COUNTY, TEXAS; SAID 1.00 ACRE OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at the northwest corner of this tract, said point being in the west line of said 322.68 acre tract, and from which point, for reference, the northwest corner of said 322.68 acre tract bears N31°11'54"E 114.10 feet and N30°50'35"E 757.52 feet;

THENCE, with the north, east and south lines of this tract and crossing said 322.68 acre tract, the following three (3) courses:

- 1) S57°19'43"E 200.00 feet to the northeast corner of this tract;
- 2) S31°11'54"W 217.87 feet to the southeast corner of this tract; and
- 3) N57°19'43"W 200.00 feet to the southwest corner of this tract, said point being in the west line of said 322.68 acre tract;

THENCE, with the west line of this tract, same being the west line of said 322.68 acre tract, N31°11'54"E 217.87 feet to the POINT OF BEGINNING and containing 1.00 acres of land within these metes and bounds.

PREPARED FROM RECORD INFORMATION BY:

McGRAY & McGRAY LAND SURVEYORS, INC.
3301 Hancock Drive, Suite 6
Austin, Texas 78731 512-451-8591
November 20, 1987

FILED
870526ET

~~FILED~~
~~NOV 17 PM 2:15~~

~~TRAVIS COUNTY, TEXAS~~

~~RECORDED~~
~~INDEXED~~
~~NOV 17 1987~~

~~NOV 17 1987~~
~~COUNTY CLERK~~
~~TRAVIS COUNTY, TEXAS~~

~~REAL PROPERTY RECORDS~~
~~TRAVIS COUNTY, TEXAS~~

~~11686 1807~~

EXHIBIT "A"

PROPERTY DESCRIPTION

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND OUT OF THE JOHN G. MUSTAIN SURVEY NO. 40, THE J.M. TEAGUE SURVEY NO. 40, THE E.C. GAINES SURVEY NO 76 AND THE J.R. WATSON SURVEY NO. 646 IN TRAVIS COUNTY, TEXAS, BEING A PORTION OF THAT CERTAIN TRACT OF LAND DESIGNATED AS TRACT 2, CONTAINING 322.68 ACRES OF LAND AS CONVEYED TO CUNNINGHAM & ASSOCIATES NUMBER III, BY DEED RECORDED IN VOLUME 8467, PAGE 4 OF THE REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS, ALSO BEING ALL OF LOTS 1 & 2 AND A PORTION OF LOT 3, SENNA HILLS SECTION ONE P.U.D., A SUBDIVISION IN TRAVIS COUNTY, TEXAS, AS RECORDED IN PLAT BOOK 86, PAGES 121A AND 121B OF THE PLAT RECORDS OF TRAVIS COUNTY, TEXAS, ALSO BEING ALL OF SENNA HILLS DRIVE, A PUBLIC RIGHT-OF-WAY DEDICATED BY PLAT RECORDED IN BOOK 86, PAGES 121A AND 121B OF THE PLAT RECORDS OF TRAVIS COUNTY, TEXAS, THE HEREIN DESCRIBED TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at a 1/2 inch iron pin set at the intersection of the East line of the said 322.68 acre tract and the new North r.o.w. line of F.M. Hwy No. 2244, being in the West line of that certain tract of land as conveyed to Rex D. Bible by deed recorded in Volume 7322, Page 148 of the Deed Records of Travis County, Texas, for the Southeast corner hereof;

THENCE along the new North r.o.w. line of F.M. Hwy. No. 2244 (fence varies along r.o.w. line) for the following courses:

S 69° 06' 47" w for a distance of 1427.11 feet to a highway monument found (brass disc in concrete) at a point of curve

Along a curve to the right whose radius is 1064.40 feet, whose arc is 1101.52 feet and whose chord bears N 81° 12' 49" W for a distance of 1053.02 feet to a 1/2 inch iron pin set

N 51° 33' 20" W for a distance of 1418.11 feet to a highway monument found at a point of curve

Along a curve to the left whose radius is 1532.40 feet, whose arc is 596.54 feet and whose chord bears N 70° 44' 57" W for a distance of 592.78 feet to a highway monument found

N 86° 32' 4" W for a distance of 61.26 feet to a 1/2 inch iron pin set at the intersection of the West line of the said 322.68 acre tract and the new North r.o.w. line of F.M. Hwy No. 2244, for the southwest corner hereof;

THENCE along the west line of the said 322.68 acre tract as fenced upon the ground for the following courses:

N 27° 49' 14" E for a distance of 315.50 feet to a 1/2 inch iron pin found

N 27° 56' 30" E for a distance of 539.35 feet to a 1/2 inch iron pin found

S 52° 19' 20" E for a distance of 100.26 feet to a 1/2 inch. iron pin found

N 28° 22' 39" E for a distance of 932.65 feet to a 1/2 inch iron pin found

N 28° 22' 50" E for a distance of 1152.29 feet to a 1/2 inch iron pin found

N 28° 01' 27" E for a distance of 757.54 feet to a 60-d nail found in a cedar tree at the Northwest corner of the said 322.68 acre tract for the Northwest corner hereof;

THENCE along the North line of the said 322.68 acre tract as fenced upon the ground for the following courses:

S 60° 09' 10" E for a distance of 411.60 feet to a 1/2 inch iron pin found

S 80° 47' 10" E for a distance of 35.84 feet to a 1/2 inch iron pin found

S 62° 30' 10" E for a distance of 78.20 feet to a 60-d nail found in a cedar tree

S 64° 03' 36" E for a distance of 43.66 feet to a 60-d nail found in a cedar tree

S 63° 18' 05" E for a distance of 139.88 feet to a 60-d nail found in a cedar tree

S 61° 56' 14" E for a distance of 91.40 feet to a 60-d nail found.

S 61° 26' 20" E for a distance of 469.07 feet to a 1/2 inch iron pin found

S 62° 11' 20" E for a distance of 917.23 feet to a 1/2 inch iron pin found

S 61° 47' 20" E for a distance of 385.36 feet to a 1/2 inch iron pin found

S 62° 38' 20" E for a distance of 587.05 feet to a 1/2 inch iron pin found

S 61° 06' 09" E for a distance of 175.60 feet to a 1/2 inch iron pin found

S 62° 42' E for a distance of 103.60 feet to a 1/2 inch iron pin found

S 35° 02' 11" E for a distance of 615.71 feet to a 1/2 inch iron pin found at the Northeast corner of the said 322.68 acre tract, for the Northeast corner hereof;

THENCE along the East line of the said 322.68 acre tract as fenced upon the ground for the following courses:

S 28° 51' 25" W for a distance of 1094.38 feet to a 1/2 inch iron pin found

S 28° 07' 13" W for a distance of 408.38 feet to a 1/2 inch iron pin found

S 27° 10' 38" W for a distance of 24.90 feet to a 1/2 inch iron pin found

S 26° 10' W for a distance of 217.65 feet to a 1/2 inch iron pin set at the Northeast corner of a 0.50 acre tract;

THENCE along the North line of the said 0.50 acre tract, N 63° 50' W for a distance of 200.12 feet to a 1/2 inch iron pin set for the Northwest corner of the said 0.50 acre tract;

THENCE along the West line of the said 0.50 acre tract, S 15° 31' W for a distance of 134.62 feet to a 1/2 inch iron pin found at the Northwest corner of the said Bible Tract, being in the East line of the said 322.68 acre tract;

THENCE along the East line of the said 322.68 acre tract, being the West line of the said Bible Tract as fenced upon the ground, S 15° 38' W for a distance of 249.63 feet to the PLACE OF BEGINNING and containing 316.695 acres of land, more or less.

WATER SALE CONTRACT FOR MUNICIPAL USES

The Lower Colorado River Authority, hereinafter "LCRA" and Senna Hills Municipal Utility District #1, hereinafter "Purchaser," in mutual consideration of the provisions herein contained agree as follows:

I

WATER SUPPLY

- A. MAXIMUM ANNUAL QUANTITY - From and after the effective date hereof, Purchaser shall have the right to divert up to a maximum of 75 acre-feet (24,439 million gallons) of raw water per annum (the "Maximum Annual Quantity") from the Colorado River (Lake Austin) in Travis County, Texas, at a point of diversion bordering on (Lake Austin) described as the Uplands Raw Water Intake and depicted in Exhibit "A" attached hereto (the "Point of Diversion"), said Exhibit depicting the point by reference to a corner of an original land survey and/or other survey point, giving both course and distance.
- B. SOURCE OF WATER SUPPLY - The water supplied under this contract shall be water provided from storage in Lakes Buchanan and/or Travis in accordance with water rights held by LCRA as set forth in Certificates of Adjudication No. 14-5478, as amended, and 14-5482, as amended.
- C. MUNICIPAL USE ONLY - Purchaser represents to LCRA and LCRA relies on such representation that all water supplied under this contract will be utilized for municipal uses only, as such term is defined by 31 Tex. Adm. Code §297.1.

- D. AREA OF USE - Water supplied under this contract shall only be used within that certain area consisting of a total of 317 acres, as described in Exhibit "B" attached hereto and depicted in Exhibit "C", attached hereto, together hereinafter called the "Property".

- E. WATER CONSERVATION - Purchaser agrees to implement the water conservation program in accordance with the water conservation plan (the "Conservation Plan") described in Exhibit "D" attached hereto and that the water diverted by Purchaser pursuant to this contract will be used in accordance with such Conservation Plan. Purchaser agrees that, in the event that Purchaser furnishes water or water services to a third party that in turn will furnish the water or services to the ultimate consumer, the requirements of this contract relative to water conservation shall be met through contractual agreements between the Purchaser and the third party, providing for the establishment and implementation of a water conservation program consistent with Purchaser's Conservation Plan. LCRA, in accordance with applicable law, may from time to time adopt reasonable rules and regulations relating to water conservation. Purchaser agrees to amend its Conservation Plan, as necessary, to reflect such water conservation rules and regulations.

- F. DELIVERY OF WATER - LCRA shall provide or cause to be provided water from storage in Lakes Buchanan and/or Travis and deliver such water to the Points of Diversion in the necessary amounts and at the necessary times to allow Purchaser to divert water at the Points of Diversion in such amounts and at such times as needed by Purchaser, up to a total diversion of the Maximum Annual Quantity.

LCRA shall bear all transportation and evapotranspiration losses in the delivery of water to the Points of Diversion. Purchaser shall furnish and bear expenses of pumping facilities and metering equipment.

- G. AVAILABILITY OF WATER - Water supplied under this contract will be made available on a firm, uninterruptible basis, except LCRA may interrupt or curtail the water supplied under this contract in accordance with LCRA's Drought Management Plan, as such Plan and any amendments thereto have been approved by the Texas Water Commission.

LCRA makes no guarantee that the water supplied under this contract will be available at any particular time or place or that any LCRA owned/operated reservoir will be retained at any specific level at any particular time. Purchaser fully understands that the level of said reservoirs will vary as a result of LCRA's operation of its dams on the Colorado River.

- H. OPERATION OF DAMS AND RESERVOIRS - The right of LCRA to maintain and operate its several dams and their appurtenances on the Colorado River and at any and all times in the future to impound and release waters thereby in any lawful manner and to any lawful extent LCRA may see fit is recognized by Purchaser; and, except as otherwise provided herein, there shall be no obligation hereunder upon LCRA to release or not to release any impounded waters at any time or to maintain any waters at any specified level.

- I. INTERBASIN TRANSFER - Water supplied under this contract may not be transferred or used outside of the Colorado River Basin unless such transfer or use is within the ten-county statutory district of LCRA and Purchaser obtains express written authorization for such transfer from the Texas Water Commission. In the event Purchaser obtains written authorization for such transfer, Purchaser shall provide a copy of said written authorization to LCRA.

II

CONTRACT ADMINISTRATION

- A. TERM OF CONTRACT - This contract shall be for a term of twenty-five (25) years commencing on the "Effective Date," and ending on the last day of December, 2017. The Effective Date of this contract shall be the date that this contract has been fully executed by Purchaser and LCRA.
- B. PAYMENT - Purchaser hereby covenants to pay LCRA on a monthly basis beginning with the first month after the effective date of this contract an amount of money equal to the rate determined by the Board of Directors of LCRA to then be in effect for all sales of water for municipal purposes ("Water Rate") times the amount of water diverted by Purchaser during the previous month ("Monthly Diversion"). Purchaser covenants to pay LCRA, on a calendar year basis, an amount of money equal to the Water Rate times fifty percent (50%) of the Reserved Water ("Reserved Water Charge"). The Reserved Water shall be the difference between the Maximum Annual Quantity and the amount of water diverted by Purchaser during the previous calendar

year ("Annual Diversion"). Purchaser further covenants to pay LCRA, on a calendar year basis, an amount of money equal to the rate determined by the Board of Directors of LCRA to then be in effect for diversion of water in amounts in excess of the Maximum Annual Quantity ("Inverted Block Rate"). The Water Rate presently in effect is \$105.00 per acre-foot (\$0.32 cents per 1,000 gallons) of water. The Inverted Block Rate presently in effect is \$200.00 per acre-foot.

LCRA reserves all rights that it may have under law to modify from time to time the Water Rate applicable to all diversions of water for municipal use from Lakes Buchanan and Travis, and the Inverted Block Rate applicable to all diversions of water in excess of the Maximum Annual Quantity. LCRA also reserves all rights that it may have under law to impose and thereafter modify from time to time a charge applicable to all such water which is reserved but not diverted. Purchaser understands and acknowledges that the Water Rate, Reserved Water Charge, and the Inverted Block Rate set forth in this contract are in accordance with the water tariff for water reserved and/or used for municipal purposes approved by LCRA's Board of Directors.

Within five (5) days after the first day of each month, LCRA will mail a statement to Purchaser showing the Monthly Diversion. Such statement shall also show the amount of money owed by Purchaser to LCRA in accordance with the Water Rate and late payment charge specified herein.

The statement mailed by LCRA to Purchaser in the month of January each year, in addition to showing the amount of water diverted by Purchaser during the previous month and the amount of money owed by Purchaser to LCRA for such water, shall also show the amount of water remaining during the previous calendar year ("Reserved Water") that Purchaser was authorized to divert under this contract but failed to do so, as well as the amount of money owed by Purchaser to LCRA in accordance with the Reserved Water Charge and late payment charge specified herein. If Purchaser diverts water in excess of the Maximum Annual Quantity, then such statement shall show the amount of water diverted in excess of said amount, as well as the amount of money owed by Purchaser to LCRA in accordance with the Inverted Block Rate specified herein.

Each statement submitted to Purchaser shall be paid to LCRA at its office in Austin, Texas by check or bankwire on or before thirty (30) days from the date of mailing of the statement to Purchaser. In the event Purchaser fails to make payment of that statement within said thirty (30) day period, Purchaser shall then pay a late payment charge of five percent (5%) of the amount of the statement. For each calendar month or fraction thereof that the statement remains unpaid, Purchaser shall pay interest at the rate of two percent (2%) of the amount of the statement. If the statement has not been paid in the prescribed period, Purchaser further agrees to pay all costs of collection and reasonable attorney's fees, regardless of whether suit is filed.

C. METERING OF DIVERTED WATER - To measure the amount of water withdrawn from the Colorado River (Lake Austin), Purchaser agrees at Purchaser's expense to install such flow meters and recording devices as are approved by LCRA, (the "Meters") such meters to permit, within five percent (5%) accuracy, determination of quantities of raw water withdrawn hereunder in units of 1,000 gallons. Purchaser shall provide LCRA with reasonable access to the Meters for the purpose of making meter readings and/or periodic inspections. LCRA shall have the right to make a reading of the Meters installed by Purchaser on a monthly basis. Purchaser agrees that the Meters shall be tested for accuracy by qualified personnel as approved by LCRA and at the expense of Purchaser once each calendar year at intervals of approximately twelve (12) months. Purchaser shall furnish to LCRA a report of such test results. Readings within five percent (5%) of accuracy shall be considered correct.

The Meters may be tested at any reasonable time by either party to this contract, provided that the party making the test shall notify the other party at least two (2) weeks in advance and allow the other party to witness the test. LCRA may install, at its expense, check meters in or to any of Purchaser's metering equipment at any time and may leave such check meters installed for such periods as is reasonably necessary to determine the accuracy of Purchaser's metering equipment. Purchaser shall be required to take necessary steps to correct any meter inaccuracy discovered during any test.

In the event any question arises at any time as to the accuracy of any meter, such meter shall be tested by Purchaser promptly upon the demand of LCRA, the expense of such test to be borne by LCRA if the meter is found to be correct and by Purchaser if it is found to be incorrect. If, as a result of any test, any meter is found to be registering inaccurately (i.e., in excess of five percent (5%) of accuracy), the readings of such meter shall be corrected at the rate of its inaccuracy for any period which is definitely known and agreed upon or, if no such period is known and agreed upon, the shorter of the following periods shall be used as the basis for correction:

- (1) a period extended back either sixty (60) days from the date of demand for the test or, if no demand for the test was made, sixty (60) days from the test; and
- (2) a period extending back half of the time elapsed since the last previous test;

and the records of readings shall be adjusted accordingly.

D. TERMINATION OF CONTRACT - This contract may be terminated by the parties hereto as follows:

- (1) Purchaser may at any time terminate this contract by giving LCRA thirty (30) days prior written notice of such termination.

- (2) If Purchaser should fail to commence diversion of at least ten percent (10%) of the Maximum Annual Quantity of water committed to Purchaser under the terms of this contract within two (2) years from the effective date of this contract, LCRA may give Purchaser written notice of LCRA's intent to terminate this contract. If Purchaser fails to divert water, in accordance with the terms of this contract, within one (1) year from the date of receipt of such notice, LCRA may, at its sole option, terminate this contract without recourse after giving written notice to Purchaser.

- (3) LCRA, in accordance with the terms and conditions set forth in Paragraph II.E., "NON-PAYMENT", may also terminate this contract should Purchaser fail to comply with the terms and conditions of this contract for the payment of moneys owed to LCRA pursuant to Paragraph II.B., "Payment."

- (4) If Purchaser fails to comply with its Conservation Plan or its Non-Point Source Water Pollution Abatement Plan, LCRA may, at its sole option, after providing Purchaser with at least thirty (30) days written notice and Purchaser fails to cure such noncompliance within said thirty (30) day period, terminate this contract without recourse.

- (5) If Purchaser fails to comply with the requirements of Paragraph III.D., LCRA may, at its sole option, after providing Purchaser with at least thirty (30) days written notice and Purchaser fails to cure

such noncompliance within said thirty (30) day period, terminate this contract without recourse.

(6) If Purchaser fails to comply with other requirements of this contract not specifically stated above, LCRA may, at its sole option, after providing Purchaser with at least thirty (30) days written notice and Purchaser fails to cure such noncompliance within said thirty (30) day period, terminate this contract without recourse.

E. NON-PAYMENT - If LCRA determines that Purchaser has not paid the full amount owed for any payment due under Paragraph II.B., "PAYMENT", hereof within the time provided therefore, LCRA shall give written notice to Purchaser stating the amount LCRA has determined is due and unpaid. If LCRA gives notice as provided herein and Purchaser fails to pay within thirty (30) days the amounts claimed in such notice to be due and unpaid, LCRA may, at its sole option, upon giving ten (10) days written notice to Purchaser, terminate this contract without recourse. If Purchaser should dispute their obligation to pay all or any part of the amount stated in any statement or notice, Purchaser may, in addition to all other rights that Purchaser may have under law, pay such amount under protest, in which case such amount shall be deposited by LCRA in an interest bearing account mutually acceptable to both LCRA and Purchaser pending final resolution of such dispute. LCRA may not terminate this contract for failure to pay the amount stated in any statement or notice if Purchaser pays such amount under protest.

F. NOTICE - Each notice under this contract shall be transmitted by certified mail, return receipt requested, and shall be effective on the date actually received. All notices and statements to Purchaser shall be addressed to:

Senna Hills Municipal Utility District #1
P.O. Box 161507
Austin, TX 78716-1507

and all notices and payment to LCRA shall be addressed to:

Lower Colorado River Authority
P.O. Box 220
Austin, TX 78767

Either party may change its address by giving written notice of such change to the other party.

G. ASSIGNMENT OF CONTRACT - Except as otherwise provided below, no assignment of this contract in whole or in part for any purpose shall be made or granted. With prior written consent of LCRA, Purchaser may assign this contract in whole or in part for any purpose to a "public agency" with authority or jurisdiction to supply water to the Property. LCRA and Purchaser agree that "public agency" means any city, the United States, the State of Texas, and any district or authority created under Article XVI, Section 59 or Article III, Section 52 of the Texas Constitution, including any river authority, or any other political subdivision or governmental agency of the United States or the State of Texas. Purchaser agrees that any assignment of this contract in whole or in part by Purchaser without the prior written consent of LCRA, shall be null and void.

- H. COMPLIANCE WITH FILING REQUIREMENTS - LCRA agrees to file a copy of this contract with the Executive Director of the Texas Water Commission, P. O. Box 13087, Capitol Station, Austin, Texas 78711, it being fully recognized by the Purchaser hereunder that the effectiveness of this contract is dependent upon compliance with 31 Tex. Adm. Code §295.101 and §297.101.

III

ENVIRONMENTAL

- A. NON-POINT SOURCE WATER POLLUTION ABATEMENT - Purchaser agrees to implement a non-point source water pollution abatement program in accordance with the non-point source water pollution abatement plan (the "NPS Plan") described in Exhibit "E," attached hereto. LCRA, in accordance with applicable law, may from time to time adopt reasonable rules and regulations relating to the abatement of non-point source water pollution. Purchaser agrees to amend its NPS Plan, as necessary to reflect such non-point source water pollution abatement rules and regulations.
- B. QUALITY OF WATER - LCRA makes no representation as to the quality of the water in the Colorado River (Lake Austin) and Purchaser hereby releases LCRA and agrees to hold it harmless from any and all claims that Purchaser or Purchaser's customers or users have or may have against LCRA for any diminution in or impairment of the quality of water in Colorado River (Lake Austin) caused by lawful acts or failures to act of LCRA.

C. SEWAGE EFFLUENT REQUIREMENTS - Purchaser agrees to obtain or cause to be obtained all approvals required by all applicable local, state or federal agencies for any sanitary sewage system or systems which collect sewage derived from water provided herein or any sanitary sewage system whose effluent is discharged in the Colorado River watershed. Purchaser shall make copies of such approvals available to LCRA. Failure of Purchaser to meet any standards imposed by such agencies shall subject Purchaser under this contract to all remedies allowed by law including, without limitation, termination or suspension of this contract by LCRA. Purchaser further agrees that if a sewage treatment plant is located within the Property, LCRA shall have reasonable access to such plant for the purpose of taking samples of sewage effluent from such plant for testing by LCRA to determine whether Purchaser is in compliance with such standards imposed by such agencies.

D. DEVELOPMENT REGULATIONS Prior to actual diversion of water, Purchaser agrees to provide LCRA written verification that all plans and designs of improvements to be constructed, operated and/or maintained by Purchaser upon the Property or applicable portion thereof as described in Exhibit "B" and depicted in Exhibit "C" are in compliance with any applicable regulations regarding municipal, county or other governmental requirements for use of said property or applicable portion thereof.

IV

GENERAL PROVISIONS

- A. INDEMNIFICATION - Purchaser will indemnify and save LCRA harmless from any and all claims or demands whatsoever to which LCRA may be subjected by reason of any injury to any person or damage to any property resulting from or in any way connected with any and all actions and activities (or failure to act) of Purchaser under this contract. Purchaser's pumping and related facilities shall be installed, operated and maintained by Purchaser at Purchaser's sole risk. Nothing in this contract shall be construed as authorizing Purchaser, or recognizing that Purchaser has any right, to install any equipment or improvements on property owned by LCRA or third parties.
- B. FORCE MAJEURE. The term "Force Majeure" as used herein, shall mean those situations or conditions which are beyond the control of LCRA and which, after the exercise of due diligence to remedy such situation or condition, render LCRA unable, wholly or in part to carry out the covenants contained herein. Such force majeure includes but is not limited to acts of God, strikes, lockouts, acts of the public enemy, orders of any of kind of the government of the United States or of the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslide, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, civil disturbances, explosions, breakage or accidents to machinery, pipelines, canals, or dams, partial, or entire failure of water supply. LCRA shall not be held liable or responsible for any damage that may be caused by its inability, after the exercise of due diligence to make the supply of water

from the Colorado River available to Purchaser due to any force majeure. LCRA shall use reasonable diligence to repair or recondition the machinery, canals, or dams in event said machinery, canals or dams are damaged or made unserviceable from any force majeure.

- C. NO THIRD-PARTY BENEFICIARY - The parties hereto are entering into this contract solely for the benefit of themselves and agree that nothing herein shall be construed to confer any right, privilege or benefit on any person or entity other than the parties hereto.

EXECUTED this 11th day of JAN, 1993

LOWER COLORADO RIVER AUTHORITY

By: 

W. E. West, Jr.,
Executive Director

Office of Natural Resources



SENNA HILLS MUNICIPAL UTILITY DISTRICT #1

By: 

Charles Andrew Brown,
President

THE STATE OF TEXAS

§

COUNTY OF TRAVIS

§

§

BEFORE ME, the undersigned authority, on this day personally appeared W. E. West, Jr., Executive Director, Office of Natural Resources, Lower Colorado River Authority, a conservation and reclamation district, a body politic and corporate and a governmental agency of the State of Texas, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11 day of January, 1993.

(seal)

Anne Atkinson
Notary Public
Travis County, Texas
6-30-96
Date Commission Expires
ANNE ATKINSON
Printed Name

THE STATE OF TEXAS

§

COUNTY OF _____

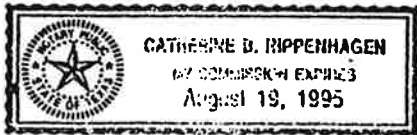
§

§

BEFORE ME, the undersigned authority, on this day personally appeared Charles Andrew Brown, President for Senna Hills Municipal Utility District #1 known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 8th day of December, 1992

(seal)



Catherine B. Rippenhagen
Notary Public
August 19, 1995
Date Commission Expires
Catherine B. Rippenhagen
Printed Name



FIELD NOTES
FOR

316.695 ACRE TRACT

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND OUT OF THE JOHN G. MUSTAIN SURVEY NO. 40, THE J.M. TEAGUE SURVEY NO. 40, THE E.C. GAINES SURVEY NO. 76 AND THE J.R. WATSON SURVEY NO. 646 IN TRAVIS COUNTY, TEXAS, BEING A PORTION OF THAT CERTAIN TRACT OF LAND DESIGNATED AS TRACT 2, CONTAINING 322.68 ACRES OF LAND AS CONVEYED TO CUNNINGHAM & ASSOCIATES NUMBER III, BY DEED RECORDED IN VOLUME 8467, PAGE 4 OF THE REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS, ALSO BEING ALL OF LOTS 1 & 2 AND A PORTION OF LOT 3, SENNA HILLS SECTION ONE P.U.D., A SUBDIVISION IN TRAVIS COUNTY, TEXAS, AS RECORDED IN PLAT BOOK 86, PAGES 121A AND 121B OF THE PLAT RECORDS OF TRAVIS COUNTY, TEXAS, ALSO BEING ALL OF SENNA HILLS DRIVE, A PUBLIC RIGHT-OF-WAY DEDICATED BY PLAT BOOK 86, PAGES 121A AND 121B OF THE PLAT RECORDS OF TRAVIS COUNTY, TEXAS, THE HEREIN DESCRIBED TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at a 1/2 inch iron pin set at the intersection of the East line of the said 322.68 acre tract and the new North r.o.w. line of F.M. Hwy No. 2244, being in the West line of that certain tract of land as conveyed to Rex D. Bible by deed recorded in Volume 7322, Page 148 of the Deed Records of Travis County, Texas, for the Southeast corner hereof;

THENCE along the new North r.o.w. line of F.M. Hwy No. 2244 (fence varies along r.o.w. line) for the following courses:

S 69° 06' 47" W for a distance of 1427.11 feet to a highway monument found (brass disc in concrete) at a point of curve

Along a curve to the right whose radius is 1064.40 feet, whose arc is 1101.52 feet and whose chord bears N 81° 12' 49" W for a distance of 1053.02 feet to a 1/2 inch iron pin set

N 51° 33' 20" W for a distance of 1418.11 feet to a highway monument found at a point of curve

Along a curve to the left whose radius is 1532.40 feet, whose arc is 596.54 feet and whose chord bears N 70° 44' 57" W for a distance of 592.78 feet to a highway monument found

N 86° 32' 04" W for a distance of 61.26 feet to a 1/2 inch iron pin set at the intersection of the West line of the said 322.68 acre tract and the new North r.o.w. line of F.M. Hwy No. 2244, for the Southwest corner hereof;

THENCE along the West line of the said 322.68 acre tract as fenced upon the ground for the following courses:

N 27° 49' 14" E for a distance of 315.50 feet to a 1/2 inch iron pin found

N 27° 56' 30" E for a distance of 539.35 feet to a 1/2 inch iron pin found

S 52° 19' 20" E for a distance of 100.26 feet to a 1/2 inch iron pin found

N 28° 22' 39" E for a distance of 932.65 feet to a 1/2 inch iron pin found

Exhibit B

FIELD NOTES
FOR

316.695 ACRE TRACT - Page Two

N 28° 22' 50" E for a distance of 1152.29 feet to a 1/2 inch iron pin found

N 28° 01' 27" E for a distance of 757.54 feet to a 60-d nail found in a cedar tree at the Northwest corner of the said 322.68 acre tract for the Northwest corner hereof;

THENCE along the North line of the said 322.68 acre tract as fenced upon the ground for the following courses:

S 60° 09' 10" E for a distance of 411.60 feet to a 1/2 inch iron pin found

S 80° 47' 10" E for a distance of 35.84 feet to a 1/2 inch iron pin found

S 62° 30' 10" E for a distance of 78.20 feet to a 60-d nail found in a cedar tree

S 64° 03' 36" E for a distance of 43.66 feet to a 60-d nail found in a cedar tree

S 63° 18' 05" E for a distance of 139.88 feet to a 60-d nail found in a cedar tree

S 61° 56' 14" E for a distance of 91.40 feet to a 60-d nail found

S 61° 26' 20" E for a distance of 469.07 feet to a 1/2 inch iron pin found

S 62° 11' 20" E for a distance of 917.23 feet to a 1/2 inch iron pin found

S 61° 47' 20" E for a distance of 385.36 feet to a 1/2 inch iron pin found

S 62° 38' 20" E for a distance of 587.05 feet to a 1/2 inch iron pin found

S 61° 06' 09" E for a distance of 175.60 feet to a 1/2 inch iron pin found

S 62° 42' E for a distance of 103.60 feet to a 1/2 inch iron pin found

S 35° 02' 11" E for a distance of 615.71 feet to a 1/2 inch iron pin found at the Northeast corner of the said 322.68 acre tract, for the Northeast corner hereof;

THENCE along the East line of the said 322.68 acre tract as fenced upon the ground for the following courses:

Exhibit B

page 2 of 3

FIELD NOTES
FOR

316.695 ACRE TRACT - Page Three

S 28° 51' 25" W for a distance of 1094.38 feet to a 1/2 inch iron pin found

S 28° 07' 13" W for a distance of 408.38 feet to a 1/2 inch iron pin found

S 27° 10' 38" W for a distance of 24.90 feet to a 1/2 inch iron pin found

S 26° 10' W for a distance of 217.65 feet to a 1/2 inch iron pin set at the Northeast corner of a 0.50 acre tract;

THENCE along the North line of the said 0.50 acre tract, N 63° 50' W for a distance of 200.12 feet to a 1/2 inch iron pin set for the Northwest corner of the said 0.50 acre tract;

THENCE along the West line of the said 0.50 acre tract, S 15° 31' W for a distance of 134.62 feet to a 1/2 inch iron pin found at the Northwest corner of the said Bible Tract, being in the East line of the said 322.68 acre tract;

THENCE along the East line of the said 322.68 acre tract, being the West line of the said Bible Tract as fenced upon the ground, S 15° 38' W for a distance of 249.63 feet to the PLACE OF BEGINNING and containing 316.695 acres of land, more or less.

SAVE AND EXCEPT THEREFROM all of that certain tract or parcel of land dedicated as Senna Hills Drive shown on the plat of Senna Hills Section One P.U.D., recorded in Volume 86, Pages 121A-121B of the Plat Records of Travis County, Texas.

AS SURVEYED BY:
W. HARVEY SMITH SURVEYOR, INC.



ROY D. SMITH
REGISTERED PUBLIC SURVEYOR NO. 4094
May 24, 1990

Job No. 36655-48

Survey Updated: September 25, 1991

Field Notes Revised: January 8, 1992



Exhibit B
page 3 of 3

**WATER CONSERVATION PLAN
FOR
SENNA HILLS**

PREPARED FOR:

SENNA HILLS MUNICIPAL UTILITY DISTRICT #1

**PREPARED BY:
MILLER CONSULTING GROUP
P.O. BOX 161507
AUSTIN, TEXAS 78716-1507**

August, 1992

Exhibit D
page 1 of 5

I. INTRODUCTION

A. Utility Service Area

The Senna Hills development is located approximately two miles east of the intersection of FM 2244 and Hwy 71 in Travis County on Hwy 2244 in the Lake Austin/Barton Creek Watershed. The total area of Senna Hills is approximately 317 acres. The development is within the 2-mile ETJ limits of the City of Austin.

Development of Senna Hills as a residential subdivision will begin in early 1992. The developer's projected growth rate is approximately 75 residential connections per year.

The developer anticipates that up to 485 living unit equivalents (LUE's) will be utilized in the Senna Hills Development once final buildout is complete.

B. Water Utility System Profile

We anticipate that water service for the Senna Hills development will be provided by the Uplands Water Treatment Plant. The existing facilities include the water treatment plant with a capacity of 1.8 MGD, an intake structure and pump station, a pump station at the treatment plant, transmission mains, and a 750,000 gallon ground storage tank.

Anticipated monthly water rates for the MUD will be \$2.25 to \$2.30 per 1000 gallons.

C. Wastewater Utility System Profile

The project will be served by a package plant and approximately 90+ acres of spray irrigation under a permit issued by the Texas Water Commission - Permit #13238-01. We anticipate that all of the wastewater facilities will be located within the boundaries of the MUD.

D. Goals and Objectives of the Water Conservation Program

The proposed water conservation program is designed to address the following three goals:

1. A long-term reduction in overall water demand;
2. A reduction in the magnitude of seasonal peak demands; and
3. A reduction in wastewater flow volume.

The potential reductions in average and peak demands can result in cost savings in operations and also better levels of service. In addition, capital expenditures for new facilities can be reduced and deferred. Individual water customers can realize direct savings in costs for water, wastewater, and energy by using conservation methods and water saving devices.

II. WATER CONSERVATION PLAN

The following elements are recommended to be considered for inclusion in the water conservation plan:

1. Education and Information
2. Plumbing Codes
3. Retrofit Program
4. Water Rate Structure
5. Universal Metering and Meter Maintenance
6. Water Conservation Landscaping
7. Reuse and Recycling
8. Leak Detection and Repair

The proposed water conservation plan for the District is described in the following sections.

1. Education and information

The District will distribute educational materials with an information packet for new customers and through periodic billing inserts. Water conservation brochures, pamphlets, and fact sheets which are available from the City of Austin, Texas Water Development Board, and LCRA will be made available to the District's customers.

2. Plumbing Codes

The District will incorporate in their rate orders a plumbing code which requires the use of water saving fixtures and appliances for all new construction and for replacements in existing structures. The following standards represent readily available products and technology and are consistent with City of Austin requirements:

Tank-type toilets	-	Maximum 1.6 gallons per flush
Flush valve toilets	-	Maximum 1.6 gallons per flush
Tank-type urinals	-	Maximum 3.0 gallons per flush
Flush valve urinals	-	Maximum 1.0 gallons per flush
Showerheads	-	Maximum 3.0 gallons per minute
Lavatory and kitchen faucets	-	Maximum 2.75 gallons per minute
Hot water lines	-	Insulated
Swimming pools	-	Recirculating filter equipment

WATER CONSERVATION PLAN

PAGE 2

Exhibit D
page 3 of 5

3. Retrofit Program

Housing construction will begin in 1993, accordingly there are no older houses or businesses in the District which will need retrofits of water conserving devices. Therefore, a retrofit program is not considered appropriate for inclusion in this plan.

4. Water Rate Structure

Water rates for Districts' customers are anticipated as follows:

Per 1,000 gallons	\$2.25 to \$2.30
-------------------	------------------

This uniform rate structure is considered sufficient for conservation purposes.

5. Universal Metering and Meter Maintenance

All utility customers are to be metered in accordance with City of Austin regulations.

A meter maintenance program will include regular inspections and testing and repair or replacement of meters as necessary. The recommended regular testing schedule is as follows:

Production (master) meters	-	once a year
Meters larger than 1"	-	once a year
Meters 1" or smaller	-	once every ten years

6. Water Conservation Landscaping

The education program will include pamphlets which contain information on the methods and benefits of water conserving landscaping. Homeowners, home builders, business owners, landscapers, and irrigation contractors will be encouraged to promote and use adapted low water using plants and grasses, drip irrigation systems, mulches, efficient sprinklers with proper layout, and ornamental fountains that recycle water.

7. Reuse and Recycling

The potential for reuse and recycling effluent will be promoted at every opportunity. Although these plans are not complete at this time, the MUD anticipates that, at a minimum, all common areas will be watered with effluent produced by the sewage treatment package plant.

8. Leak detection and Repair

The education program will inform residents of the need to repair leaking fixtures in order to minimize waste of water and reduce water bills. The District will regularly monitor the water distribution system and fire hydrants for apparent leaks and make repairs when necessary. The District will also investigate for illegal hook-ups and unauthorized use of fire hydrants to minimize water losses.

III. DROUGHT CONTINGENT PLAN

The District will follow the City of Austin's Emergency Water Management Plan.

**NONPOINT SOURCE POLLUTION
ABATEMENT PLAN
FOR
SENNA HILLS SUBDIVISION**

Exhibit E
page 1 of 8

1. INTRODUCTION

This Nonpoint Source Pollution ("NPS") Abatement Plan is intended to meet the requirements of the Lower Colorado River Authority's ("LCRA") water sale contract program. Guidelines for the formulation of an NPS Abatement Plan are outlined in LCRA document, "Rules for Water Sales Contracts."

The proposed Senna Hills development ("Senna Hills") is located on F.M. 2244 approximately 2 miles east of the intersection of State Highway 71- and F.M. 2244 in Travis County. Senna Hills encompasses a total of 318 acres, of which approximately 193 acres is located within the Lake Austin watershed and approximately 125 acres is located within the Barton Creek watershed. The site is located in the Edwards Plateau physiographic region, and is traversed by 3 drainage ravines. Slopes in Senna Hills range up to 35 percent, and elevations at the site range from 760 ft above msl at the bottom of the drainage ravines to 900 ft above mean sea level (msl) in the central portion of the tract.

The proposed site lies entirely within the 2 mile Extra Territorial Jurisdiction ("ETJ") of the City of Austin. Consequently, its development is subject to the rigorous environmental restrictions of the City's Lake Austin Watershed Ordinance and Barton Creek Watersheds Ordinance. Both Ordinances include stringent provisions for protection of downstream receiving waters from nonpoint source water quality threats. The City of Austin's Environmental Criteria Manual will apply to the design and construction of the structural controls for runoff quality for Senna Hills.

At this time, Senna Hills is part of an existing Municipal Utility District (MUD) with 740 approved living unit equivalents in its land use plan. The project developer has submitted a development proposal to the City of Austin which calls for a reduction in density to 484 single family detached residential units, together with 10 living unit equivalents being allocated to a proposed elementary school site. That density equates to approximately 1.5 units per acre. Construction of the development has not yet commenced.

Section 2 of this report will present a compilation of the specific Best Management Practices ("BMP's") currently either employed or being proposed for the development. BMP selection and application for the project generally represents the level and type of standard NPS protection of similar subdivisions with the following exceptions:

The filtration ponds proposed for the development areas will be required to employ a pretreating

sediment basin as currently required by City of Austin technical staff.

Section 3 of this report will present site maps and descriptions of significant drainageways, floodplains, and soil types.

Section 4, 5 and 6 provide information of reporting requirements, contacts, and compliance.

2 THE ABATEMENT PLAN

Both the Lake Austin Watershed and Barton Creek Watershed Ordinance, as applied at Senna Hills, require a multicomponent nonpoint source protection strategy including:

- A. impervious cover (density) limitations;
- B. provision for greenbelt and undisturbed natural areas;
- C. compliance with erosion controls, slope stabilization techniques, and site restoration guidelines presented in the City of Austin Erosion and Sedimentation Control Manual; and
- D. water quality control basins for direct treatment of stormwater runoff.

2.1 EXISTING EROSION PROBLEMS

There are no known existing erosion problems on the proposed Senna Hills site.

2.2 ABATEMENT OF EROSION RELATED NONPOINT SOURCE THREATS

Development of a drainage basin generally yields increases in runoff volume and drainage efficiency, which tend to result in increased runoff discharge rates for any given rainfall event. The result of this phenomenon is usually an initiation or acceleration of erosion along drainageways leading to local receiving waters.

A major source of such erosion is construction-related washoff of unprotected soils. During all of the site-grading, roadway installation, and other development-related construction activity at Senna Hills, construction contractors will be required to provide adequate sediment control measures including filter dikes, brush berms, and rock berms. These erosion control measures are required to remain in place until City of Austin inspectors are satisfied that final site

restoration is complete. All road construction and site grading activities associated with the development of the project will be required to meet stringent City of Austin standards for erosion protection, and compliance will be insured by the posting of fiscal surety with the City of Austin. This will assure total restoration of any construction related damage which may occur.

2.3 ABATEMENT OF CONSTITUENT WASH-OFF NONPOINT SOURCE THREATS

An increase in the presence of human activity in a previously undeveloped area can lead to degradation of local receiving waters. Much of this phenomenon is attributable to the washoff of constituents such as fertilizers from lawns or oil and grease from roads. In order to ameliorate the effects of these processes at Senna Hills, three BMP strategies are being proposed to minimize the impact of nonpoint source urban runoff.

First, it is generally accepted that event mean constituent concentrations evidenced in stormwater runoff tend to correlate directly with development density. For this reason, limitations on impervious cover or dwelling unit density generally serve as a means of limiting event mean constituent concentrations in stormwater runoff. As a result of the Purchaser's proposed voluntary reduction in development density for this site, impervious cover densities will be limited to less than 20% on slopes with grades from 0-15% and less than 10% on slopes with grades greater than 15%. All development will meet applicable impervious cover restrictions of the governing ordinances.

Second, it is generally accepted that the passage of stormwater runoff through a vegetated zone at moderate discharge rates and velocities will improve the quality of the runoff. Toward this end, approximately 135 acres of greenbelt, irrigation land, and undisturbed natural areas have been set aside. This means that for the entire 318 acre Senna Hills development over 42% percent of the total site area has been set aside for use as parks or open space and irrigation acres to reduce density and runoff velocity. Another advantage of these areas are that they are generally located downslope of the developed areas.

Third, in a voluntary effort to enhance water quality, several proposed water features are being considered as possible candidates for water quality wet ponds. These structures are proposed to be designed to the City of Austin standards for water quality EMPs to further enhance runoff quality from developed areas.

Once completed, Senna Hills will be a first class subdivision with excellent suburban watershed "housekeeping" features. In other words, the kinds of poor housekeeping features characteristic of older urban neighborhoods (i.e. poor trash removal, accumulation of debris, deteriorating housing stock, high traffic volumes, and poor upkeep of lawns) will not be evident at Senna Hills. The Purchaser is confident that any nonpoint source water quality concerns associated with Senna Hills have been responsibly addressed, and Senna Hills will have a minimal impact on Lake Austin and other downstream receiving waters.

2.4 EDUCATION

2.4.1 General

Senna Hills agrees to provide nonpoint source pollution educational material to its customers and employees at least twice per calendar year. These materials are available from the LCRA, Texas Water Commission, City of Austin, and other sources and will also be provided for distribution to the public at the sales office for the Senna Hills Development.

2.4.2 Personnel Education

Senna Hills will conduct an annual educational seminar for employees, construction contractors, and other interested individuals.

2.4.3 Coordination with LCRA

Senna Hills will coordinate its educational activities with the LCRA and will request assistance in the form of educational literature and participation in seminars.

3. SITE MAPS

Figure 3-1 (in map pocket) presents the "Development Plan" for the Senna Hills property. The proposed site area is served by a Municipal Utility District with the major infrastructure components as shown on Figure 3-1.

3.1 SOILS

The following information, which was obtained from the U.S. Soil Conservation Service Soil Survey of Travis County, provides general descriptions of the major soil types which exist within the project area.

Brackett Soils - These soils develop over interbedded limestone and marl bedrock on slopes of 1 to 12 percent. The texture of the surface layer is gravelly clay loam, gravelly loam, loam or clay loam. Broken limestone fragments make up a major portion of the surface. These soils are shallow and well drained and have developed under a prairie vegetation of mid- and tall grasses and some trees. Thickness of the solum layer ranges from 10 to 20 inches.

Tarrant Soils - This series consists of shallow to very shallow, well-drained, stony, clayey soils overlying limestone. Large limestone rocks and fragments cover a large portion of the soil surface. This soil occupies complex slopes ranging from nearly level to 40 percent, but mostly exists on slopes from 5 to 12 percent. These soils have developed under tall grass and an open canopy of trees. The solum ranges in thickness from 4 to 14 inches. The soil has a moderately slow permeability, and a low available water capacity.

Tarrant and Speck Soils - This undifferentiated group occupies irregular areas along ridges. It consists of about 63 percent Tarrant soils, 32 percent Speck soils, 4 percent dark-gray clay about 18 inches thick, a small amount of Crawford clay, and rock outcrop. Tarrant soils have a surface layer about 10 inches thick consisting of dark grayish-brown clay overlying limestone. It is made up of about 45 percent fragments of gravel. Speck soils have a surface layer of reddish-brown clay loam about 14 inches thick, underlain by 4 inches of dark reddish-brown gravelly clay.

Volente Series - This series consists of deep, well-drained soils which developed in slope alluvium under a cover of mid- to tall grasses and scattered trees. These soils occupy mostly long, narrow valleys on slopes ranging from 1 to 8 percent. They are thick, moderately slowly permeable, and have a high available water capacity. This complex, as mapped in the project area, also contains small percentages of Altoga, Lewisville, Frio, San Saba, Tarrant, Purves, and Brackett soils. The Lewisville, Altoga and Brackett soils occur on upper slopes, and the San Saba, Purves and Tarrant soils are in the drainageways.

The Senna Hills site area sits generally in the headwaters of 3 small drainage sub-areas for Lake Austin. As such, it experiences peak flood discharge rates significantly less than those evidenced along the main reach of Lake Austin. The 100-year flood boundaries are generally centered within the natural area and drainage easements at all locations. Figure 2-1 (in map pocket) shows the approximate boundary on the 100-

year floodplain as being contained within the undeveloped natural areas.

4. REPORTING REQUIREMENTS

The records and reporting will include a maintenance plan, utilization records, and a biennial report to LCRA.

4.1 UTILIZATION RECORDS

Senna Hills will keep and/or require its landscaper to keep monthly reports recording all applications of pesticides or fertilizers.

4.2 BIENNIAL REPORT TO LCRA

Senna Hills will submit to LCRA, no later than January 31 of each odd-numbered year, a report reflecting all activities of the preceding two years related to nonpoint source pollution control, including the pesticide and fertilizer utilization records.

5 CONTACTS

The following persons will serve as contacts for the plan:

Lisa A. Hatzenbuehler
Lower Colorado River Authority
P.O. Box 220
Austin, Texas 78767
(512) 473-3200, ext. 2051

Mr. Rip Miller
Miller Consulting Group
P.O. Box 161507
Austin, Texas 78716
(512) 329-6655

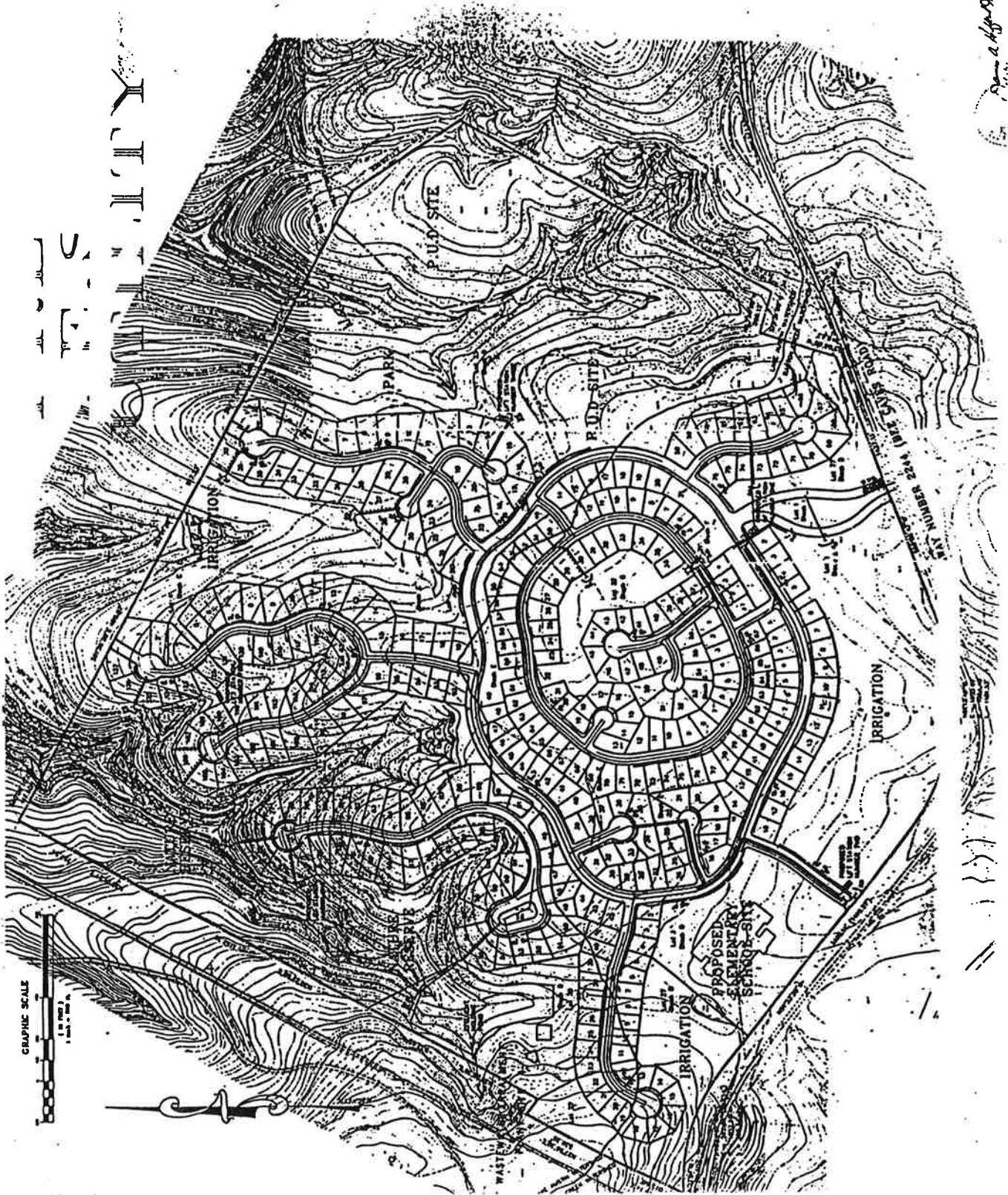
6. COMPLIANCE

Senna Hills agrees to commence implementation of the educational programs at the start of construction on the project and agrees to continue those programs for the duration of the water sale contract or any extensions thereof.

Senna Hills agrees to allow the Water Surface and Shoreline Program Manager of the LCRA, or a designated representative, to inspect the site for compliance with the nonpoint source pollution abatement plan within the period of time which constitutes the term of this contract. The LCRA will notify the Purchaser at least 48 hours prior to the site visit(s) taking place.

Exhibit E

UTILITY PLAN



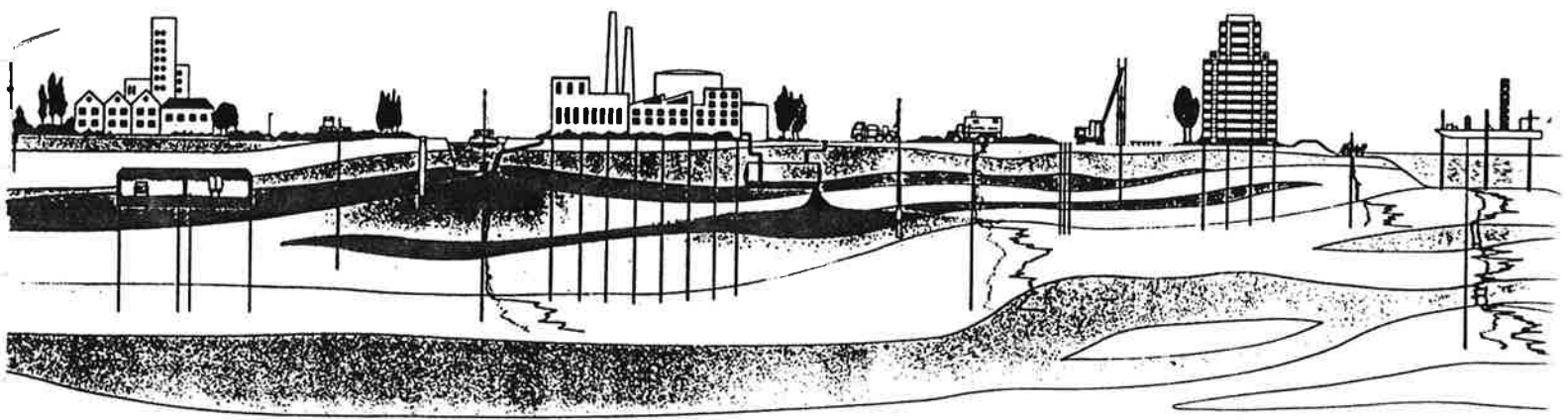
Conroy Hill

1924

SENNA HILLS MUNICIPAL UTILITY DISTRICT

**IRRIGATION AREA TOPSOIL ASSESSMENT
SENNA HILLS MUNICIPAL UTILITY DISTRICT
TRAVIS COUNTY, TEXAS**

Patton Construction Company, L.C.
Austin, Texas



FUGRO-McCLELLAND (SOUTHWEST), INC.Job No. 1001-1808
May 3, 19941107 West Gibson Street
Austin, Texas 78704
Tel: (512) 444-3233
Fax: (512) 444-3996Mr. Dan Patton
Patton Construction Company, L.C.
2505 Spring Lane
Austin, Texas 78703**Irrigation Area Topsoil Assessment
Senna Hills Municipal Utility District
Travis County, Texas**

Fugro-McClelland (Southwest), Inc. is pleased to submit this Irrigation Area Topsoil Assessment report for the above referenced property in Travis County, Texas. This study was performed in general accordance with requirements set forth by the City of Austin Environmental and Conservation Services Department. This study was authorized by Mr. Dan Patton of Patton Construction.

This study presents our evaluation of the effective thickness of the topsoil in the proposed waste water effluent irrigation areas at the Senna Hills Development in western Travis County, Texas. This report contains the study findings. Illustrations follow the text and contain a vicinity map, and a sample location plan. Field and laboratory data are presented in tabular form following the Illustrations.

Fugro-McClelland appreciates the opportunity to work with Patton Construction on this study. Please call if we can be of any additional assistance.

Sincerely,

**FUGRO-McCLELLAND
(SOUTHWEST), INC.**David R. Mason
Project Manager
John A. Woolley, P.E.
Vice President

DRM/drm(rpt1808.DOC)

Copies Submitted: 4

**IRRIGATION AREA TOPSOIL ASSESSMENT
SENNA HILLS MUNICIPAL UTILITY DISTRICT
TRAVIS COUNTY, TEXAS**

* * *

**Report
to**

**PATTON CONSTRUCTION COMPANY, L.C.
Austin, Texas**

* * *

by

**FUGRO-McCLELLAND (SOUTHWEST), INC.
1107 West Gibson Street
Austin, Texas**

May 3, 1994

CONTENTS

	<u>Page</u>
SUMMARY	i
INTRODUCTION.....	1
Purpose and Scope of Services.....	1
General Survey.....	1
Detailed Survey.....	1
Report Organization	1
ENVIRONMENTAL SETTING	2
Location.....	2
Surface Water Drainage.....	2
Surficial Soils	2
INVESTIGATION.....	3
Field Investigation	3
Laboratory Analysis	3
Effective Soil Thickness.....	4
CONCLUSIONS.....	4
CONDITIONS AND LIMITATIONS.....	5

ILLUSTRATIONS

	<u>Plates</u>
VICINITY MAP.....	1
SAMPLE LOCATION PLAN.....	2

TABLES

	<u>Table</u>
SUMMARY OF LABORATORY TEST RESULTS.....	1
EFFECTIVE SOIL THICKNESS	2

SUMMARY

This report presents the results of an Irrigation Area Topsoil Assessment on approximately 84 acres of undeveloped land in Travis County located in the confines of the Senna Hills Municipal Utility District. The purpose of this study was to provide an evaluation of the effective topsoil thickness of proposed waste water effluent irrigation areas. This study was performed in general accordance with requirements set forth by the City of Austin Environmental and Conservations Services Department. This study was authorized by Mr. Dan Patton of Patton Construction.

Fugro-McClelland personnel measured the soil thickness at 74 various locations throughout the proposed waste water effluent irrigations areas. Thirty-two soil samples were collected for laboratory analysis to determine natural moisture content, Atterberg limits, and grain size distribution. Soil Conservation System classifications were performed on representative soil horizons. Field and laboratory data were calculated and tabulated. Effective soil thickness was calculated as a function of the in-situ soil thickness proportional to the amount of soil finer than a 2 millimeter sieve. The results of these analyses are presented in tabular and map format.

Based on the work documented herein, it is our opinion that the effective topsoil thickness over most of the proposed irrigation areas is at least six inches. Fugro-McClelland has not performed any areal calculations; however, based on the frequency of sampling locations and the fact that only 10 of the 74 sampling locations indicate inadequate effective topsoil; we estimate that approximately 86% of the total proposed irrigation area has at least 6 inches of effective topsoil. Much of the proposed area has well in excess of 6 inches effective thickness. The areas with less than 6 inches of effective topsoil thickness are shown on Plate 2.

INTRODUCTION

Purpose and Scope of Services

The purpose of this study is to provide an evaluation of the effective topsoil thickness of proposed waste water effluent irrigation areas at the Senna Hills Development in western Travis County, Texas. The location of this project is shown on Plate 1. This study was performed in general accordance with requirements set forth by the City of Austin Environmental and Conservations Services Department (COA ECSD). This study was authorized by Mr. Dan Patton of Patton Construction.

The COA ECSD guidelines for determining the depth of effective soil are as follows:

General Survey. A generalized soil field survey map and report should include a topographic map of the proposed irrigation areas showing sampling points and a delineation of the United States Department of Agriculture Soil Conservation Service (USDA SCS) soil series, and a report presenting the field observations and physical properties including depth of the soil to the first semi-permeable or impermeable horizon, identification of master and subordinate soil horizons, and generally, the percent of surface stoniness and the percent of coarse fragments (greater than 2 millimeters (mm) diameter) within the soil matrix. The compiled information should be utilized to identify areas on the irrigation tract(s) that: a) have greater than six inches of effective soil, b) areas that may not have six inches of effective soil, and c) areas that have less than six inches of effective soil. Generalized information should be obtained by using shovel pits or similar techniques at regular intervals along transects throughout the irrigation areas at a frequency of one in every two to five acres in highly dissected landscapes.

Detailed Survey. Utilizing the information generated from the generalized soil survey, detailed soil descriptions for representative areas and landforms shall be completed with special emphasis placed on areas with less than six inches of effective soil or areas which may not have six inches of effective soil. Detailed information is to be obtained, in part, by opening test pits, six feet long by three feet deep, concentrated in areas where effective soil is less than, or may be less than, six inches thick. A detailed survey map and report should include a topographic map showing a breakdown of areas with greater than, and less than 6 inches of effective soil depths, and a report identifying the physical and chemical properties of each soil horizon and a calculation of effective soil thickness based on percent of soil finer than a 2 mm (No. 10) sieve.

Report Organization

Report organization is based on a format established by Fugro-McClelland (Southwest), Inc. This report combines the requirements set by the COA ECSD for the "general" and "detailed" surveys into one report. Illustrations follow the text and consist of a vicinity map, and a sample

location plan which also provides final topsoil effective thickness interpretations. Field and laboratory data are presented on tables following the Illustrations.

This report identifies the three areas proposed to be utilized for waste water effluent irrigation. The three areas are depicted on Plate 2. Throughout this report the areas will be identified generally as the northwestern irrigation area, the northeastern irrigation area, and the southern irrigation area.

ENVIRONMENTAL SETTING

Location

The subject property is located north of FM 2244 approximately 2.25 miles east of State Highway 71 in Travis County, Texas (Plate 1). The subject property is geographically centered at approximately latitude 30° 18' 37" north and longitude 97° 54' 0" west.¹

Surface Water Drainage

The elevation of the subject property ranges from approximately 820 to 900 feet above mean sea level (Plates 1 and 2). Surface water drainage from the northern half of the subject property (which includes the northwestern and northeastern irrigation areas) which is situated in the Lake Austin Watershed generally flows in a northerly direction toward Lake Austin.

The southern half of the subject property (which includes the southern irrigation area) is situated in the Barton Creek Watershed. Surface water drainage from this area generally flows in a southerly direction toward Barton Creek.

Surficial Soils

Surficial soils on the subject property are mapped by the USDA SCS, and confirmed by Fugro-McClelland, as being Brackett soils and rock outcrops, steep (BoF) on the northwestern and northeastern irrigation areas and as Brackett soils, rolling (BLD) and Volente complex, 1 to 8 percent slopes, (VoD) on the southern irrigation areas².

Brackett series soils on the subject property are classified by the USDA SCS as: Order - Inceptisols; Subgroup - Typic Ustochrepts; Family - Loamy, carbonatic, thermic shallow. The parent material for the Brackett series soils is the underlying Glen Rose limestone.

-
- 1 United States Geological Survey, "Bee Cave Quadrangle, Texas," 7.5 Minute Series (Topographic) Map, 1986.
 - 2 United States Department of Agriculture Soil Conservation Service, *Soil Survey of Travis County, Texas*, 1974, Sheet 51.

Volente series soils on the subject property are classified by the USDA SCS as: Order - Mollisols; Subgroup - Pachic Haplustolls; Family - Fine, mixed, thermic. The parent material for the Volente series soils is colluvium from Brackett soils on the subject property³.

Site specific details concerning these mapped soil series are provided in the following sections of this report.

INVESTIGATION

A field survey was performed by Fugro-McClelland personnel between March 21 and April 12, 1994 to measure actual soil thickness and to collect soil samples for laboratory analysis. The results of these activities are presented in the following paragraphs of this section.

Field Investigation

In order to precisely locate sample collection and soil thickness measurement locations, six "base lines" were established across the irrigation areas by Roy D. Smith Surveyors. These base lines are shown on Plate 2. Soil thickness measurements and descriptions (Tables 1 and 2) were collected from 74 locations (Plate 2) across the irrigation areas, as required for the general survey. On the average, sample locations are spaced at approximately 200 ft intervals along and either side of the established base lines. A hand-operated bucket auger, a shovel, and a pick were used to collect soil samples for description, thickness measurements, and laboratory analysis. Samples were collected to a depth of three feet, or until auger refusal was met. Sample locations investigated with the hand auger technique are designated with the prefix "G" on the tables and plates.

Soil samples and more detailed descriptions, as required for the detailed survey, were also collected from an open four ft deep trench extending approximately 800 linear feet across the eastern portion of the southern irrigation area. This trench cross-cut Brackett soils (BID) and Volente complex soils (VoD) and was used as an inspection trench. Sample collection locations and observation points depicted on the tables and plates with the prefix "IT" are "inspection trench" locations.

Laboratory Analysis

Thirty two soil samples from twenty separate locations were collected for laboratory analysis and detailed classification. Analyses included: natural water content by ASTM D2216; Atterberg limits by ASTM D4318; sieve analysis by ASTM D422; and unified soil classification by ASTM D2478. Soil textures were determined for the collected samples by USDA SCS textural classification methods. The results of these analyses are shown on Tables 1 and 2. Table 1 contains laboratory test results along with ASTM soil classifications; Table 2 contains SCS descriptions,

3 *ibid*, pgs 113 - 115, Table 8.

identification of soil horizons, and total effective soil thickness calculations.

Effective Soil Thickness

Based on the results of field observations and laboratory analyses, the effective soil thickness was calculated for each sample location. The effective soil is defined by the COA ECSD as that fraction of the total volume of soil that passes the 2mm (No. 10) sieve. For soil horizons on which actual gradation analyses were performed, the effective soil thickness was calculated based on the results of laboratory analysis for the respective sample. For horizons on which no gradation analysis was performed, it was assumed that the percent soil passing the 2mm sieve was 75%. This assumption is reasoned in the following paragraph.

Representative soil horizons from the 74 test locations were sampled by obtaining 32 discrete soil samples. These samples were submitted for grain size analysis and soil classification. The results showed: a total of 15 samples were classified as sandy loams; 10 samples were classified as sandy clay loams; 5 samples were classified as sandy clays; 1 sample was classified as a loamy sand; and 1 sample was classified as a silty clay. Therefore, 25 of the 32 samples analyzed were classified as sandy loam or sandy clay loam. The average percent passing the 2mm sieve for the combined categories of sandy loam and sandy clay loam is 75%. The average percent passing the 2mm sieve for all 32 samples is 77%. Because most of the soil classified was either a sandy loam, or a sandy clay loam, it is conservatively assumed that 75% of the material classified as soil passes the 2mm sieve.

Using this conservative assumption, and actual test results where appropriate, effective soil thickness was calculated for the 74 sampling locations. Results of these calculations are presented in tabular form on Table 2, and are shown in plan on Plate 2.

CONCLUSIONS

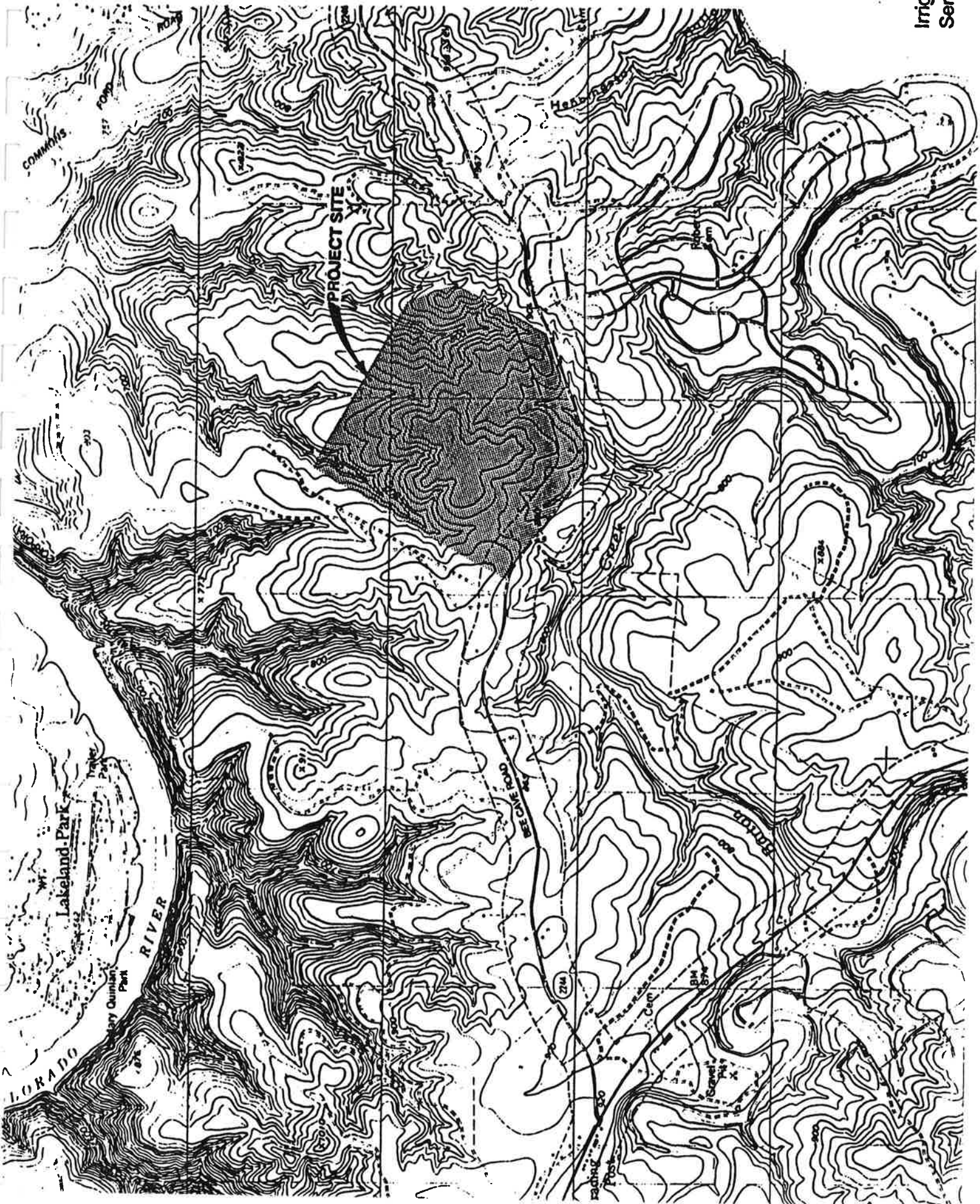
Effective soil thickness was calculated, according to ECSD definition, as a function of the in-situ soil thickness proportional to the amount of soil finer than a 2mm sieve. Plate 2 presents our interpretation of areas having at least 6 inches of effective topsoil according to ECSD definition.

Based on the work documented herein, it is our opinion that the effective topsoil thickness over most of the proposed irrigation areas is at least six inches. Fugro-McClelland has not performed specific areal calculations; however, based on the frequency of sampling locations and the fact that only 10 of the 74 sampling locations indicate inadequate effective topsoil; we estimate that approximately 86% of the total proposed irrigation area has at least 6 inches of effective topsoil. Much of the irrigation areas have well in excess of 6 inches of effective topsoil.

CONDITIONS AND LIMITATIONS

This study has been performed for the client for use in evaluating effective topsoil thickness on the proposed irrigation areas on the subject property. The professional services that form the basis for this report have been performed using that degree of care and skill ordinarily exercised, under similar circumstances, by reputable professionals practicing in the same locality. No other warranty, expressed or implied, is made as to the professional advice set forth.

The results, conclusions, and recommendations contained in this report are directed at, and intended to be utilized within, the scope of work contained in the contract executed by Fugro-McClelland and client. This report is not intended to be used for any other purposes. Fugro-McClelland makes no claim or representation concerning any activity or condition falling outside the specified purposes to which this report is directed, said purposes being specifically limited to the scope of work as defined in said agreement. Inquiries as to said scope of work or concerning any activity or condition not specifically contained therein should be directed to Fugro-McClelland for a determination and, if necessary, further investigation.



TABLES



1107 West Gibson, Austin, Texas 78704
 Ph: (512) 444-3233; FAX: (512) 444-3996

TABLE 1

SUMMARY OF LABORATORY TEST RESULTS

Project: Senna Hills M.U.D. Topsoil Study
 Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Depth inches	Water Content % dry wt	Atterberg Limits			% Finer Than			ASTM Classification		
			LL	PL	PI	#4	2mm	#40	#200	Symbol	Group Name
G-33	0 - 4	14.5	48	30	18	94	74	58	35	SM	silty sand
G-33	4 - 9	8.3	31	22	9	84	76	51	32	SC	clayey sand w/gravel
G-34	0 - 12	13.5	53	34	19	61	52	40	26	GM	silty gravel w/sand
G-35	0 - 6	11.2	34	19	15	92	87	70	50	CL	gravely lean clay w/sand
G-36	0 - 6	7.8	37	22	15	72	68	59	39	SC	clayey sand w/gravel
G-37	0 - 6	15.2	34	19	15	99	96	80	52	CL	sandy lean clay
G-38	0 - 6	15.8	43	25	18	99	95	78	51	CL	sandy lean clay
G-38	9 - 11	11.0	37	24	13	69	58	45	30	SC	clayey sand w/gravel
G-39	0 - 3	17.7	62	35	27	88	80	59	45	SM	silty sand
G-40	0 - 2	21.6	72	34	38	76	74	69	62	CH	gravely fat clay
G-40	2 - 6	16.1	42	25	17	90	81	59	37	SC	clayey sand
G-41	0 - 6	9.3	40	27	13	22	17	13	8	GP-GM	poorly graded gravel w/silty
G-44	0 - 11	1.5	41	23	18	23	17	12	8	GP-GC	poorly graded gravel w/clay and sand
G-48	0 - 5	14.8	55	24	31	97	96	81	60	CH	sandy fat clay
G-48	5 - 38	13.0	59	21	38	98	94	80	66	CH	sandy fat clay
G-48	38 - 48	11.0	37	15	22	95	92	80	65	CL	sandy lean clay
G-52	0 - 5	11.7	41	26	15	76	67	45	30	SM	silty sand w/gravel
G-52	10 - 15	10.3	30	17	13	76	70	46	30	SC	clayey sand w/gravel
G-55	0 - 5	11.2	44	26	18	95	89	66	43	SC	clayey sand
G-55	18 - 24	9.1	23	15	8	91	85	62	36	SC	clayey sand
G-60	0 - 4	14.9	41	20	21	99	96	80	55	CL	sandy lean clay
G-60	26 - 30	14.0	44	18	26	94	86	76	61	CL	sandy lean clay
G-64	0 - 4	10.2	35	9	26	91	86	75	46	SC	clayey sand



1107 West Gibson; Austin, Texas 78704
 Ph: (512) 444-3233; FAX: (512) 444-3996

TABLE 1

SUMMARY OF LABORATORY TEST RESULTS

Project: Senna Hills M.U.D. Topsoil Study
 Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Depth inches	Water Content % dry wt	Atterberg Limits			% Finer Than			ASTM Classification		
			LL	PL	PI	#4	2mm	#40	#200	Symbol	Group Name
G-66	0 - 3	27.3	89	30	59	100	100	100	98	CH	fat clay
G-67	0 - 3	9.2	36	22	14	99	96	93	64	CL	sandy lean clay
G-67	18 - 22	10.2	28	22	4	86	81	69	60	ML	sandy silt
G-69	0 - 5	6.9	31	20	11	83	71	51	28	SC	clayey sand w/gravel
G-69	9 - 13	7.7	29	14	15	48	41	31	19	GC	clayey gravel w/sand
G-69	17 - 20	11.6	29	15	14	94	91	88	60	CL	sandy lean clay
G-71	0 - 3	11.7	34	22	12	97	88	71	48	SC	clayey sand
G-71	5 - 8	11.4	32	22	10	98	89	59	44	SC	clayey sand
G-73	0 - 6	8.6	42	27	15	84	76	54	33	SM	silty sand w/clay

Test Methods:

Water Content: ASTM D2216

Atterberg Limits: ASTM D4318

Sieve Analysis: ASTM D422

Classification: ASTM D2487

TABLE 2

EFFECTIVE SOIL THICKNESS

Project: Senna Hills M.U.D. Topsoil Study
 Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Soil Horizon	Depth (inches)	Horizon Thickness (inches)	Effective Thickness (inches)	%Passing 2mm sieve	% Surface Stoniness (estimate)	USDA SCS Soil Series		Description (USDA SCS Texture)
G-1	A	0 - 4	4.0	3.0		5	BID		Brownish grey silty clay
	R	4 - ?	?						Slightly weathered limestone
G-2	A	0 - 5	5	3.8		10	BID		Brown sandy clay w/roots
	R	5 - ?	?						Slightly weathered limestone
G-3	A	0 - 7	7	5.3			VoD		Brown silty clay w/limestone gravel
	B	7 - 23	16	12.0					Reddish brown silty clay
	R	23 - ?	?						Slightly weathered limestone
G-4	A	0 - 11	11	8.3			BID		Brownish grey silty clay w/worms
	R	11 - ?	?						Slightly weathered limestone
G-5	A	0 - 3.5	3.5	2.6			BID		Brownish grey silty clay w/numerous roots
	B	3.5 - 8	4.5	3.4		<5			Brownish grey silty clay w/LS gravel common
	R	8 - ?	?						Slightly weathered limestone
G-6	A	0 - 2	2	1.5		80	BID		Greyish brown silty clay w/roots
	C	2 - 26	24	18.0					Tan completely weathered limestone w/num dist molt
	R	26 - ?	?						Slightly weathered limestone
G-7	A	0 - 21	21	15.8		0	BID		Greyish brown silty clay
	R	21 - ?	?						Slightly weathered limestone
G-8	A	0 - 23	23	17.3		0	BID		Greyish brown silty clay
	R	23 - ?	?						Slightly weathered limestone
G-9	A	0 - 5	5	3.8		1	BID		Brownish grey sandy clay
	B	5 - 11	6	4.5					Brownish grey sandy clay w/num ls gravel
	R	11 - ?	?						Slightly weathered limestone
G-10	A	0 - 13.5	13.5	10.2		1	BID		Brownish grey sandy clay w/roots
	R	13.5 - ?	?						Slightly weathered limestone

TABLE 2

EFFECTIVE SOIL THICKNESS

Project: Senna Hills M.U.D. Topsoil Study
 Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Soil Horizon	Depth (inches)	Horizon Thickness (inches)	Effective Thickness (inches)	% Passing 2mm sieve	% Surface Stoniness (estimate)	USDA SCS Soil Series	Description (USDA SCS Texture)
G-11	A	0 - 14	14	10.5		0	VoD	Brown sandy clay
	R	14 - ?	?					Slightly weathered limestone
G-12	A	0 - 27	27	20.3		0	VoD	Brown sandy clay
	R	27 - ?	?					Slightly weathered limestone
G-13	A	0 - 27	27	20.3		0	VoD	Brown sandy clay w/worms
	R	27 - ?	?					Slightly weathered limestone
G-14	A	0 - 10	10	7.5		0	BID	Brown sandy clay w/few calc nodules
	R	10 - ?	?					Slightly weathered limestone
G-15	A	0 - 10	10	7.5		0	BID	Brown sandy clay w/few calc nodules
	R	10 - ?	?					Slightly weathered limestone
G-16	A	0 - 14	14	10.5			BID	Brown sandy clay w/few calc nodules
	R	14 - ?	?					Slightly weathered limestone
G-17	A	0 - 3	3	2.3		25	BID	Reddish brown sandy clay w/roots and ls gravel
	R	3 - ?	?					Slightly weathered limestone
G-18	A	0 - 3.5	3.5	2.6		25	BID	Reddish brown sandy clay w/roots
	R	3.5 - ?	?					Slightly weathered limestone
G-19	A	0 - 12	12	9.0		5	BID	Brown sandy clay w/roots, worms, and few ls gravels
	R	12 - ?	?					Slightly weathered limestone
G-20	A	0 - 11	11	8.3		50	BID	Brown sandy clay w/roots and rock fragments
	C	11 - ?	?					Highly weathered limestone
G-21	A	0 - 6.5	6.5	4.9		50	BID	Brown sandy clay w/roots and numerous ls gravels
	R	6.5 - ?	?					Slightly weathered limestone
G-22	A	0 - 18.8	18.5	13.9		20	BID	Reddish brown sandy clay
	R	18.5 - ?	?					Slightly weathered limestone

TABLE 2

EFFECTIVE SOIL THICKNESS

Project: Senna Hills M.U.D. Topsoil Study
Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Soil Horizon	Depth (inches)	Horizon Thickness (inches)	Effective Thickness (inches)	% Passing 2mm sieve	% Surface Stoniness (estimate)	USDA SCS Soil Series	Description (USDA SCS Texture)
G-23	A	0 - 16	16	12.0		0	VoD	Brown sandy clay, firm, crumbly, w/roots
	B	16 - 36+	20	15.0				Reddish tan silty clay, stiff
G-24	A	0 - 9	9	6.8			BID	Grey sandy clay w/numerous limestone gravel
	R	9 - ?	?					Tan weathered limestone
G-25	A	0 - 14	14	10.5		40	BID	Grey sandy clay w/roots
	C	14 - ?	?					Tan completely weathered limestone w/num dist yl mott
G-26	A	0 - 5	5	3.8		40	BID	Brownish grey sandy clay w/lis frags and roots
	B	5 - 15	10	7.5				Brown sandy clay
	C	15 - ?	?					Highly weathered limestone
G-27	A	0 - 3	3	2.3		60	BID	Brownish grey sandy clay w/roots
	B	3 - 7	4	3.0				Brownish grey sandy clay w/lis fragments and roots
	C	7 - ?	?					Highly weathered limestone
G-28	A	0 - 11	11	8.3		0	VoD	Brown sandy clay w/roots
	C	11 - ?						Highly weathered limestone
G-29	A	0 - 36+	36	27.0		0	VoD	Reddish brown sandy clay w/roots
G-30	A	0 - 16	16	12.0		0	VoD	Reddish brown sandy clay w/roots
	B	16 - 23	7	5.3				Brownish grey sandy clay
	R	23 - ?	?					Slightly weathered limestone
G-31	A	0 - 3	3	2.3		60	BID	Grey sandy clay w/roots
	B	3 - 12	9	6.8				Grey sandy caly
	C	12 - 14	2	1.5				Tan completely weathered limestone
	R	14 - ?	?					Tan slightly weathered limestone
G-32	A	0 - 15	15	11.3		50	BID	Grey sandy clay
	C	15 - 23	8	6.0				Tan completely weathered limestone



1107 West Gibson, Austin, Texas 78704
 Ph: (512) 444-3233; FAX: (512) 444-3996

TABLE 2

EFFECTIVE SOIL THICKNESS

Project: Senna Hills M.U.D. Topsoil Study
 Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Soil Horizon	Depth (inches)	Horizon Thickness (inches)	Effective Thickness (inches)	% Passing 2mm sieve	% Surface Stoniness (estimate)	USDA SCS Soil Series	Description (USDA SCS Texture)
G-33	R	23 - 7	?					Tan slightly weathered limestone
	A	0 - 4.5	14.5	10.7	74	5	BID	Brown silty sand w/roots (sandy loam)
	C	4.5 - 9	4.5	3.4	76			Tan and grey clayey sand w/gravel (sandy loam)
G-34	R	9 - 7	?					Tan slightly weathered limestone
	A	0 - 12	12.0	6.2	52	40	BID	Brown silty gravel w/sand and roots (loamy sand)
	R	12 - 7						Tan slightly weathered limestone
G-35	A	0 - 8.5	8.5	7.4	87	0	BID	Brownish grey gravelly lean clay w/sand (sandy clay loam)
	R	8.5 - 7	?					Tan slightly weathered limestone
G-36	A	0 - 9	9.0	6.1	68	15	BID	Brownish grey clayey sand w/gravel (sandy loam)
	R	9 - 7	?					Tan slightly weathered limestone
G-37	A	0 - 9.5	9.5	9.1	96	5	BID	Brownish grey sandy lean clay w/roots (sandy clay loam)
	R	9.5 - 7						Tan slightly weathered limestone
G-38	A	0 - 9	9.0	8.6	95	5	BID	Brown sandy lean clay w/roots (sandy clay loam)
	B	9 - 11.5	2.5	1.5	58			Brownish grey clayey sand w/gravel
	R	11.5 - 7	?					Tan slightly weathered limestone
G-39	A	0 - 9	9.0	7.2	80	5	BID	Brown silty sand w/roots (sandy clay loam)
	R	9 - 7	?					Tan slightly weathered limestone
G-40	A	0 - 2	2.0	1.5	74	5	BID	Dark brown gravelly fat clay w/roots (sandy clay)
	C	2 - 11	9.0	7.3	81			Tan clayey sand (sandy clay)
	R	11 - 7	?					Tan slightly weathered limestone
G-41	A	0 - 6.5	6.5	1.1	17	5	BID	Brownish grey poorly graded gravel w/silt and roots (sandy loam)
	C	6.5 - 16	9.5	7.1				Tan completely weathered limestone
IT-42	R	16 - 7	?					Tan slightly weathered limestone
	A	0 - 6	6	4.5			BID	Brown sandy clay w/roots & scattered ls gravel



1107 West Gibson; Austin, Texas 78704
Ph: (512) 444-3233; FAX: (512) 444-3996

TABLE 2

EFFECTIVE SOIL THICKNESS

Project: Senna Hills M.U.D. Topsoil Study
Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Soil Horizon	Depth (inches)	Horizon Thickness (inches)	Effective Thickness (inches)	% Passing 2mm sieve	% Surface Stoniness (estimate)	USDA SCS Soil Series	Description (USDA SCS Texture)
	B	6 - 11	5	3.8				Brown sandy clay w/roots & numerous ls fragments
	R	11 - 36+	25					Tan moderately weathered massive limestone w/chert nodules
IT-43	A	0 - 12	12	9.0			BID	Brown sandy clay w/roots & numerous ls fragments
	C	12 - 36+	24	18.0				Tan highly weathered massive limestone w/occasional roots
IT-44	A	0 - 11	1.5	0.3	17		BID	Grey poorly graded gravel w/clay and sand and roots (sandy loam)
	C	11 - 36	24	18.0				Tan highly weathered ls w/few dist yl mott and chert nodules
	R	36 - ?	?					Tan slightly weathered massive limestone
IT-45	A	0 - 18	18	13.5			BID	Brown sandy clay w/roots and numerous ls fragments
	C	18 - 56	38	28.3				Tan highly weathered ls w/occasional roots
IT-46	A	0 - 10	10	7.5			BID	Brown sandy clay w/roots and numerous ls fragments
	C	10 - 45	35	26.3				Tan highly weathered ls w/occasional roots
IT-47	A	0 - 21	21	15.8			VoD	Brown sandy clay w/roots and numerous ls fragments
	C	21 - 56	35	26.3				Tan highly weathered ls w/occasional roots
	R	56 - ?	?					Brown sandy clay w/roots and numerous chert and ls fragments
IT-48	A	0 - 5	5.0	4.8	96		VoD	Tan completely weathered limestone w/clay seams and layers
	B	5 - 38	33.0	31.0	94			Tan moderately weathered limestone w/clay seams and layers
	C	38 - ?	?		92			Dark brown sandy fat clay w/roots (sandy clay loam)
G-49	A	0 - 8	8	6.0		0	VoD	Reddish brown sandy fat clay w/roots and numerous calc nodules (sandy clay)
	B	8 - 36+	28	21.0				Tan sandy lean clay w/numerous distinct yl mottles (sandy clay)
G-50	A	0 - 14	14	10.5		5	BID	Brown sandy clay w/roots
	R	14 - ?	?					Reddish brown sandy clay w/roots and numerous calc nodules
G-51	A	0 - 7	7	5.3			BID	Brownish grey sandy clay w/ls fragments
	C	7 - 23	16	12.0				Tan completely weathered limestone
	R	23 - ?	?					Tan slightly weathered limestone

TABLE 2

EFFECTIVE SOIL THICKNESS

Project: Senna Hills M.U.D. Topsoil Study
 Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Soil Horizon	Depth (inches)	Horizon Thickness (inches)	Effective Thickness (inches)	% Passing 2mm sieve	% Surface Stoniness (estimate)	USDA SCS Soil Series	Description (USDA SCS Texture)
G-52	A	0 - 10	11.7	7.8	67	5	BID	Brownish grey silty sand w/gravel and roots (sandy loam)
	C	10 - 20	10.3	7.2	70			Tan clayey sand w/gravel (sandy clay loam)
	R	20 - ?	?					Tan slightly weathered limestone
G-53	A	0 - 10.5	10.5	7.8		5	BID	Brownish grey sandy clay w/scattered ls frags and roots
	R	10.5 - ?	?					Tan slightly weathered limestone
G-54	A	0 - 14	14	10.5		10	BID	Brownish grey sandy clay w/scattered ls frags and roots
	C	14 - 22	8	6.0				Tan completely weathered limestone
	R	22 - ?	?					Tan slightly weathered limestone
G-55	A	0 - 10	10.0	8.9	89	5	BID	Brownish grey clayey sand (sandy loam)
	C	10 - 36+	26.0	22.1	85			Tan clayey sand (sandy loam)
G-56	A	0 - 7.5	7.5	5.6			BID	Brown sandy clay w/scattered limestone fragments
	R	7.5 - ?	?					Tan slightly weathered limestone
G-57	A	0 - 9.5	9.5	7.1		50	BID	Brownish grey sandy clay w/ls fragments
	R	9.5 - ?	?					Tan slightly weathered limestone
G-58	A	0 - 10	10	7.5		50	BID	Brown sandy clay w/scattered ls gravel and roots
	R	10 - ?	?					Tan slightly weathered limestone
G-59	A	0 - 7.5	7.5	5.6		80	BID	Brownish grey sandy clay w/roots
	R	7.5 - ?	?					Tan slightly weathered limestone
G-60	A	0 - 26	26.0	25.0	96	0	VoD	Brown sandy lean clay w/roots (sandy clay)
	C	26 - 36+	10.0	8.6	86			Tan sandy lean clay w/numerous calc nodules and few roots (sandy clay)
G-61	A	0 - 6	6	4.5		70	BID	Brown sandy clay w/scattered ls gravel and roots
	R	6 - ?	?					Tan highly weathered limestone
G-62	A	0 - 6	6	4.5		0	BID	Brown sandy clay w/roots
	R	6 - ?	?					Tan highly weathered limestone

TABLE 2

EFFECTIVE SOIL THICKNESS



1107 West Gibson; Austin, Texas 78704
Ph: (512) 444-3233; FAX: (512) 444-3996

Project: Senna Hills M.U.D. Topsoil Study
Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Soil Horizon	Depth (inches)	Horizon Thickness (inches)	Effective Thickness (inches)	% Passing 2mm sieve	% Surface Stoniness (estimate)	USDA SCS Soil Series	VoD	Description (USDA SCS Texture)
G-63	A	0 - 8	8	6.0				0	Brown sandy clay w/roots
	B	8 - 26	18	13.5					Reddish brown sandy clay w/roots and scattered ls nodules
	R	26 - ?	?						Tan highly weathered limestone
G-64	A	0 - 4	4.0	3.4	86			BoF	Brown clayey sand w/scattered roots (sandy loam)
	C	4 - 10	6	4.5					Tan completely weathered limestone w/numerous dist yl mottles
	R	10 - ?	?						Tan slightly weathered limestone
G-65	A	0 - 4.5	4.5	3.4				5	Greyish brown sandy clay w/scattered roots
	B	4.5 - 12	7.5	5.6					Greyish brown sandy clay w/numerous ls fragmenst
	R	12 - ?	?						Tan slightly weathered limestone
G-66	A	0 - 18	27.3	27.3	100			BoF	Dark reddish brown fat clay, very stiff (silty clay)
	R	18 - ?	?						Tan slightly weathered limestone
									Light brown sandy lean clay w/scattered roots (sandy clay loam)
G-67	A	0 - 10	10.0	9.6	96			BoF	Grey sandy silt w/numerous distinct calc mottles (sandy loam)
	B	10 - 24	14.0	11.3	81				Tan slightly weathered limestone
	R	24 - ?	?						Reddish brown silty clay w/scattered roots, stiff
G-68	A	0 - 13	13	9.6				BoF	Tan slightly weathered limestone
	R	13 - ?	?						Tan slightly weathered limestone
									Brownish grey clayey sand w/gravel and roots (sandy loam)
G-69	A	0 - 6	6.0	5.7	71			BoF	Brownish grey clayey gravel w/sand and roots (sandy loam)
	B	6 - 14	6.0	2.5	41				Tan sandy lean clay w/numerous distinct yl mottles (sandy clay loam)
	C	14 - 25	11.0	10.0	91				Tan moderately weathered limestone
G-70	R	25 - ?	?						Brownish grey sandy clay w/scattered ls gravel and roots
	A	0 - 4.5	4.5	3.4				BoF	Tan completely weathered limestone w/numerous distinct yl mottles
	C	4.5 - 20	15.5	11.6					Tan slightly weathered limestone
G-71	R	20 - ?	?						Brownish grey clayey sand w/few ls gravel and roots (sandy clay loam)
	A	0 - 4	4.0	3.5	88			BoF	

TABLE 2

EFFECTIVE SOIL THICKNESS



1107 West Gibson; Austin, Texas 78704
Ph: (512) 444-3233; FAX: (512) 444-3996

Project: Senna Hills M.U.D. Topsoil Study
Job No. 1001 - 1808

Client: Patton Construction

Sample Location No.	Soil Horizon	Depth (inches)	Horizon Thickness (inches)	Effective Thickness (inches)	% Passing 2mm sieve	% Surface Stoniness (estimate)	USDA SCS Soil Series	Description (USDA SCS Texture)
G-72	C	4 - 9	5.0	4.5	99			Tan and grey clayey sand w/few ls gravel (sandy clay loam)
	R	9 - ?	?					Tan moderately weathered limestone
G-73	A	0 - 4.5	4.5	3.4		5	BoF	Brownish grey silty clay w/scattered ls gravel and roots
	R	4.5 - ?	?					Tan moderately weathered limestone
G-74	A	0 - 9.5	8.6	6.5	76	50	BoF	Brownish grey silty sand w/clay and roots (sandy loam)
	R	9.5 - ?						Tan slightly weathered limestone
	A	0 - 4.5	4.5	3.4		50	BoF	Brownish grey sandy clay w/scattered ls gravel and roots
	C	4.5 - 11	6.5	4.9				Tan highly weathered limestone w/roots
	R	11 - ?	?					Tan slightly weathered limestone

Test Methods:
Sieve Analysis: ASTM D422

Soil series abbreviations:
 BID: Brackett soils, rolling VoF: Volente complex, 1 to 8% slopes
 BoF: Brackett soils and rock outcrop, steep

Notes:
 For soil horizons for which a specific sieve analysis was not performed, the effective soil thickness was calculated assuming an average of 75% passing the 2mm sieve.

SENNA HILLS MUNICIPAL UTILITY DISTRICT

PRELIMINARY



SEPTEMBER 17, 1993

DEVELOPMENT DOCUMENT
MAYOR, COUNTY, STATE, FEDERAL, LOCAL, AND NEIGHBORHOOD AGENCIES
APPROVED FOR THE CITY OF AUSTIN
DATE: SEPTEMBER 17, 1993
BY: [Signature]

REVISION # 2
C = 1055.02'
R = 1064.40'
L = 1101.52'

REVISION # 2
REVISE DOWNSTREAM BUFFER ZONE IN BLOCK G INTO 2 LOTS, REVISE LOT 103
BLOCK D INTO 2 LOTS TO FACILITATE THE PLATING OF THE EFFLUENT POND.
REVISE BLOCK F AND BLOCK G TO SHOW THE REALIGNMENT OF LOT LINES AND
REDUCE NUMBER OF LOTS IN BLOCK F BY 11 LOT.

REVISION: REVISE PARKLAND AND TO SHOW TWO LOTS
PARKLAND ACREAGE TO REMAIN 19.55 ACRES
AS APPROVED ON PREVIOUS PRELIMINARY

GRAPHIC SCALE
(IN FEET)
1 inch = 200 ft

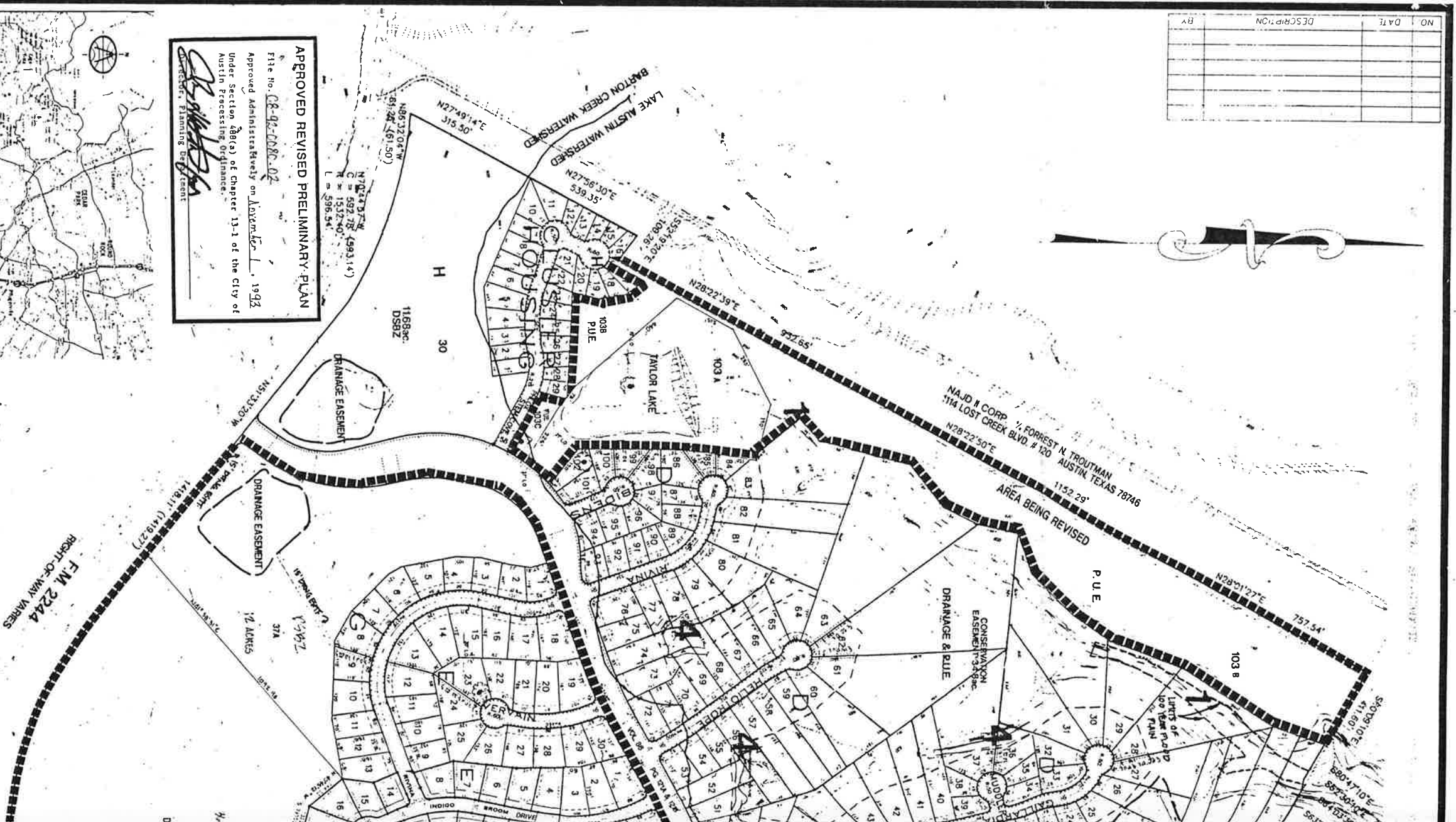
DATE: DECEMBER 7, 1992
DATE OF REVISION: JANUARY 12, 1993



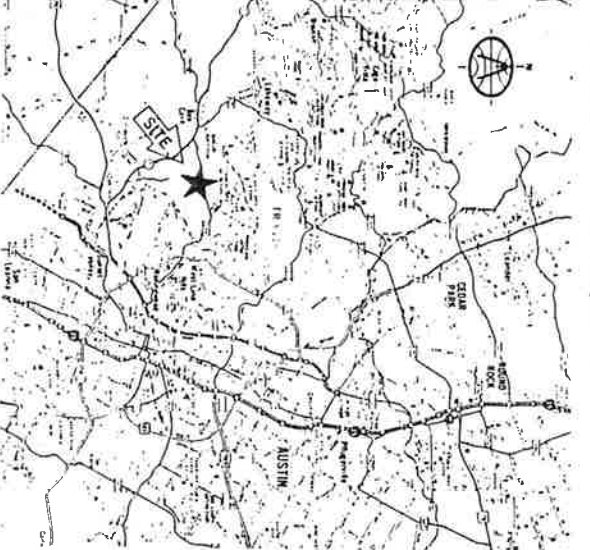
REVISED L

SUBDIVISION

NO.	DATE	DESCRIPTION	BY



APPROVED REVISED PRELIMINARY PLAN
 File No. **CR-92-008C-02**
 Approved Administratively on November 1, 1993
 Under Section 206(a) of Chapter 13-1 of the City of
 Austin Preexisting Ordinance.
[Signature]
 Director, Planning Department



DEVELOPER: **ALCONRAE**
 NATIONAL ASSOCIATION
 1200 N. MOORE
 AUSTIN, TEXAS 78701
 DATE: **SEPTEMBER 17, 1993**
 SHEET: **FROM FIELD PRELIMINARY PLAN**

F.M. 2244
RIGHT-OF-WAY VARIES

REVISION # 2
 REVISE DOWNSTREAM BURFER 20'
 BLOCK D INTO 2 LOTS TO FACILITATE
 REMOVE BLOCK F AND BLOCK G TO
 REDUCE NUMBER OF LOTS IN BLOCK

NBY
 C
 R
 L

SENNA HILLS MUNICIPAL UTILITY DISTRICT

9/3/94

WATER SERVICES AGREEMENT

BETWEEN

LOWER COLORADO RIVER AUTHORITY AND

SENA HILLS MUNICIPAL UTILITY DISTRICT

TABLE OF CONTENTS

RECITALS 1
AGREEMENTS 2

ARTICLE I

Section 1.01. Definitions of Terms 2
Section 1.02. Captions 5
Section 1.03. Effect on Prior Agreements 5
Section 1.04. Water Services 5

ARTICLE II
CONSTRUCTION MATTERS

Section 2.01. Connecting Line 5
Section 2.02. Loop Line 5
Section 2.03. Water Meter(s) 5
Section 2.04. Meter Accuracy; Calibration 6
Section 2.05. Determining Water Deliveries 7

ARTICLE III
CONDITIONS REGARDING PROVISION OF WATER SERVICES

Section 3.01. Diversion of Water 8
Section 3.02. Title to and Responsibility for Water; Delivery Point(s) 8
Section 3.03. Quantity and Pressure 9
Section 3.04. Quality of Water Delivery to District 10
Section 3.05. Maintenance and Operation; Future Construction 11
Section 3.06. Rights and Responsibilities in Event of Leaks or Breaks 11

ARTICLE IV
CHARGES, BILLING AND FINANCIAL MATTERS

Section 4.01. Connection Fee; Rates 11

Section 4.02. Billing and Payment 12

Section 4.03. LCRA System to be Self-Sufficient 12

ARTICLE V
DISTRICT FINANCIAL COMMITMENTS

Section 5.01. District's System to Include Sanitary Sewer and Drainage Facilities 13.

Section 5.02. District's Taxes, Rates and Charges 13

Section 5.03. Contract Tax Election 13

Section 5.04. Consequences of Unsuccessful Contract Tax Election. 14

ARTICLE VI
EMERGENCY OR SHORTAGE OF WATER SERVICE CAPABILITY;
TERM; DEFAULT; REMEDIES

Section 6.01. Termination, Discontinuance and Curtailment of Service;
Modification of Agreement 14

Section 6.02. Plumbing Regulations 15

Section 6.03. Default 15

Section 6.04. Additional Remedies Upon Default 16

ARTICLE VII
MISCELLANEOUS PROVISIONS

Section 7.01. Customer Advisory Committee 16

Section 7.02. Contracts 17

Section 7.03. Records 17

Section 7.04. State Approval 17

Section 7.05. <u>Force Majeure</u>	17
Section 7.06. <u>Severability</u>	17
Section 7.07. <u>No Oral Agreements; Modification</u>	17
Section 7.08. <u>Addresses and Notices</u>	18
Section 7.09. <u>Assignability</u>	18
Section 7.10. <u>Counterparts</u>	18
Section 7.11. <u>Governing Law</u>	18
Section 7.12. <u>Time of the Essence</u>	18
Section 7.13. <u>Authority of Parties Executing Agreement</u>	18
Section 7.14. <u>Term</u>	18

**WATER SERVICES AGREEMENT
BETWEEN
LOWER COLORADO RIVER AUTHORITY AND
SENNA HILLS MUNICIPAL UTILITY DISTRICT**

THIS WATER SERVICES AGREEMENT (this "Agreement") is made and entered into by and between LOWER COLORADO RIVER AUTHORITY, a conservation and reclamation district and a political subdivision of the State of Texas ("LCRA") and SENNA HILLS MUNICIPAL UTILITY DISTRICT, a conservation and reclamation district and a political subdivision of the State of Texas (the "District").

RECITALS

1. LCRA has acquired the water supply system of The Uplands Company consisting of a 1.8 MGD (million gallons per day) raw water intake and pumping system, two 1,250 GPM (gallons per minute) raw water pumps, a 30 inch diameter raw water transmission main, a 1.8 MGD water treatment plant, treated water storage facilities and treated water transmission and distribution facilities to serve the needs of its customers (collectively, the "LCRA System"). In connection with its acquisition of the LCRA System from The Uplands Company, LCRA acquired all rights and assumed all obligations of The Uplands Company under that certain "Water Services Agreement Between The Uplands Company, Senna Hills Municipal Utility District and Senna Hills, Ltd." dated March 3, 1993 as amended by that certain letter amendment thereto dated April 29, 1994, by and among the same parties (collectively, the "Prior Agreements"). The parties now desire to enter into this Agreement which will modify, amend, reconstitute and continue the Prior Agreements. Senna Hills, Ltd., owner of land in the District and a party to the Prior Agreements, has indicated its consent to this Agreement by instrument of even date herewith.
2. Senna Hills, Ltd., and Arcadia Land Partners 8, Ltd., another landowner in the District, intend to develop approximately 451 single family residential lots and possibly an elementary school site in the District's boundaries in Travis County, Texas (the "District's Service Area") more particularly described on Exhibit "A" attached hereto.
3. The District heretofore has entered into a raw water purchase contract (the "District's Raw Water Contract") with LCRA to purchase raw water from Lake Austin which can be treated to meet the needs of the District's customers but is not sufficient to meet the District's ultimate needs.
4. The District is responsible for supplying potable water to the District's customers in its service area, but currently has no facilities to divert or treat the raw water which it purchases from the LCRA or to transport the water to the District's System and is desirous of obtaining such diversion, treatment and transportation services (hereafter, "Water Services") from LCRA.
5. The District intends to install a potable water distribution system and related facilities (collectively, the "District's System") to receive the water delivered by LCRA to the

District under this Agreement and to supply potable water service to the future customers within the District's Service Area.

6. Subject to compliance with the provisions of this Agreement by all parties hereto, and to the extent indicated hereafter, the LCRA System is capable of providing Water Services to the District, and LCRA intends to expand and improve its System at its cost in order to continue to provide adequate Water Services to the District under this Agreement and to the other customers of the LCRA System under other agreements, with all costs of the System (hereafter, the "Costs of the System") to be recovered through the rates and charges of LCRA to the customers of the LCRA System.

7. The District has also entered into a "Water Throughput Agreement" (the "Throughput Agreement") dated December 16, 1992, with the Barton Creek West Water Supply Corporation ("BCWWSC") to allow the District to transport on an interim basis a limited amount of treated water from a point connected to the LCRA System, through the BCWWSC water distribution system (the "BCWWSC System"), to the District's System.

8. LCRA and the District now wish to execute this Agreement to modify, amend, reconstitute and continue the Prior Agreements and henceforth to evidence the agreement of LCRA to provide Water Services to the District under the conditions described in this Agreement and the agreement of the District to pay LCRA for such Water Services and to perform certain other actions as detailed herein.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, LCRA and the District agree as follows:

ARTICLE I

Section 1.01. Definitions of Terms. As used in this Agreement, except as otherwise provided herein, the following terms have the meanings ascribed in this section.

"Agreement" means this agreement.

"BCWWSC" means Barton Creek West Water Supply Corporation.

"BCWWSC Meter" means the meter presently utilized by LCRA to measure the amount of water delivered by the LCRA System at the point at which the LCRA System connects to the BCWWSC System.

"BCWWSC System" means the Barton Creek West Water Supply Corporation water distribution and delivery system.

"Connecting Line" means that certain twelve (12) inch diameter waterline presently in the process of being constructed by the District in order to connect the BCWWSC System to the District's System.

"Connection Fee" means the charge described in Section 4.01.a. of this Agreement.

"Costs of the System" means all costs of acquiring, constructing, developing, permitting, implementing, expanding, improving, enlarging, bettering, extending, replacing, repairing, maintaining and operating the System, including, without limiting the generality of the foregoing, the costs of property, interests in property, capitalized interest, land, easements and rights-of-way, damages to land and property, leases, facilities, equipment, machinery, pumps, pipes, tanks, valves, fittings, mechanical devices, office equipment, assets, contract rights, wages and salaries, employee benefits, chemicals, stores, material, supplies, power, supervision, engineering, testing, auditing, franchises, charges, assessments, claims, insurance, engineering, financing, consultants, administrative expenses, auditing expenses, legal expenses and other similar or dissimilar expenses and costs required for the System. The Costs of the System shall include reasonable amounts for an operation and maintenance reserve fund, debt service reserve fund, required coverage of debt service, working capital and appropriate general and administrative costs.

"Customer Advisory Committee" means the customer advisory committee established pursuant to Section 7.01 of this Agreement.

"Delivery Point(s)" means the point(s) at which LCRA is obligated to deliver treated water to the District under this Agreement.

"District" means Senna Hills Municipal Utility District.

"District's Raw Water Contract" means that certain LCRA Water Sale Contract No. 12823 between the District and LCRA dated January 11, 1993.

"District's Service Area" means the area presently included within the boundaries of Senna Hills Municipal Utility District as described on Exhibit "A" hereto.

"District's System" means the District's water distribution and delivery system.

"Emergency" means a sudden unexpected happening; an unforeseen occurrence of condition; exigency; pressing necessity; or a relatively permanent condition of insufficiency of service or of facilities resulting in social distress. The term includes Force Majeure and act of third parties which cause the LCRA System to be unable to provide the Water Services agreed to be provided herein.

"Force Majeure" means acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of any governmental entity or any civil or military authority, acts, orders or delays thereof of any regulatory authorities with jurisdiction over the parties, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances,

explosions, breakage or accidents to machinery, pipelines or canals, or any other conditions which are not within the control of such party.

"LCRA" means Lower Colorado River Authority.

"LCRA Service Area" means that area described in Exhibit "B" hereto together with such other areas as may be added by LCRA in the future upon a determination by LCRA that it is feasible and practicable to serve such other areas from the System and provided that such other areas are served by facilities which are physically connected to the System.

"LCRA System" means the facilities acquired by LCRA as described in Recital No. 1 above together with all extensions, expansions, improvements, enlargements, betterments and replacements thereof to provide water or Water Services to LCRA's customers in the LCRA Service Area.

"Loop Line" means that waterline of at least 12 inches in diameter (and currently being designed to be 24 inches in diameter) proposed to be constructed by LCRA as part of the LCRA System in order to connect the LCRA water treatment plant to the District's System and to other customers of the LCRA System.

"LUE" means an amount of Water Services sufficient for one living unit equivalent which is defined as being 1,872 gallons per day of Water Services at a peak flow rate of 1.3 gallons per minute. The parties agree that the table attached as Exhibit "C" hereto represents the number of equivalent LUEs for meter sizes of the District's retail customers.

"Meter No. 1" means the inflow meter installed by the District at the point at which the Connecting Line connects to the District System together with any future outflow meter which may be installed by the District in the future under certain circumstances at or about the same point.

"Meter No. 2" means the inflow and outflow meters which may be installed by the District in the future at or about the point at which the Loop Line will connect to the District System.

"Meters" means Meter No. 1 and Meter No. 2.

"Monthly Charge" means the charge described in Section 4.01.b. of this Agreement.

"Prior Agreements" means that certain "Water Services Agreement between the Uplands Company, Senna Hills Municipal Utility District and Senna Hills, Ltd." dated March 3, 1993, and that certain letter amendment thereto (commonly known as the "Forbearance Agreement") dated April 29, 1994, by and among the same parties.

"Volume Rate" means the charge described in Section 4.01.c. of this Agreement.

"Water Services" means the diversion of raw water from Lake Austin pursuant to the District's Raw Water Contract; the transmission of the raw water to a place or places of

treatment; the treatment of the water into potable form; and the transmission of the potable water through the LCRA System and to the District at the Delivery Point(s).

Section 1.02. Captions. The captions appearing at the first of each numbered section or paragraph in this Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement.

Section 1.03. Effect on Prior Agreements. The parties agree that the Prior Agreements are completely modified, amended, reconstituted and continued by this Agreement. Henceforth, this Agreement represents the sole and complete agreement between the parties relating to the subject matter hereof except for the District's Raw Water Agreement and that certain "Temporary and Interim Construction Water Agreement" dated March 28, 1994, between The Uplands Company and the District which latter agreement was assigned to and assumed by LCRA in connection with its acquisition of the LCRA System from The Uplands Company.

Section 1.04. Water Services. LCRA agrees to provide Water Services to the District under this Agreement all as hereafter specified.

ARTICLE II CONSTRUCTION MATTERS

Section 2.01. Connecting Line. In order to facilitate the development of the initial phases of the Senna Hills Subdivision, the District has obtained an easement or other appropriate right of use from the Texas Department of Transportation and is in the process of installing a waterline (the "Connecting Line"), along and across F.M. 2244 to connect the BCWWSC System to the District's System in order to convey a limited amount of water, as hereafter indicated, from the LCRA System to the District's System. The District has installed back-flow preventers or similar devices reasonably designed to limit the flow of water to the District as hereinafter provided and to prevent contamination of the BCWWSC System and the LCRA System, in the event of a line failure in the District's System. The District shall promptly dedicate and convey the Connecting Line (together with associated easements, rights-of-way, permits, licenses or appurtenances) to LCRA free and clear of any liens, claims and encumbrances and agrees to execute the document attached as Exhibit "D" hereto evidencing the dedication and conveyance. Thereafter, the Connecting Line shall be part of the LCRA System.

Section 2.02. Loop Line. LCRA will install, own, and operate the Loop Line which will connect the existing LCRA water treatment plant to the District's System at the proposed location of Meter No. 2 and which shall be a part of the LCRA System. The District agrees that it will not allow more than one hundred fifteen (115) LUEs to be connected to the District's System and that LCRA will not be obligated to supply the District any more than one hundred fifty (150) gallons per minute (maximum instantaneous rate of delivery) or two hundred sixteen thousand (216,000) gallons per day (maximum day amount) of Water Services until LCRA has installed the Loop Line. LCRA will use diligent efforts to complete the Loop Line within one year from the effective date of this Agreement.

Section 2.03. Water Meter(s). a. The District has heretofore installed an inflow water meter ("Meter No. 1") near the point of connection of the Connecting Line with the Barton

Creek West System. The District agrees to promptly dedicate and convey Meter No. 1 (together with associated easements, rights-of-way, permits, licenses or appurtenances) to LCRA free and clear of any liens, claims and encumbrances and agrees to execute the document attached as Exhibit "E" hereto evidencing the dedication and conveyance. Thereafter, Meter No. 1 shall be part of the LCRA System.

b. The parties recognize that if the Loop Line is constructed at a diameter of 24 inches or larger, the installation of Meter No. 2 by the District at the Delivery Point(s) would be expensive and require much time to complete. The parties also recognize that there are alternative ways of determining the amount of water delivered by LCRA to the District without installation of the Meter No. 2 at the Delivery Point(s). Therefore, the parties agree that the amount of water delivered by LCRA to the District will be determined as provided in Section 2.05 below, subject to the provisions of subsection (c) below.

c. The parties agree that should either LCRA or the District in good faith determine that the methodology provided in Section 2.05 below to determine the amounts of water delivered by LCRA to the District is inadequate, inaccurate or unfair, then, in either event, LCRA and the District shall cooperate to attempt to revise or change the methodology for determining water deliveries to the District to more accurately reflect actual water deliveries to the District. If the parties cannot agree on an appropriate revision or change, the District shall install Meter No. 2 at or near the point(s) of connection of the LCRA System with the District's System. Design, location and installation of the Meter No. 2 is subject to prior review and approval by LCRA, which approval shall not be unreasonably withheld or delayed. After completion of installation of the Meter No. 2, the District shall dedicate and convey the Meter No. 2 (together with associated easements, rights-of-way, permits, licenses or appurtenances) to LCRA free and clear of any liens, claims and encumbrances and execute an appropriate document in form and substance acceptable to LCRA evidencing the dedication and conveyance. Thereafter, the Meter No. 2 shall be part of the LCRA System.

d. Meter No. 1 and Meter No. 2 (collectively, the "Meters") shall be capable of measuring flows passing in either direction through the metering points. It is contemplated by LCRA that once the Loop Line is constructed and operational, LCRA may obtain a right to flow water through the BCWWSC System and, therefore, that water may flow in either direction through the points measured by the Meters. In such event, the District shall be billed for Water Services on the basis of the net amount of water delivered to the District as measured by the Meters, which net amount shall be the gross amount metered as entering the District's System at the Delivery Point(s) less the amount metered as leaving the District's System at the Delivery Point(s).

Section 2.04. Meter Accuracy; Calibration. a. The Meter(s) may be calibrated at any reasonable time by either party to this Agreement, provided that the party making the calibration shall notify the other party at least two (2) weeks in advance and allow the other party to witness the calibration. Further, the Meter(s) shall be tested for accuracy by, and at the expense of, LCRA, at least once each calendar year, at intervals of approximately twelve (12) months, and a report of such test shall be furnished to the District. In the event any question arises at any time as to the accuracy of the Meter(s), then the Meter(s) shall be tested promptly upon demand

of the District. The expense of such test shall be borne by the District if the tested meter is found to be within 5% accuracy and by LCRA if the tested meter is found to not be within 5% of accuracy.

b. If, as a result of any test, the Meter(s) are found to be registering inaccurately (in excess of 5% of accuracy), the readings of the Meter(s) shall be corrected at the rate of their inaccuracy for any period which is definitely known or agreed upon or, if no such period is known or agreed upon, the shorter of:

(1) a period extending back either sixty (60) days from the date of demand for the test or, if no demand for the test was made, sixty (60) days from the date of the test; or

(2) a period extending back one half of the time elapsed since the last previous test;

and the records of the readings, and all payments which have been made on the basis of such readings, shall be adjusted accordingly.

Section 2.05. Determining Water Deliveries. Notwithstanding anything herein to the contrary, it is specifically provided that unless and until the District has installed Meter(s) at the Delivery Point(s), all amounts of water delivered to the District by LCRA pursuant to this Agreement during any given period shall be determined by adding the amounts of all metered deliveries of water by the District to its users and adding thereto ten (10) percent of that amount to account for reasonably expected losses of water in the District's System prior to the District's metering points for its users. The parties agree to cooperate in the future to review data to determine whether the estimated ten (10) percent loss factor is accurate and, if not accurate, to agree to make an appropriate adjustment to the loss factor.

Further, the District covenants that, except as otherwise approved by LCRA, which approval shall not be unreasonably withheld or delayed:

a. the District will require all users from its System to have installed a metering device capable of measuring the amount of water provided by the District to such users;

b. the District will use proper diligence in installing, maintaining and repairing said retail meters;

c. the District will permit LCRA to inspect the construction and installation of the District's System and in that regard will provide one week prior written notice to LCRA of the commencement of such construction; and

d. the District will coordinate with LCRA in regard to timely providing to LCRA a list of the meter readings for the District's retail customers each month, together with a total of the estimated amounts of water usage by the District's retail customers resulting from said readings so that LCRA may promptly provide the District with a bill, including the Volume Rate charge provided herein.

ARTICLE III
CONDITIONS REGARDING PROVISION OF WATER SERVICES

Section 3.01. Diversion of Water. a. LCRA agrees to provide Water Services to the District for raw water which the District will purchase pursuant to the District's Raw Water Contract. The District acknowledges that currently the District's Raw Water Contract provides for the purchase of a specific quantity of raw water by the District. It shall be the District's sole responsibility to secure amendments to the District's Raw Water Contract as necessary from time to time in order to enable the District to purchase the raw water required for full development of the District's Service Area.

b. The District is solely responsible for securing, maintaining and increasing its right to divert and use water under the District's Raw Water Contract, and for complying with all its terms and conditions. The District shall make all payments thereunder directly to LCRA. It is specifically agreed however, that LCRA shall divert, treat and transport the water to the District in accordance with the terms and conditions of this Agreement.

c. LCRA shall never be liable for any payment on behalf of the District under the District's Raw Water Contract, but all such obligations shall remain exclusively those of the District. LCRA shall be under no obligation to divert for the District's benefit any raw water in excess of, or in violation of, the rights of the District as they exist from time to time under the District's Raw Water Contract or any amendments thereto. The District understands and agrees that LCRA, by entering into this Agreement with the District, does not confer upon the District, and the District shall never have or claim, any interest in raw water owned or controlled by LCRA except to the extent of the District's rights under its Raw Water Contract. In no event will LCRA be obligated to divert on the District's behalf or supply to the District (1) any water in excess of the specific amount stated in the District's Raw Water Contract or (2) any water LCRA is entitled to otherwise divert or use.

d. LCRA also diverts raw water from Lake Austin for the other customers on the LCRA System. In order to determine the quantity of water purchased and reported by the District under the District's Raw Water Contract, LCRA shall determine the volume of water delivered to all customers of the LCRA System, including the District, and shall multiply that amount by a fraction, the numerator of which is the amount of water delivered to the District and the denominator of which is the total amount of water delivered to all customers on the LCRA System during the applicable period.

Section 3.02. Title to and Responsibility for Water; Delivery Point(s). a. Title to the water diverted, treated and transported to the District by LCRA under this Agreement shall remain with the District at all times, even when that water is commingled with water belonging to other customers of the LCRA System, but the District shall have no right of control or dominion over its water until it reaches the Delivery Point(s).

b. Water delivered by LCRA shall be delivered at the Delivery Point(s) and at no other points. The District shall be solely responsible for conveying its water from these Delivery

Point(s) to the District's intended place of use for the water as described in the District's Raw Water Contract.

c. The BCWWSC Meter is the initial Delivery Point under this Agreement. The parties recognize that it is the District's responsibility to maintain the right to transport the water from that initial Delivery Point through the BCWWSC System to the District's System by virtue of the Throughput Agreement between the District and BCWWSC.

d. Once the Loop Line is constructed, the Throughput Agreement is terminated by its present terms and, therefore, the Delivery Point under this Agreement shall be at the proposed location for Meter No. 2 thereafter. LCRA and the District agree, however, that they will use reasonable efforts to obtain a permanent right to pass water through the BCWWSC System for the benefit of the District under this Agreement, and if successful in obtaining such an agreement, then in addition to the proposed location for Meter No. 2, Meter No. 1 shall also be a Delivery Point under this Agreement.

Section 3.03. Quantity and Pressure. a. Notwithstanding the provisions set forth in subsection b. below, initially, LCRA will provide Water Services to the District by diverting, treating, transporting and delivering water owned by the District through the LCRA System to the BCWWSC Meter at or near the point of connection of the LCRA System to the BCWWSC System. The District has the right under the Throughput Agreement to transport potable water through the BCWWSC System at a rate of up to one hundred fifty (150) gallons per minute. LCRA agrees to divert, transport, and treat for the District up to (i) the lesser of one hundred fifty (150) gallons per minute or two hundred sixteen thousand (216,000) gallons per day or (ii) such lesser amount as LCRA may be able to supply in the event of an emergency or shortage of water supply, production, treatment, storage, or transportation capability in the LCRA System. The District acknowledges and agrees that the 150 gallon per minute limitation on the Throughput Right will limit future development in the District to 115 residential lots, unless and until the Loop Line is installed and operational. Further, LCRA shall not be obligated to provide the water at the BCWWSC Meter at any particular pressure and LCRA hereby disclaims any warranties or representations regarding the pressure at which the water will be delivered prior to installation of the Loop Line.

b. Notwithstanding anything in the Agreement to the contrary, it is specifically recognized and understood by the parties that, until the Loop Line is installed and operational, the District will be unable to provide sufficient water into the District's System in order for it to be utilized adequately for firefighting purposes within the District. Accordingly, in order to apprise potential property owners and homeowners within the District of this fact, the District will cause the District and Arcadia Land Partners 8, Ltd., the current owner of the land in the first phase of development in the District's Service Area, to jointly execute and record in the Real Property Records of Travis County, Texas, that certain notice attached hereto as Exhibit "F".

c. After the installation of the Loop Line, but subject to the limitations set forth herein, LCRA agrees to divert, transport and treat for the District all water needed and requested by the District, up to, but not in excess of nine hundred seven thousand (907,000) gallons per

day at a peak rate of six hundred thirty (630) gallons per minute or such lesser amount as LCRA may be able to supply in the event of an Emergency and shall make the water available at the Delivery Point(s) at a minimum pressure of 35 p.s.i. under non-Emergency operating conditions.

d. LCRA reserves the right to require the District, at its expense, to install flow restriction devices, at such locations as LCRA may hereafter specify, in order to restrict the flow of water to the District to the levels agreed to herein. If the demands of the District for Water Services ever exceed the amount LCRA is able to supply, then the District shall immediately notify LCRA of such shortage and the amount of water needed by the District. LCRA and the District shall consider undertaking all reasonable conservation efforts to allow LCRA to meet said demand subject to the other provisions of this Agreement, LCRA's and the District's agreements with other parties and applicable law.

e. The District acknowledges that the amount of Water Services agreed to be provided in Section 3.03.c. is sufficient for the full build out of 485 LUEs in the District's Service Area described in Exhibit "A".

f. The parties specifically acknowledge and understand that the definition of "LUE" herein is the best estimate by the parties of future use patterns in the LCRA Service Area. The parties assume that future use patterns within the District will be in accordance with these use patterns.

If, however, future patterns of use within the District show that a greater amount of water is being used than the parties anticipated pursuant to this Agreement, then, the parties will attempt to amend this Agreement to (i) provide for the construction at the District's expense of facilities necessary to meet the District's demand or (ii) provide for the District to implement appropriate conservation or other measures to bring the District's use patterns within the defined criteria. In the event no such agreement is made, LCRA may (i) institute higher Connection Fees, Monthly Charges or Volume Rates under this Agreement in order to compensate LCRA for the increased use of its facilities by the District, or (ii) restrict Water Services to the District to the amount (per LUE) agreed upon herein.

If future patterns of use with the District show that a lesser amount of water is being used than the parties anticipated pursuant to this Agreement, then LCRA agrees to cooperate to find additional customers for the System to replace the demand on the System not being utilized by the District, and in such event, to negotiate in good faith with the District an amendment to this Agreement which would reflect a reduced amount of Water Services to be provided by LCRA to the District pursuant to the reduced demand of the District with possible corresponding reductions, as appropriate, in the Connection Fee, the Monthly Charge and the Volume Rate for the District.

Section 3.04. Quality of Water Delivery to District. The water delivered by LCRA hereunder at the Delivery Point(s) shall be potable water of a quality conforming to the requirements of any applicable federal or state laws, rules, regulations or orders, including requirements of the Texas Natural Resource Conservation Commission, or its successors, for human consumption and other domestic use. The District agrees that it will not, without the

written consent of LCRA, provide or sell such water to any entity, private or public, except retail customers of the District within the District's Service Area described in Exhibit "A". The District further represents that it has acquired or will acquire in a timely fashion all necessary governmental approvals required to provide potable water to customers in the District's Service Area described in Exhibit "A".

Section 3.05. Maintenance and Operation; Future Construction. LCRA shall be responsible for operating, maintaining, repairing, replacing, extending, improving and enlarging the LCRA System and shall promptly repair any leaks or breaks in LCRA's System. The District shall be responsible for operating, maintaining, repairing, replacing, extending, improving and enlarging the District's System in good working condition and shall promptly repair any leaks or breaks in the District's System.

Section 3.06. Rights and Responsibilities in Event of Leaks or Breaks. a. The District shall be responsible for paying for all water delivered to it under this Agreement at the Delivery Point(s) regardless of the fact that such water passed through the Delivery Point(s) as a result of leaks or breaks in the District's System. In the event a leak, break, rupture or other defect occurs within the District's System which could either endanger or contaminate the LCRA System or prejudice LCRA's ability to provide water service to its other customers, LCRA, after providing reasonable notice to the District and opportunity for consultation, shall have the right to take whatever actions LCRA reasonably considers appropriate to protect the public health or welfare or the LCRA System or the water systems of LCRA's customers including, without limitation, the right to restrict, valve off or discontinue service to the District until such leak, break, rupture or other defect has been repaired.

b. The District further understands that LCRA delivers water at other points to other customers and has rights under its contracts with those customers which are similar to its rights under Section 3.06.a. of this Agreement. Nothing in this Agreement shall be construed as impairing any of LCRA's rights under its contracts with those other customers. LCRA may exercise any of said rights, including those rights similar to its rights under Section 3.06.a. of this Agreement, and in such event, the District shall have the same obligations to LCRA as the District would have had LCRA exercised its rights under Section 3.06.a. of this Agreement.

ARTICLE IV CHARGES, BILLING AND FINANCIAL MATTERS

Section 4.01. Connection Fee; Rates. a. The District shall be obligated to pay LCRA, a connection fee (the "Connection Fee"), presently in the amount of \$1,500 as provided in the Prior Agreements and now in the process of being revised and currently estimated to be one thousand nine hundred fifty dollars (\$1,950) per LUE for each new retail water connection which is served by the District. The Connection Fee for each new retail water connection shall be due and payable to LCRA within fifteen (15) days after the end of the calendar month in which the District connects a new retail water connection to the District's System. The District shall remit with its payment a list of the new customer(s)' name(s), service address(es), meter size(s) and number of equivalent LUE(s) for which payment of a Connection Fee is made by the District. The Connection Fee shall be designed primarily to fund or recover all or a part of the

Costs of the LCRA System for capital improvement or facility expansion intended to serve new development in the LCRA Service Area. LCRA shall use diligent efforts to comply with Chapter 395, Texas Local Gov't Code, to implement the initial Connection Fee within six months after execution of this Agreement.

b. The District also shall pay LCRA a monthly charge (the "Monthly Charge") for each month during which this Agreement is in effect regardless of whether or how much Water Services are provided by LCRA during that month. The Monthly Charge shall initially be three thousand dollars (\$3,000) per month. The Monthly Charge shall be designed primarily to recover the District's allocable share of the initial acquisition and organizational related Costs of the LCRA System together with any future capital related Costs of the System not recovered in the Connection Fee.

c. The District also shall pay LCRA a volumetric rate (the "Volume Rate") for diversion, transportation, treatment and delivery of the net amount of water delivered to the District through the Delivery Point(s), including all water used or lost due to leakage or for any other reason. The Volume Rate is presently one and 80/100ths dollars (\$1.80) per one thousand (1,000) gallons. The Volume Rate shall be designed primarily to recover the operation and maintenance related Costs of the System together with any other costs of the System not recovered through the Connection Fee or the Monthly Charge.

d. At any time while this Agreement is in effect, LCRA, subject to applicable law, may modify the Connection Fee, the Monthly Charge and the Volume Rate as appropriate to recover the Costs of the System in a just and reasonable manner from the District and the other customers of the System.

e. In addition to the Connection Fee, the Monthly Charge and the Volume Rate owed under this Agreement, the District shall remain liable for payment of any charges for raw water due to LCRA under the District's Raw Water Contract in accordance with the terms thereof.

Section 4.02. Billing and Payment. LCRA shall bill the District one time each month for the amount owed for the Monthly Charge and the Volume Rate. The Volume Rate shall be multiplied by the amount of water delivered by LCRA to the District for the previous billing cycle determined, as appropriate, either by the readings by LCRA at the Meter(s) or pursuant to the methodology described in Section 2.05 of this Agreement. Each bill submitted to the District shall be paid to LCRA at its office in Austin, Texas, by check or bank wire on or before thirty (30) days from the date of mailing of the bill to the District. In the event the District fails to make payment of a bill within said thirty (30) day period, the District shall then pay a late payment penalty of five percent (5%) of the amount of the bill. For each day after the due date that the bill remains unpaid, the District shall pay interest at a rate equal to the lesser of the maximum allowed by law or fifteen percent (15%) per annum. If the bill has not been paid by the due date, the District further agrees to pay all costs of collection, including reasonable attorney's fees.

Section 4.03. LCRA System to be Self-Sufficient. The LCRA System shall be comprised of the facilities purchased from The Uplands Company as described in Recital No. 1 hereof,

together with such improvements, extensions, enlargements, betterments, additions, improvements and replacements thereto as are considered reasonable and necessary by LCRA to provide water or Water Services to the LCRA Service Area. The parties agree that the Cost of the LCRA System shall be borne by all of the customers of the LCRA System, including the District, in a fair and equitable manner and so that the LCRA System is self-sufficient. Without limiting the foregoing, the parties further agree that LCRA is authorized to issue such indebtedness as it may deem appropriate to pay for any Costs of the LCRA System or, in lieu of issuing indebtedness, to provide for the borrowing of internal LCRA funds from LCRA resources other than the LCRA System and, in such events, the Costs of the LCRA System borne by the customers, including the District, shall include debt service, paying agent/registrar fees and reasonable coverage on any indebtedness issued by LCRA or the recovery (amortized over a reasonable period) of any internal LCRA funds utilized together with reasonable interest and coverage thereon to be established in accordance with LCRA policy as now or hereafter implemented.

ARTICLE V DISTRICT FINANCIAL COMMITMENTS

Section 5.01. District's System to Include Sanitary Sewer and Drainage Facilities. For purposes of this Article V only, the term "District's System" shall include the District's water, sanitary sewer and drainage facilities.

Section 5.02. District's Taxes, Rates and Charges. a. The District shall be solely responsible for implementing taxes and water sewer or other rates, charges and fees, and for billing and collecting same, from its own System customers in accordance with applicable law. Failure to collect from its customers will not affect the District's obligation to make all payments due to LCRA. LCRA agrees, however, not to demand payment under this Agreement out of any funds raised or to be raised by taxation, other than taxes otherwise pledged by the District in accordance with law to make payments under this Agreement.

b. The parties agree and the District represents and covenants that all moneys required to be paid by the District under this Agreement shall constitute an operating expense of the District's System as authorized by the Constitution and laws of the State of Texas, including Chapter 54, Texas Water Code, as amended.

c. The District covenants and agrees to compute, ascertain, fix, levy and collect such rates and charges for the facilities and services provided by its System which, together with any lawfully available tax revenue, will be adequate to permit the District to make prompt and complete payments under this Agreement.

Section 5.03. Contract Tax Election. The parties acknowledge that, as of the effective date of this Agreement, no elections have been held within the District confirming creation of the District, electing permanent directors, authorizing the District to levy an operation and maintenance tax or other tax or authorizing the issuance of bonds and the levy of a debt service tax to repay such bonds. The District shall use its best efforts to hold a confirmation election at the earliest legally permissible time and in connection therewith to submit, pursuant to

§ 54.219, Texas Water Code, a proposition to approve this Agreement and authorize the levy and collection of a tax sufficient in amount and pledged to make the payments due to the LCRA under this Agreement. If approved by the voters, the District shall be authorized and obligated to compute, ascertain, levy and collect a tax sufficient in amount, when combined with any lawfully available revenues from the District's System, to pay the Connection Fees, Monthly Charges and Volume Rate and any other amounts due under this Agreement in a timely and complete manner. In the event the creation of the District is not confirmed, then the District agrees to immediately cause to be formed a non-profit, member-owned water supply corporation which shall assume and perform the obligations (other than the levy and collection of a tax) of the District under this Agreement.

Section 5.04. Consequences of Unsuccessful Contract Tax Election. In the event the contract tax election is unsuccessful, then the District agrees to provide LCRA within ten (10) days after the failure of the election with an irrevocable unconditional letter of credit (or other surety acceptable to the parties) payable to LCRA in an amount equal to the District's pro rata share of the Loop Line (based on the ratio of the 485 LUEs of Water Services agreed to be provided to the District under this Agreement as compared to the total number of LUEs of capacity in the Loop Line). The letter of credit (or other surety acceptable to the parties) shall be in form and substance acceptable to LCRA and its counsel in their sole discretion, and shall remain effective, or be timely replaced, until such time as the District has been able to hold another election to consider approving this Agreement and the tax provided herein. In the event the District is unable to have a successful election to approve this Agreement and the tax within one year from the effective date of this Agreement, then LCRA may restrict or limit the amount of Water Services to be provided to the District under this Agreement to such amount as LCRA determines in good faith it can provide to the District without constructing any additional capital improvements unless the District is able to make other suitable arrangements with LCRA to pay for the costs of said improvements and any other Costs of the System.

ARTICLE VI
EMERGENCY OR SHORTAGE OF WATER SERVICE CAPABILITY;
TERM; DEFAULT; REMEDIES

Section 6.01. Termination, Discontinuance and Curtailment of Service; Modification of Agreement. Notwithstanding any other provision herein to the contrary, it is specifically understood and agreed between the parties that the obligation of LCRA to provide Water Services to the District during the term of this Agreement is neither superior nor inferior to the obligation of LCRA to provide similarly situated customers with water or Water Services within LCRA's Service Area and to its other presently committed customers or any future customers of the LCRA System. Pursuant to such understanding, the parties hereby agree that if it is ever reasonably determined by LCRA during the term of this Agreement that it is unable to adequately provide water or Water Services to the LCRA Service Area or its existing committed customers because of an Emergency or shortage of water supply, production, treatment, storage or transportation capability in the LCRA System, or if LCRA needs to cause repairs to be made to the LCRA System to repair, replace or improve the level of Water Service to its customers, then LCRA shall have the right, after reasonable notice to the District and opportunity for consultation, to curtail or limit service to the District and all other customers of LCRA on a

reasonable, non-discriminatory basis so that all similarly situated customers are treated equally, fairly and uniformly. The District further agrees, in times of such Emergency or shortage or the need for repair, replacement or improvement of the LCRA System, to take appropriate action to curtail or limit all usage in the District's Service Area so that all users of the water in both entities' service areas will be equally and uniformly restricted and protected. Any such measures taken by the District will be at least as stringent as those adopted by LCRA for the LCRA's Service Area. The parties agree that domestic uses of water shall have priority in times of Emergency or shortage over uses of water for construction or commercial uses and that construction or commercial uses shall have priority over irrigation uses from the LCRA System. Further, both parties agree that use of water for irrigation of lawns shall have the lowest priority in times of Emergency or shortage. Notwithstanding anything herein to the contrary, if it is ever determined by any governmental or regulatory authority that provision of Water Services by LCRA under this Agreement or curtailment or limitation of water or Water Services by LCRA to any of its customers is in violation of applicable law, regulation or order, then LCRA, after reasonable notice to the District and opportunity for consultation, may take such action as will best effectuate this Agreement and comply with applicable law.

Section 6.02. Plumbing Regulations. To the extent LCRA and the District have the authority, both covenant and agree to adopt and enforce adequate plumbing regulations with provisions for the proper enforcement thereof, to ensure that neither cross-connection or other undesirable plumbing practices are permitted, including an agreement with each of their respective water customers that allows the retail provider to said customer to inspect individual water facilities prior to providing service to ensure that no substandard materials are used and to prevent cross-connection and other undesirable plumbing practices.

Section 6.03. Default. a. In the event the District shall default in the payment of any amounts due LCRA under this Agreement, or in the performance of any material obligation to be performed by the District under this Agreement, then LCRA, after having given the District thirty (30) days written notice of such default and the opportunity to cure same, shall have the right to temporarily limit Water Services to the District under this Agreement, pending cure of such default by the District. In the event such default remains uncured for a period of (i) ninety (90) days in the event of a monetary default or (ii) three hundred sixty-five (365) days in the event of a non-monetary default, then LCRA shall have the right to permanently restrict service to the District under this Agreement or to require the District to stop making new retail connections to the District's System after giving the District thirty (30) days notice of its intent to do so and opportunity to cure.

b. In the event LCRA shall default in the performance of any material obligation to be performed by LCRA under this Agreement, then the District, after having given LCRA thirty (30) days written notice of such default and the opportunity to cure same, shall have the right to pursue any remedy available at law or in equity, pending cure of such default by LCRA. In the event such default remains uncured for a period of (i) one hundred eighty (180) days in the event of a default which causes the District to be unable to provide service to new retail connections to the District's System or (ii) three hundred sixty-five (365) days in the event of any other type of material default, then the District shall have the right to notify LCRA that the District intends to take a more limited amount of Water Services from LCRA (which shall be

at least the amount LCRA is then able to provide to the District) and the District may then obtain other water or Water Services from another provider or may take appropriate action to supply itself with additional water or Water Services after giving LCRA thirty (30) days notice of its intent to do so and opportunity to cure; otherwise, the District shall obtain all its water and Water Services from LCRA during the term of this Agreement.

Section 6.04. Additional Remedies Upon Default. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies existing at law or in equity may be availed of by any party hereto and shall be cumulative of the remedies provided herein. Recognizing however, that LCRA's undertaking to provide and maintain the services of the LCRA System is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, LCRA agrees, in the event of any default on its part, that the District shall have available to it the equitable remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination of this Agreement) which may also be available. Recognizing that failure in the performance of the District's obligations hereunder could not be adequately compensated in money damages alone, the District agrees in the event of any default on its part that LCRA shall have available to it the equitable remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination of this Agreement) which may also be available to LCRA including, without limitation, the right of LCRA to obtain a writ of mandamus or an injunction against the District (i) requiring the Board of Directors of the District to levy and collect rates, charges and taxes sufficient to pay the amounts owed to LCRA by the District under this Agreement and (ii) enjoining the District from making additional retail water connections as specified in Section 6.03.a.

ARTICLE VII MISCELLANEOUS PROVISIONS

Section 7.01. Customer Advisory Committee. a. LCRA agrees to create a customer advisory committee (the "Customer Advisory Committee") which shall be comprised of one representative from each of the wholesale water customers of the LCRA System. The District shall be entitled to appoint one representative (to serve at the pleasure of the District) to be a member of the Customer Advisory Committee. A majority of the members of the Customer Advisory Committee shall constitute a quorum for conducting business.

b. The Customer Advisory Committee shall have the opportunity to meet as necessary or appropriate with LCRA staff to review the operations of the System. Further, the Customer Advisory Committee shall be provided with a draft of any annual budget for the LCRA System at least sixty (60) days prior to consideration of the budget for approval by LCRA. During the sixty (60) days prior to submission of the budget, the Customer Advisory Committee shall endeavor to meet in order to discuss and comment upon the proposed budget.

c. The Customer Advisory Committee shall also be provided with a draft of any studies prepared by LCRA proposing to change the Connection Fee, the Monthly Charge or the Volume Rate at least thirty (30) days prior to submission of any such study to the appropriate LCRA officials for approval of any such increase. The Customer Advisory Committee shall

endeavor to meet to consider any such draft studies and provide comments thereon within the thirty (30) day period prior to submission of the report for action by LCRA.

Section 7.02. Contracts. LCRA shall have the right to enter into other water supply or Water Services contracts so long as LCRA's performance of its obligations under such contracts does not prevent LCRA from being able to perform its obligations hereunder. This section shall not be construed as limiting LCRA's rights to temporarily curtail service in times of shortage or emergency as otherwise provided herein.

Section 7.03. Records. LCRA and the District each agree to preserve, for a period of at least two years from their respective origins, all books, records, test data, charts and other records pertaining to this Agreement. LCRA and the District shall each, respectively, have the right at all reasonable business hours to inspect such records to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to any provisions of this Agreement.

Section 7.04. State Approval. Each party represents and warrants that the plans and specifications for its System have been or will be approved by the Texas Natural Resource Conservation Commission or its successors.

Section 7.05. Force Majeure. If any party is rendered unable, wholly or in part, by Force Majeure to carry out any of its obligations under this Agreement other than an obligation to pay or provide money, then such obligations of that party to the extent affected by such Force Majeure and to the extent that due diligence is being used to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided but for no longer period. Such cause, as far as possible, shall be remedied with all reasonable diligence. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of either party hereto, and that the above requirements that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demand of the opposing party or parties when such settlement is unfavorable to it in the judgment of either party hereto.

Section 7.06. Severability. The provisions of this Agreement are severable, and if any provision or part of this Agreement or the application thereof to any person or circumstance shall ever be held by any agency or court of competent jurisdiction to be unenforceable, invalid or unlawful for any reason, the remainder of this Agreement and the application of such provision or part of this Agreement to other persons or circumstances shall not be affected thereby; provided, however, in such event the parties mutually covenant and agree to attempt to implement the unenforceable, invalid or unlawful provision in a manner which is enforceable, valid or lawful.

Section 7.07. No Oral Agreements; Modification. There are no oral agreements between the parties hereto with respect to the subject matter hereof. This Agreement shall be subject to change or modification only with the mutual written consent of LCRA and the District.

Section 7.08. Addresses and Notices. Unless otherwise notified in writing by the other, the addresses of LCRA and the District are and shall remain as follows:

LCRA:

Lower Colorado River Authority
Attn: Executive Director, Office of Water Resources
3701 Lake Austin Boulevard
Austin, Texas 78703

The District:

Senna Hills Municipal Utility District
c/o Steven M. Bowers
P.O. Box 5035
Austin, Texas 78763

Section 7.09. Assignability. This Agreement shall be assignable by LCRA to any affiliate of LCRA without the necessity of obtaining the consent of the District if written notice is provided to the District. Otherwise, this Agreement may be assigned by either party to any other entity with the express written consent of either party, which consent shall not be unreasonably withheld or delayed.

Section 7.10. Counterparts. This Agreement may be executed in as many counterparts as may be convenient or required. All counterparts shall collectively constitute a single instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart.

Section 7.11. Governing Law. The terms and provisions hereof shall be governed by and construed in accordance with the laws of the State of Texas and the United States of America from time to time in effect. Travis County, Texas shall be a proper place of venue for suit hereon, and the Parties hereby agree that any and all legal proceedings in respect of this Agreement shall be brought in the District Courts of Travis County, Texas, or the United States District Court for the Western District of Texas, Austin Division.


Section 7.12. Time of the Essence. Time is of the essence with respect to all matters covered by this Agreement.

Section 7.13. Authority of Parties Executing Agreement. By their execution hereof, each of the undersigned parties represents and warrants to the parties to this document that he or she has the authority to execute the document in the capacity shown on this document.


Section 7.14. Term. The term of this Agreement is forty (40) years from the effective date set forth below. After the expiration of the term, the parties shall cooperate in good faith to consider renewing this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple copies, each of which shall be deemed to be an original and of equal force and effect, this 2nd day of September, 1994.

LOWER COLORADO RIVER AUTHORITY

BY: 
Gene Richardson
Executive Director, Office of Water Resources

SENNA HILLS MUNICIPAL UTILITY DISTRICT

BY: 
Charles Brown, President
Board of Directors

LCRA\WaterSvc.Ag3

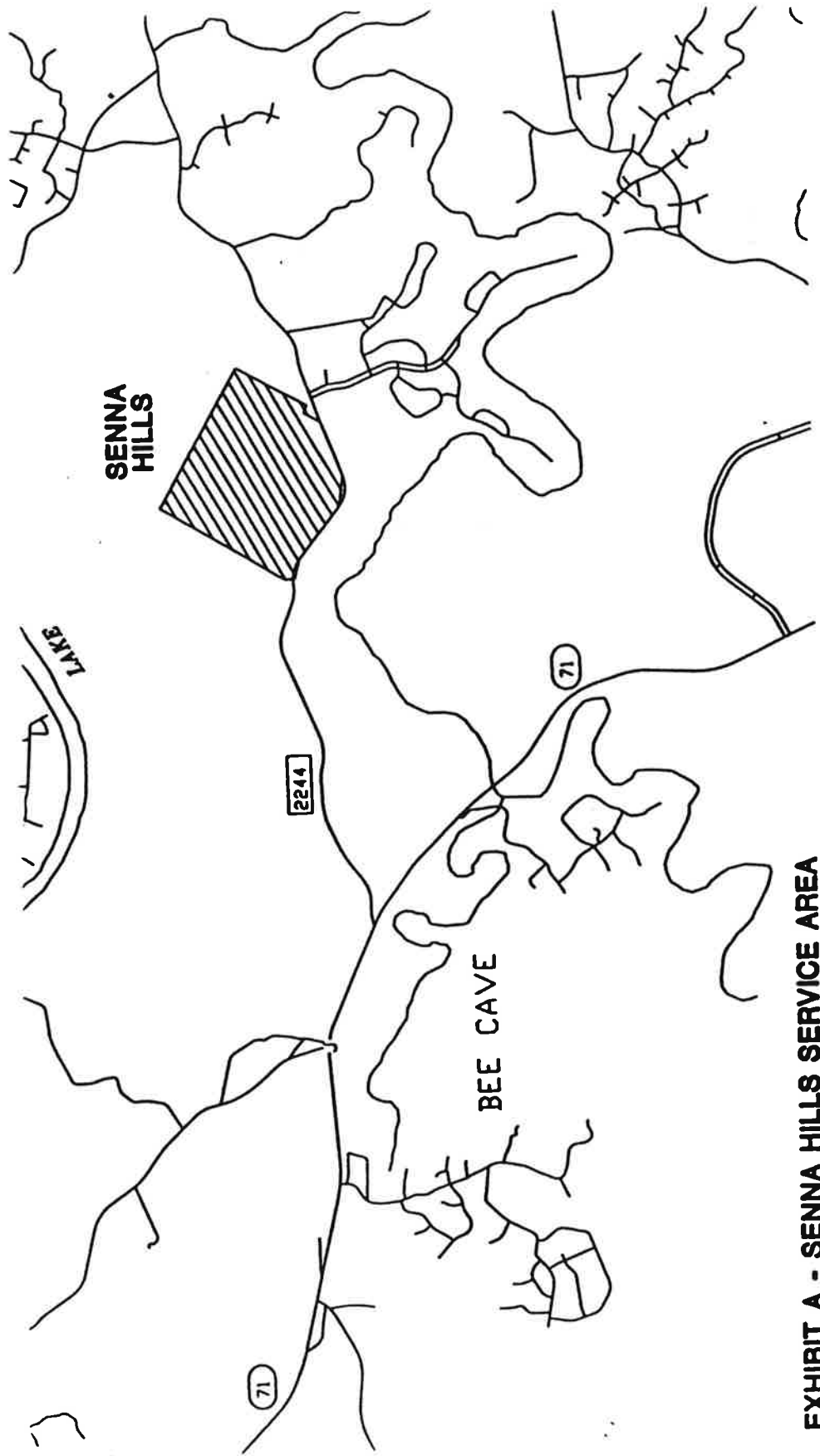


EXHIBIT A - SENNA HILLS SERVICE AREA

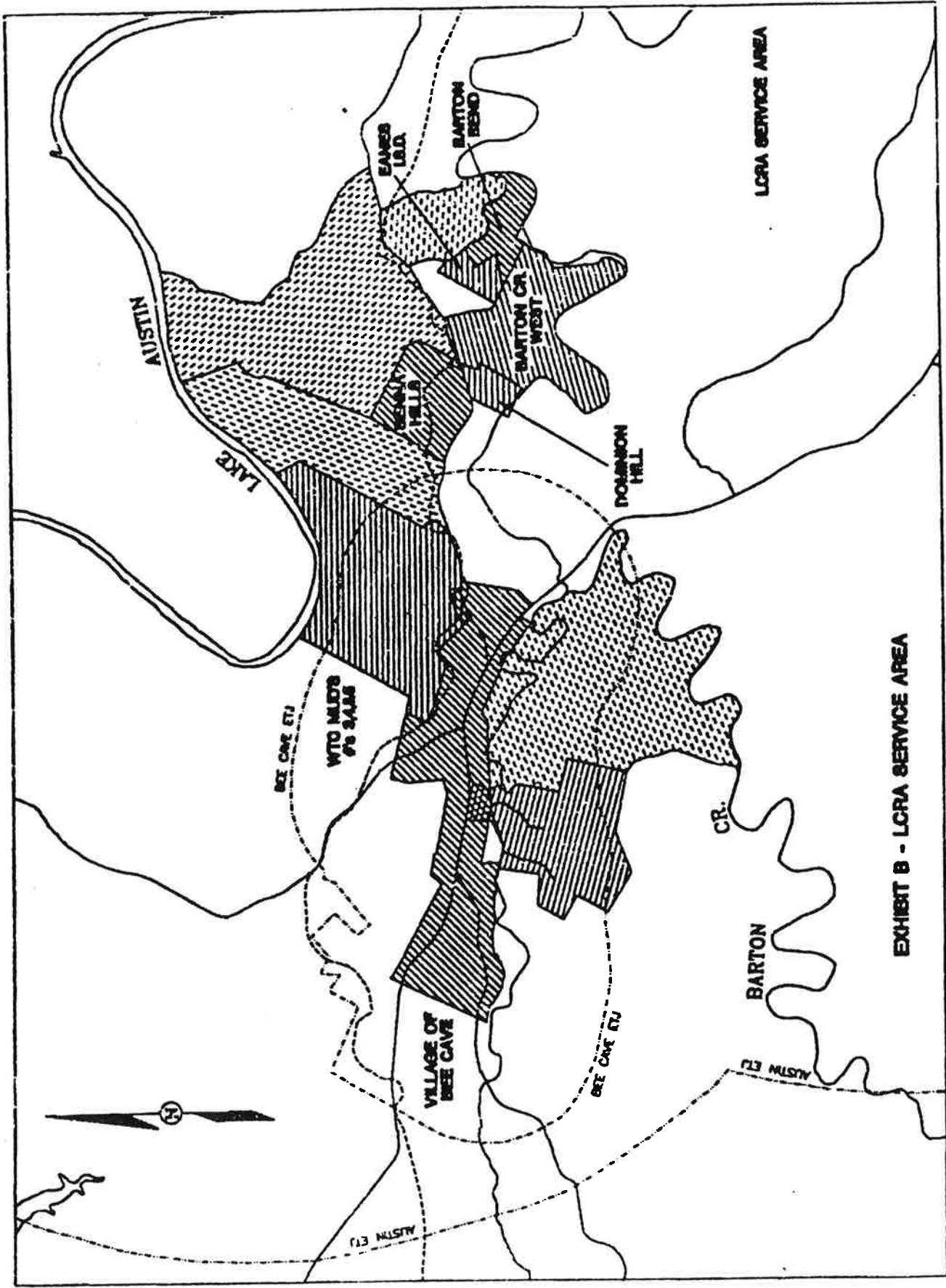


EXHIBIT B - LCRA SERVICE AREA

EXHIBIT "C"

METER SIZE AND EQUIVALENT LUES

METER SIZE AND TYPE

FEE UNITS

5/8" simple	1
3/4" simple	1.5
1" simple	2.5
1 1/2" simple	5
2" simple	8
2" compound	8
2" turbine	10
3" compound	16
3" turbine	24
4" compound	25
4" turbine	42
6" compound	50
8" compound	80
6" turbine	92
10" compound	115
8" turbine	160
10" turbine	250
12" turbine	330

EXHIBIT "D"

DEED, BILL OF SALE AND ASSIGNMENT
WITH GENERAL WARRANTY

THE STATE OF TEXAS

§

KNOW ALL BY THESE PRESENTS:

COUNTY OF TRAVIS

§

§

THAT, Senna Hills Municipal Utility District, a political subdivision of the State of Texas (hereinafter called "Grantor"), for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid to Grantor by Lower Colorado River Authority, a conservation and reclamation district and a political subdivision of the State of Texas (hereinafter called "Grantee"), the receipt and sufficiency of which is hereby acknowledged, and for which no lien express or implied is retained, has GRANTED, SOLD, CONVEYED and ASSIGNED, and by these presents does hereby GRANT, SELL, CONVEY and ASSIGN unto Grantee the following:

1. all property, real, personal or mixed, comprising that certain water transmission line constructed pursuant to that certain "[Construction Contract]" dated _____, and consisting of a twelve (12) inch diameter water pipe installed in the vicinity of and under Bee Cave Road as shown on Exhibit "A" attached hereto and made a part hereof for all purposes (the "Water Main") and as more particularly described in the files, plans and specifications for the Water Main on file in the offices of Grantor, together with all easements and appurtenances thereto as shown on Exhibit "A"; and

2. all rights of the Grantor appertaining to the Water Main, including without limitation, all rights, options, privileges, and entitlements including, without limitation, warranties, bonds or guarantees of performance, arising, directly or indirectly, from or by virtue of that certain "[Construction Contract]" dated _____

TO HAVE AND TO HOLD the above-described property, together with all and singular all easements, rights, privileges, options, entitlements and appurtenances thereto in anywise belonging unto Grantee, its successors and assigns forever; and Grantor does hereby bind itself, its successors and assigns to WARRANT AND FOREVER DEFEND, all and singular, the foregoing unto Grantee, its successors and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof.

EXECUTED, this ____ day of _____, 1994.

SENNA HILLS MUNICIPAL UTILITY DISTRICT

By: _____
Name: _____
Title: _____

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

THIS INSTRUMENT was acknowledged before me on this _____ day of _____, 1994, by _____ as _____ of Senna Hills Municipal Utility District, a political subdivision of the State of Texas, on behalf of said political subdivision.

Notary Public, State of Texas
Printed Name: _____
My Commission Expires: _____

LCRA\SennaExD.doc

EXHIBIT "E"

DEED, BILL OF SALE AND ASSIGNMENT
WITH GENERAL WARRANTY

THE STATE OF TEXAS

§

KNOW ALL BY THESE PRESENTS:

§

COUNTY OF TRAVIS

§

THAT, Senna Hills Municipal Utility District, a political subdivision of the State of Texas (hereinafter called "Grantor"), for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid to Grantor by Lower Colorado River Authority, a conservation and reclamation district and a political subdivision of the State of Texas (hereinafter called "Grantee"), the receipt and sufficiency of which is hereby acknowledged, and for which no lien express or implied is retained, has SOLD and ASSIGNED, and by these presents does hereby SELL and ASSIGN unto Grantee the following:

1. all property, real, personal or mixed, comprising that certain ____ inch water meter constructed pursuant to that certain "[Construction Contract]" dated _____, and installed in the vicinity of Bee Caves Road as shown on Exhibit "A" attached hereto and made a part hereof for all purposes (the "Meter") and as more particularly described in the files, plans and specifications for the Meter on file in the offices of Grantor, together with all easements and appurtenances thereto as shown on Exhibit "A"; and

2. all rights of the Grantor appertaining to the Meter, including without limitation, all rights, options, privileges, and entitlements including, without limitation, warranties, bonds or guarantees of performance, arising, directly or indirectly, from or by virtue of that certain "[Construction Contract]" dated _____,

and Grantor does hereby bind itself, its successors and assigns to WARRANT AND FOREVER DEFEND, all and singular, the foregoing unto Grantee, its successors and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof.

EXECUTED, this ____ day of _____, 1994.

SENNA HILLS MUNICIPAL UTILITY DISTRICT

By: _____
Name: _____
Title: _____

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

THIS INSTRUMENT was acknowledged before me on this _____ day of _____, 1994, by _____ as _____ of Senna Hills Municipal Utility District, a political subdivision of the State of Texas, on behalf of said political subdivision.

Notary Public, State of Texas
Printed Name: _____
My Commission Expires: _____

LCRA\SennaExE.bos

SENNA HILLS MUNICIPAL UTILITY DISTRICT

John Hall, Chairman
Pam Reed, Commissioner
Peggy Garner, Commissioner



TEXAS WATER COMMISSION

PROTECTING TEXANS' HEALTH AND SAFETY BY PREVENTING AND REDUCING POLLUTION

May 12, 1993

Don P. Miller & William T. Miller
1015 Bee Cave Woods Drive, Ste. 207
Austin, Texas 78746

RE: MILLER DON P AND WILLIAM T
MINOR AMDMENT; Permit 13238-01

Enclosed is a copy of:

a Permit for a wastewater treatment facility issued pursuant to Chapter 26 of the Texas Water Code.

In order that you may comply with monitoring requirements for your waste discharge permit, self-reporting forms and instructions will be forwarded to you from the Watershed Management Division. Please discontinue the use of any old self-reporting forms that you may have and wait to fill out forms until you receive new ones from the TWC which reflect your new monitoring requirements. For further information, please contact Mary Taylor at (512) 463-8244.

When your facility is placed in operation or goes into a new phase, please use the attached "Report of Progress of Construction of Wastewater Treatment Facilities" form. This form will advise this agency and our district office of the completion or placement in operation of proposed facilities in accordance with the special provision incorporated into the permit.

a Permit for a hazardous or solid waste facility issued pursuant to Art. 4477-7, Texas Revised Civil Statutes. Your attention is directed to Commission Rule 335.5 which may be applicable to your facility.

a Permit for a waste disposal well or an injection well issued pursuant to Chapter 27 of the Texas Water Code. In accordance with the Texas Water Code, you must file a copy of the permit with the city and county health authorities.

a Permit for a municipal solid waste site.

Sincerely,

A handwritten signature in cursive script that reads "Gloria A. Vasquez".

Gloria A. Vasquez, Chief Clerk
GAV:de

cc: TWC District Office 14
Don Sansom, P.E.; Murfee Eng. Co.; 1101 Capital of Texas Hwy., South D-110; Austin,
Texas 78746
Steven M. Bowers; P.O. Box 5035; Austin, Texas 78763



PERMIT NO. 13238-001

TEXAS WATER COMMISSION
Stephen F. Austin State Office Building
Austin, Texas

This minor amendment supersedes and replaces Permit No. 13238-001 approved February 21, 1992 and is reissued pursuant to 31 TAC 305.96(b).

PERMIT TO DISPOSE OF WASTES
under provisions of Chapter 26
of the Texas Water Code

I. Name of Permittee:

- A. Name Don P. (Rip) Miller & William T. Miller
- B. Address 2106 Stamford Lane
Austin, Texas 78703

II. Type of Permit: Regular _____ Amended XX

III. Nature of Business Producing Waste: SIC No. 4952, Domestic Wastewater Treatment Operation

IV. General Description and Location of Waste Disposal System:

Description: The wastewater treatment facility is an activated sludge plant operated in the extended aeration mode. Treated effluent is stored in an effluent holding pond with a total volume of at least 56 acre-feet. Treated effluent is disposed by evaporation and irrigation of a minimum of 70.3 acres of coastal bermuda grass over-seeded annually with winter rye.

Location: The wastewater treatment facility is located approximately 700 feet north of Farm-to-Market Road 2244, approximately two miles east of the intersection of Farm-to-Market Road 2244 and State Highway 71 in Travis County, Texas. (See Attachment "A")

This permit and the authorization contained herein shall expire at midnight February 21, 1997.

ISSUED DATE: MAY 06 1993

ATTEST: Monica A. Vargas John Hall
For the Commission

- Don P. (Rip) Miller & W. Tam P. Miller
2. These public sewerage facilities shall be operated and maintained by a sewage plant operator holding a valid certificate of competency issued pursuant to state law.
 3. The permittee shall comply with the following sludge requirements:
 - A. The permittee is authorized to dispose of sludge at a landfill permitted by the Texas Department of Health. The disposal of the sludge at the plant site is a violation of the permit.
 - B. The permittee shall use only those sewage sludge disposal practices that comply with the federal regulations for landfills and solid waste disposal established at 40 CFR Part 257 and in accordance with all the applicable rules of the Texas Department of Health and Texas Water Commission.
 - C. The permittee shall handle and dispose of sewage sludge in accordance with all applicable state and federal regulations to protect public health and the environment from any reasonable anticipated adverse effects due to any toxic pollutants which may be present.
 - D. If an applicable "acceptable management practice" or numerical limitation for pollutants in sewage sludge promulgated under Section 405(d)(2) of the Clean Water Act is more stringent than the sludge pollutant limit or acceptable management practice in this permit, or controls a pollutant not listed in this permit, this permit may be modified or revoked and reissued to conform to the requirements promulgated under Section 405(d)(2). In accordance with 40 CFR 122.41, one year following promulgation of the technical sludge regulations (40 CFR 503), the facility must be in compliance with all requirements regardless of whether the permit is modified to incorporate these standards.
 - E. Sewage Sludge Management Practices
 - i. Disposal of sewage sludge shall not cause a discharge to waters in the State, including ground water or cause non-point source pollution of waters in the State. Sludge shall not be applied closer than 200 feet to any natural or artificial body of water.
 - ii. Disposal of sewage sludge shall not cause or contribute to the taking of any endangered or threatened species of plant, fish or wildlife.
 - iii. Disposal of sewage sludge shall not result in the destruction or adverse modification of the critical habitat of endangered or threatened species.
 - iv. Sludge shall not be applied under provisions of this section on land within a designated 100 year flood plain.
 - F. The permittee shall give 180 days prior notice to the Executive Director of any change planned in the sewage sludge disposal practice.

Don P. (Rip) Miller & W. Pam P. Miller 15255 001

G. Reporting Requirements

The permittee shall keep records of all sludge disposal activities. Such records will include the following information:

- i. Amount of sludge disposal dry weight (lbs/acre) at each disposal site.
- ii. Date(s) of disposal.
- iii. Identity of hauler(s).
- iv. Location of disposal site(s).
- v. Method of final disposal.
- vi. Owner of disposal site.
- vii. Texas Water Commission registration number, if applicable.

The above records shall be maintained on a monthly basis and shall be reported to the Austin Office, Watershed Management Division, Municipal Permits Unit and the District Office in May of each year. The permittee shall maintain the above records for five years and shall be made available to the Texas Water Commission upon request.

4. The permittee shall maintain and operate the treatment facility in order to achieve optimum efficiency of treatment capability. This shall include required monitoring of effluent flow and quality as well as appropriate grounds and building maintenance.
5. Irrigation practices shall be designed and managed so as to prevent ponding of effluent or contamination of ground and surface waters and to prevent the occurrence of nuisance conditions in the area. Tailwater control facilities shall be provided as necessary to prevent the discharge of any wastewater from the irrigated land.
6. Application rates for the irrigated land shall not exceed 2.7 acre-feet/acre/year. The permittee is responsible for providing equipment to determine application rates and maintaining accurate records of the volume of effluent applied as irrigation water. These records shall be made available for review by the Texas Water Commission and shall be maintained for at least three years.
7. Holding ponds shall conform to the Texas Water Commission "Design Criteria for Sewerage Systems" requirements for stabilization ponds with regard to construction and levee design, and a minimum of 2 feet of freeboard shall be maintained.
8. The plans and specifications for the waste collection and treatment works and disposal system authorized by this permit must be approved pursuant to state law, and failure to secure approval before commencing construction of such works or making a discharge therefrom is a violation of this permit, and each day of discharge is an additional violation until approval has been secured.
9. Monitoring requirements contained in the permit are suspended from the effective date of the permit until plant startup. The permittee shall provide written notice to the Austin Office, Watershed Management Division, Applications Unit and the District 14 Office of the Commission forty-five (45) days prior to plant startup.

19. Facilities for the retention of treated or untreated wastewater shall be adequately lined to control seepage. The following methods of pond lining are acceptable.

- a. In-situ clay soils or placed and compacted clay soils meeting the following requirements:
 - 1) More than 30% passing a No. 200 mesh sieve
 - 2) Liquid limit greater than 30%
 - 3) Plasticity index greater than 15
 - 4) A minimum thickness of 2 feet
 - 5) Permeability equal to or less than 1×10^{-7} cm/sec
 - 6) Soil compaction shall be 95% standard proctor at optimum Moisture content
- b. Membrane lining with a minimum thickness of 20 mils, and an underdrain leak detection system.
- c. An alternate method of pond lining may be utilized with prior approval from the Executive Director.

The permittee shall furnish certification by a Texas Registered Professional Engineer that the completed pond lining meets the appropriate criteria above prior to utilization of the facilities. The certification shall be sent to the District Office and Enforcement Section, Watershed Management Division of the Texas Water Commission.

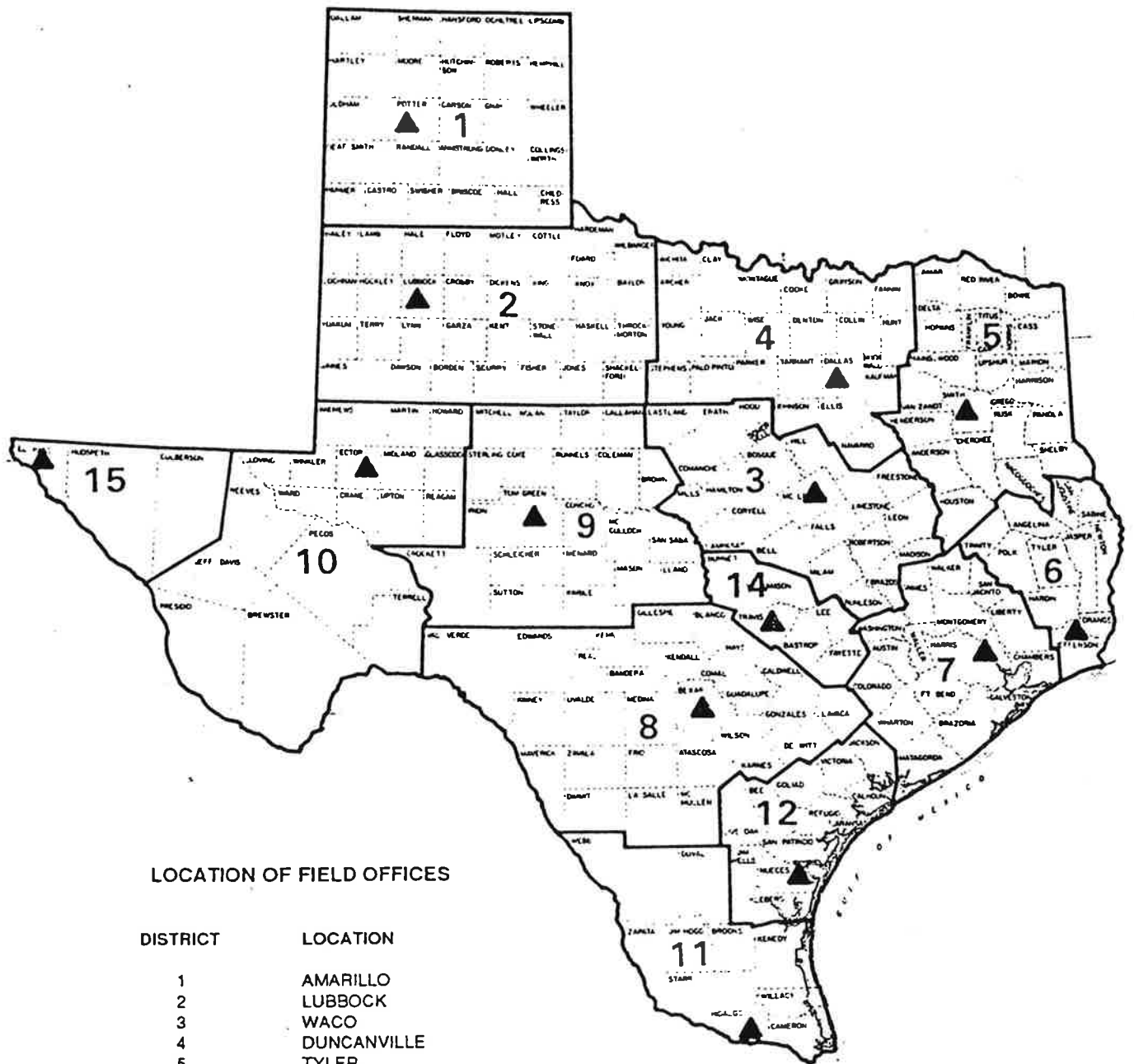
20. Irrigation of treated effluent on land with a slope of 10% or greater is prohibited. Irrigation of treated effluent is prohibited during rainfall events. Irrigation of treated effluent shall be limited to those tracts designated on Attachment A of this permit. Irrigation is not authorized within any part of Irrigation Areas 4 and 5 which is within 150 feet, measured horizontally, from the centerline of adjacent streambeds or ravines as shown on Attachment A.

21. An emergency alternate power source sufficient to operated the treatment plant and all lift stations shall be available at all times at the plant site. The effluent holding pond shall be kept dewatered to the maximum extent possible.

22. An automatic alarm system shall be installed which will sound an alarm at the plant site, and also alert the permittee, the plant operator, and anyone else who can effectuate repairs, when a treatment plant component or a lift station has malfunctioned or has ceased operating.

23. A vegetative cover shall be maintained year-round on all irrigation areas. The cover crop shall be harvested/mowed/removed as required by Commission regulations or whenever the vegetation grows to a height of six inches, whichever occurs first.

- Don P. (Rip) Miller & Wm. V. Miller
7. Whenever flow measurements for any sewage treatment facility in the state reaches 75 percent of the permitted average daily flow for three consecutive months, the permittee must initiate engineering and financial planning for expansion and/or upgrading of the wastewater treatment and/or collection facilities. Whenever, the average daily flow reaches 90 percent of the permitted average daily flow for three consecutive months, the permittee shall obtain necessary authorization from the Texas Water Commission to commence construction of the necessary additional treatment and/or collection facilities. In the case of a wastewater treatment facility which reaches 75 percent of the permitted average flow for three consecutive months, and the planned population to be served or the quantity of waste produced is not expected to exceed the design limitations of the treatment facility, the permittee will submit an engineering report supporting this claim to the executive director. If in the judgment of the executive director the population to be served will not cause permit noncompliance, then the requirements of this section may be waived. To be effective, any waiver must be in writing and signed by the director of the Watershed Management Division of the Texas Water Commission, and such waiver of these requirements will be reviewed upon expiration of the existing permit. However, any such waiver shall not be interpreted as condoning or excusing any violation of any permit parameter.
 8. The permittee shall remit an annual waste treatment inspection fee to the Commission as required by 31 TAC Chapter 305 (Subchapter M). Failure to pay this fee may result in revocation of this permit.



LOCATION OF FIELD OFFICES

DISTRICT	LOCATION
1	AMARILLO
2	LUBBOCK
3	WACO
4	DUNCANVILLE
5	TYLER
6	BEAUMONT
7	HOUSTON
8	SAN ANTONIO
9	SAN ANGELO
10	ODESSA
11	WESLACO
12	CORPUS CHRISTI
14	AUSTIN
15	EL PASO
TWC LAB	HOUSTON

SENNA HILLS MUNICIPAL UTILITY DISTRICT

EQUIPMENT LEASE AGREEMENT

This Equipment Lease Agreement (this "Agreement") is executed to be effective as of the 30th day of June, 1994, by and between MALCOLM BAILEY, d/b/a SKYLINE PROPERTIES, with his principal place of business located in Houston, Harris County, Texas, hereinafter called "Lessor", and SENNA HILLS MUNICIPAL UTILITY DISTRICT, a Texas municipal utility district, with its principal place of business located in Austin, Travis County, Texas, hereinafter called "Lessee".

1. LEASE AGREEMENT

Subject to the terms and conditions hereinafter set forth, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor one (1) Eighty-Five Thousand (85,000) Gallon Per Day, Pre-Packaged Sewage Treatment Plant with Tertiary Sand Filter (hereafter sometimes referred to as the "Plant" or as the "Leased Property"), designed to expand to 170,000 gallons per day, and constructed to the design criteria and standards of the Texas Natural Resources Conservation Commission ("TNRCC") (for domestic sewage) to produce effluent with the following properties: (i) a maximum of 5 milligrams per liter, five day biological oxygen demand; (ii) a maximum five milligrams per liter total suspended solids; and (iii) a maximum of two milligrams per liter limit on ammonia nitrogen. Schedule "A," which is attached hereto and made a part hereof, contains a list of the equipment which constitutes the Leased Property. Lessor and Lessee acknowledge that Lessee's Non-Discharge Permit (the "Permit") as issued by the TNRCC, which permits Lessee to operate its wastewater treatment system, is a "phased" permit providing for a first phase treatment level of 57,000 gallons per day, a second phase treatment level of 114,000 gallons per day, and a third phase treatment level of 170,000 gallons per day. Notwithstanding the fact that the potential physical treatment capacity of the Plant may exceed the treatment level allowed by the Permit, the Plant's actual treatment capacity shall be limited at any time to the maximum treatment level allowed at that time under the Permit, given the available spray irrigation acreage which is being utilized in accordance with the Permit.

2. DELIVERY AND ASSEMBLY

- a. The Leased Property shall be transported and delivered to the job site at Lessor's expense and risk. Lessor's representatives shall be on hand to receive, unload, and fully assemble the equipment per the specifications set forth on Schedule "A." Lessee shall provide Lessor with completed foundations at the Plant site, installed to Lessor's specifications. All necessary external connections shall be in place and ready to connect Lessee's wastewater collection system to the Plant. Lessee shall also be responsible for providing (i) the lines and equipment necessary to extend electrical power service to the electrical junction box or panel which Lessor will install next to the Plant (with Lessee's electrical contractor being responsible for connecting the panel to the Lessee's external source of electric power and Lessor being responsible for

the actual connection of the various Plant components to the panel, (ii) the lines and connections necessary to transfer treated effluent from the Plant to Lessee's effluent holding pond, and any additional site construction or preparation items which may be required by any applicable governmental authority having jurisdiction over the installation of the Plant or its future operation (collectively the "Governmental Authorities").

- b. Lessor agrees that it will complete the installation of the Plant within thirty (30) days of the date on which it receives written notice to proceed with installation from Lessee.

3. TERM

Unless terminated earlier by Lessor pursuant to the provisions of Section 16 hereof or by Lessee's election to purchase the Plant as hereinafter provided, this Agreement shall remain in effect for a term of sixty (60) months, commencing on the date the Plant is delivered to Lessee and certified by Lessee's District Engineer as operational and in compliance with any applicable rules and regulations of the Governmental Authorities.

4. RIGHTS OF LESSEE

Lessee is, and shall be, entitled to use, operate, possess and control the Leased Property during the term of this Agreement, provided Lessee is not in default under any provision hereof, and subject to any security interest which Lessor may have given or may give in the future to any third party during the term of this Agreement. Lessee shall employ and have absolute control over, supervision over, and responsibility for any operators or users of the Leased Property.

5. RENTAL PAYMENTS

Lessee agrees to pay Lessor, as rental for the use of the Leased Property, rent in the amount of FOUR THOUSAND EIGHTY-ONE DOLLARS (\$4,081.00) per month to be paid on the first (1st) day of each calendar month during the term of this Agreement, in advance. All rent payments shall be made at the office of the Lessor in Houston, Texas or at such other address within the continental United States as Lessor may hereafter specify in writing. The first and last month's rental payments shall be due and payable upon the full execution of this Agreement by Lessor and Lessee.

6. TITLE TO LEASED PROPERTY

- a. The Leased Property shall at all times be and remain the sole and exclusive property of Lessor, and Lessee shall have no property rights therein, but only the right to use the Leased Property upon the terms and conditions herein contained. This Agreement constitutes a lease of the Leased Property. It is

not a sale of the Leased Property or the creation of a security interest in the Leased Property.

- b. **It is further expressly agreed that the Leased Property shall be considered and remain personal property, even though it may be attached or affixed to real estate. If the Leased Property is attached or affixed to real estate which is owned by a party other than Lessee or which is subject to a mortgage, Lessee shall obtain and deliver to Lessor a consent and waiver from the Landlord or Mortgagee, as the case may be, in a form acceptable to Lessor, which shall permit Lessor to remove the Leased Property from said real estate at any time during the term of, or after the expiration of, this Agreement. Lessor may display notice of its ownership of the Leased Property by affixing to each item of equipment an identifying stencil or plate or other indicia of ownership and Lessee agrees that it will not remove, deface or obliterate any such notice.**
- c. **At any time during the term of this Agreement, Lessee shall have the right to purchase the Leased Property by paying Lessor the "Balance" which is due at that time as shown on Schedule A which is attached hereto. Upon payment of the Balance indicated, Lessor shall convey good and marketable title to the Leased Property to Lessee, free and clear of any adverse claims, liens, or encumbrances.**

7. LESSOR'S WARRANTIES

Lessor covenants and agrees as follows:

- a. **Lessor has, or will have by the date of installation of the equipment, clear and good title to the Leased Property, free and clear of all liens and encumbrances, excepting only liens for current taxes not yet due or payable and the lien or liens securing any purchase money mortgage for the equipment or financing secured by this Agreement.**
- b. **The Leased Property will be operational and in good working condition at the time it is installed. Should any component of the Leased Property fail, become disabled or otherwise cease to perform the function for which it is designed within ninety (90) days of the date on which it first becomes operational, then Lessor will repair or replace that component, at Lessor's expense.**
- c. **The Leased Property when installed shall equal or exceed State of Texas Department of Health Design Criteria and as specified in Section 1.**
- d. **Lessor shall undertake any reasonable action requested by Lessee to enforce any and all warranties or guarantees to which Lessor is entitled on the equipment, or assign such warranties or guarantees to Lessee.**

- e. Except as otherwise expressly provided herein, Lessee agrees that Lessor shall not be liable to Lessee for any liability, claim, loss, damage or expense of any kind or nature caused directly or indirectly, by the Leased Property or by any inadequacy thereof for any purpose, or any deficiency or defect therein, or the use of maintenance thereof, or any repairs, servicing or adjustments thereto, or any interruption or loss of service or use thereof, or any loss of business, or any other damages whatsoever or howsoever caused.

8. EXPENSES.

Lessee shall be responsible for paying all expenses of operating the Plant, including, but not limited to electricity, chemicals, management and operator fees, and other customary expenses of operation. Lessee also agrees to pay any license fees, registration fees, permit fees or other fees as may be required for the lawful operation of the Plant.

9. REMOVAL, INSPECTION AND RETURN

The Leased Property shall not be removed from the place of its initial installation without the prior written consent of Lessor. Lessee shall, at all reasonable times and from time to time, allow Lessor, by or through any of its officers, agents or attorneys, to examine and inspect the Leased Property. Upon the termination of this Agreement, if Lessee has not otherwise exercised its option to purchase the Leased Property, Lessor shall, at its expense, remove the Leased Property from the site within thirty (30) days from the time the Leased Property is no longer in service. The Lessee shall be responsible for dewatering the Leased Property and shall deliver it to the Lessor in reasonably clean condition.

10. OPERATION, MAINTENANCE AND REPAIR

Lessee shall comply with and conform to all municipal, state and federal laws relating to the operation of the Leased Property. Lessee shall maintain the Leased Property in good condition and running order at all times during the term of this Agreement, but shall not be responsible for normal wear and tear or depreciation. All additions, attachments, accessories and repair parts at any time placed in or on the Leased Property shall be purchased by Lessee from Lessor and shall become a part of the Leased Property and shall be the property of the Lessor. Except as otherwise expressly set forth herein, Lessor shall have no responsibility for the maintenance of the Leased Property after it is delivered to and accepted by Lessee and before it is redelivered to Lessor as herein provided.

11. RISK OF LOSS AND INSURANCE

All risk of loss or damage of the Leased Property shall be borne by Lessee. Lessee shall have and maintain insurance at all times with respect to the Leased Property against risks of fire (including so-called "extended coverage"), theft and such other risks and in such

amounts as Lessor may reasonably require. All such insurance policies shall name the Lessor as an additional insured. Lessee shall deliver to Lessor copies of the insurance policies which provide the coverages required by this Section.

12. DAMAGE, DESTRUCTION OR THEFT

Notwithstanding any damage to the Leased Property, the rental shall continue to be paid by Lessee and shall not abate. Except as otherwise expressly provided herein, Lessee shall have the responsibility for the repair of the damaged Leased Property, and Lessee shall repair or cause such Leased Property to be repaired promptly after any such damage. In every such instance, Lessor will reimburse Lessee for the cost of repair to the extent of the insurance proceeds actually received by Lessor because of such damage. In the event the Leased Property is destroyed, stolen or damaged beyond repair, Lessee shall forthwith pay to Lessor the "Balance" immediately prior to such destruction, theft or damage as shown on Schedule A attached hereto. This Agreement shall terminate upon the payment of the Balance by the Lessee, the Lessee shall thereafter be entitled to the Leased Property on an as-is basis, without warranty by Lessor, either express or implied, for any matter concerning the Leased Property.

13. INDEMNITY

With the exception of matters which are expressly made the responsibility of Lessor hereunder, Lessee shall indemnify, protect, and save and keep harmless Lessor, its agents, servants, successors and assigns, from and against all losses, damages, injuries, claims, demands and expenses, including legal expenses, of whatsoever nature, arising out of the use, condition, or operation of the Leased Property. Lessee shall have control over and assume the defense of any suit or suits or other legal proceedings brought to enforce all such losses, damages, injuries, claims, demands and expenses and shall pay all judgements entered in any such suit or other legal proceedings. The indemnities and assumptions of liabilities and obligations herein provided for shall continue with full force and effect notwithstanding the termination of this Agreement, whether by expiration of time, by operation of law, or otherwise.

14. ASSIGNMENT AND SUBLEASE BY LESSEE

Lessee may freely, and without the consent of Lessor, assign this Agreement to any entity which hereafter becomes responsible for providing wastewater treatment services to the Senna Hills Subdivision or any other area which is at any time incorporated within the Lessee's service area. Upon such assignee's written assumption of this Agreement and acceptance of Lessee's responsibilities and obligations hereunder, Lessee shall be discharged from any further liability or obligation with respect thereto. With the foregoing exception, Lessee may not assign this Agreement or sublease the Leased Property without the prior written consent of Lessor.

15. ASSIGNMENT BY LESSOR/RIGHTS OF ASSIGNEE

The Lessor shall have the right to sell or assign this Agreement, including its right, title and interest to the Leased Property and the rent reserved herein. In the event of any such assignment by the Lessor, the assignee shall thereupon acquire all of the rights and remedies possessed by or available to the Lessor. Upon receiving proper written notice of any such assignment, the Lessee shall thereafter make rental payments as therein directed.

16. EVENTS OF DEFAULT

The following events shall be deemed to be events of default by Lessee under this Agreement:

- a. Lessee shall fail to pay any installment of the rent hereby reserved and such failure shall continue for a period of thirty (30) days.
- b. Lessee shall fail to comply with any other term, provision or covenant of this Agreement and does not cure such failure within thirty (30) days after written notice thereof by the Lessor to Lessee.

Upon the occurrence of an event of default, Lessor may exercise any one or more of the following remedies: (1) the right to terminate this Agreement and Lessee's rights under this Agreement as to all items of Leased Property; (2) the right to declare the balance of the rental called for by this Agreement to be immediately due and payable in full; and (3) the right to retake and retain the Leased Property, without legal process, free of all rights of Lessee in and to the Leased Property. Pursuant to this provision, Lessee expressly authorizes Lessor and its agents to enter any premises owned or controlled by Lessee where the Leased Property is located, for the purposes of repossessing and removing the Leased Property. Notwithstanding the foregoing, Lessor agrees that under no circumstances shall Lessor be entitled, by judicial process or otherwise, to seek or obtain a monetary judgment against any party other than Lessee for any amount which may become payable or obligation which may become due under this Agreement, and Lessor hereby waives any right or remedy which it may have now, or any time in the future, against any officer, director, employee, or agent for Lessee.

17. LESSOR'S DEFAULT

Lessor covenants and agrees to make all payments which become due and to otherwise perform all of its obligations with respect to any purchase money financing which it may utilize to acquire the Leased Property (the "Purchase Money Financing"). Lessor will provide Lessee with copies of all notes, security agreements and other documents and instruments executed in connection with the Purchase Money Financing or as security therefor. With the exception of the Purchase Money Financing, Lessor covenants and agrees to keep the Leased Property free of any other lien or encumbrance arising by, through, or

under Lessor. Lessor hereby authorizes Lessee, at any time and from time to time, to contact the lender providing the Purchase Money Financing to verify that Lessor is not in default with any payment or other obligation with respect thereto. In the event the Lessor receives any notice of default with respect to its Purchase Money Financing or any other item which might become a lien on the Leased Property, Lessor shall immediately provide Lessee with a copy thereof. Additionally, Lessor agrees to furnish Lessee, on demand, satisfactory evidence of payment of each installment due on the Purchase Money Financing and of any other items which might otherwise become a lien or encumbrance on the Leased Property. For the purpose of this Agreement, satisfactory evidence of payment shall be deemed to be a copy of the check sent to the proper party. If Lessor fails to make such payments, together with any interest or penalty required to be paid in connection therewith, the Lessee shall have the right to make such payments which may be deducted by the Lessee from any rent thereafter becoming due hereunder; provided, however, that the Lessee shall not be authorized and empowered to make any payment under the terms of this Paragraph unless the item paid shall be superior to the Lessee's interest hereunder.

18. SUCCESSORS AND ASSIGNS

Subject to the restrictions on assignment which are otherwise set forth in this Agreement, this Agreement shall be binding upon and inure to the benefit of Lessee and Lessor and their respective heirs, successors, and assigns.

19. ATTORNEY'S FEES

If either party to this Agreement is the prevailing party in any legal proceeding brought under or in relation to this Agreement or the transactions contemplated hereby, such party shall additionally be entitled to recover court costs, reasonable attorney's fees, and all other reasonable litigation expenses from the non-prevailing party.

20. NOTICES

All notices and other communications provided for in this Agreement shall be given or made by telex, telegraph, telecopy, cable, or in writing and telexed, telecopied, telegraphed, cabled, mailed by certified mail return receipt requested, or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof; or, as to any party at such other address as shall be designated by such party in a notice to the other party given in accordance with this Section. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telex or telecopy, subject to telephone confirmation of receipt, or delivered to the telegraph or cable office, subject to telephone confirmation of receipt, or when personally delivered or, in the case of a mailed notice, when duly deposited in the mails, in each case given or addressed as aforesaid.

21. APPLICABLE LAW; VENUE; SERVICE OF PROCESS

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and the applicable laws of the United States of America. This Agreement has been entered into in Travis County, Texas, and it shall be performable for all purposes in Travis County, Texas. Any action or proceeding under or in connection with this Agreement may be brought in any state or federal court in Travis County, Texas. The parties hereto hereby irrevocably (i) submit to the nonexclusive jurisdiction of such courts, and (ii) waives any objection they may now or hereafter have as to the venue of any such action or proceeding brought in such court or that such court is an inconvenient forum.

22. HEADINGS.

The headings, captions, and arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

23. SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

All representations and warranties made in this Agreement or in any certificate delivered pursuant hereto shall survive the execution and delivery of this Agreement, and no investigation by Lessor or Lessee shall affect the representations and warranties made by the other party or the right of Lessor or Lessee, as the case may be, to rely upon them.

24. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

25. SEVERABILITY.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

26. Construction.

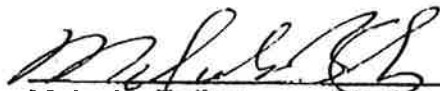
Lessee and Lessor acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement with its legal counsel and that this Agreement shall be construed as if jointly drafted by Lessee and Lessor.

27. AMENDMENT; ENTIRE AGREEMENT.

THIS AGREEMENT EMBODIES THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO. The provisions of this Agreement may be amended or waived only by an instrument in writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

LESSOR



Malcolm Bailey d/b/a Skyline Properties

Address for Notices

6319 Skyline Drive
Houston, Texas 77057
713/783-6611 (Telephone)
713/782-2877 (Telecopy)

LESSEE

Senna Hills Municipal Utility District

By 

Charles A. Brown, President

Address for Notices

c/o Steven M. Bowers
Attorney at Law
P.O. Box 5035
Austin, Texas 78763
512/458-2151 (Telephone)
512/458-2153 (Telecopy)

C:\WPWILLER\PLANT.L#2

SCHEDULE "A"

Equipment

- a) Aeration Tank - One (1) Section, 28' x 12' x 11' (3192 c.f.)
- b) Digester Tank - One (1) Section, 24' x 12' x 11' (2880 c.f.)
- c) Clarifier - 28' dia. x 8' S.W.D., mechanical
- d) Tertiary Filter with Integral Chlorine Contact Chamber, Effluent Pump Chamber, Backwash Chamber & Backwash Return Pumps
- e) Blowers - Duplex, 450 scfm, with controls
- f) Chlorinator - Fischer-Porter Model #17C1700 or equal
- g) Chlorinator Scales - Wallace & Tiernan #50-345 or equal
- h) Chlorinator Cabinet - TEC Fiberchlor with miscellaneous items
- i) Flow Meter - Fischer-Porter #10F1272 or equal
- j) Miscellaneous interconnect pipe, valves and fittings

Total Items A-J - \$152,354.00

- k) Effluent Pump Station - For installation in (d) complete with Duplex Pumps, 413 gpm, 43' TDH, 10 HP

Total This Item - \$ 12,000.00

- l) Treatment Plant Assembly Including Receiving & Setting of Equipment, Interconnect Piping & Walkways, Field Painting, Installation of Blowers, Chlorination Equipment, Setting of Panel, Wiring of Blowers & Drive and Grouting of Clarifier

- m) Washdown Water Pumps with connections to Chlorine Contact Chamber

Total These Items - \$ 30,000.00

Options

- 1. Equipment to increase capacity to 170,000 GPD, supplied during the lease period.

- a) Aeration Tank No. 2 - 28 ft. section
- b) Digester No. 2 - 24 ft. section
- c) Flow Division Box
- d) Blower with controls, one (1) 450 scfm

Total Monthly Price For Above (58 months) - \$ 935.00

Replacement Value - \$ 43,500.00

- 2. Equipment to replace the Chlorine Contact Tank with a filter/CCT Unit.

Total Monthly Price For Above (39 months) - \$ 600.00

Replacement Value - \$ 20,000.00

- 3. Purchase Option

The equipment may be purchased at any time off the attached amortization schedule.

NOTE: Refer to our letter of July 21, 1993 for additional items and estimates such as de-chlorination and pace-feed to chlorination and general site and off-site construction items.

0/27/1993

Loan Amortization

Page 1

WINNA HILLS

Date	Type	Balance	# Payments	Interest Rate		
10/1/1993	Monthly	\$194,345.00	60	9.000%		
mt #	Date	Int. Rate	Payment	Principal	Interest	Balance Due
0	10/1/1993					\$194,345.00
1	11/1/1993	9.000%	\$4,081.00	\$2,623.41	\$1,457.59	\$191,721.59
2	12/1/1993	9.000%	\$4,081.00	\$2,643.09	\$1,437.91	\$189,078.50
Totals for 1993:				\$5,266.50	\$2,895.50	
3	1/1/1994	9.000%	\$4,081.00	\$2,662.91	\$1,418.09	\$186,415.59
4	2/1/1994	9.000%	\$4,081.00	\$2,682.88	\$1,398.12	\$183,732.71
5	3/1/1994	9.000%	\$4,081.00	\$2,703.00	\$1,378.00	\$181,029.70
6	4/1/1994	9.000%	\$4,081.00	\$2,723.28	\$1,357.72	\$178,306.42
7	5/1/1994	9.000%	\$4,081.00	\$2,743.70	\$1,337.30	\$175,562.72
8	6/1/1994	9.000%	\$4,081.00	\$2,764.28	\$1,316.72	\$172,798.44
9	7/1/1994	9.000%	\$4,081.00	\$2,785.01	\$1,295.99	\$170,013.43
10	8/1/1994	9.000%	\$4,081.00	\$2,805.90	\$1,275.10	\$167,207.53
11	9/1/1994	9.000%	\$4,081.00	\$2,826.94	\$1,254.06	\$164,380.59
12	10/1/1994	9.000%	\$4,081.00	\$2,848.15	\$1,232.85	\$161,532.44
13	11/1/1994	9.000%	\$4,081.00	\$2,869.51	\$1,211.49	\$158,662.93
14	12/1/1994	9.000%	\$4,081.00	\$2,891.03	\$1,189.97	\$155,771.91
Totals for 1994:				\$33,306.59	\$15,665.41	
15	1/1/1995	9.000%	\$4,081.00	\$2,912.71	\$1,168.29	\$152,859.20
16	2/1/1995	9.000%	\$4,081.00	\$2,934.56	\$1,146.44	\$149,924.64
17	3/1/1995	9.000%	\$4,081.00	\$2,956.57	\$1,124.43	\$146,968.08
18	4/1/1995	9.000%	\$4,081.00	\$2,978.74	\$1,102.26	\$143,989.34
19	5/1/1995	9.000%	\$4,081.00	\$3,001.08	\$1,079.92	\$140,988.26
20	6/1/1995	9.000%	\$4,081.00	\$3,023.59	\$1,057.41	\$137,964.67
21	7/1/1995	9.000%	\$4,081.00	\$3,046.26	\$1,034.74	\$134,918.40
22	8/1/1995	9.000%	\$4,081.00	\$3,069.11	\$1,011.89	\$131,849.29
23	9/1/1995	9.000%	\$4,081.00	\$3,092.13	\$988.87	\$128,757.16
24	10/1/1995	9.000%	\$4,081.00	\$3,115.32	\$965.68	\$125,641.84
25	11/1/1995	9.000%	\$4,081.00	\$3,138.69	\$942.31	\$122,503.15
26	12/1/1995	9.000%	\$4,081.00	\$3,162.23	\$918.77	\$119,340.93
Totals for 1995:				\$36,430.98	\$12,541.02	
27	1/1/1996	9.000%	\$4,081.00	\$3,185.94	\$895.06	\$116,154.98
28	2/1/1996	9.000%	\$4,081.00	\$3,209.84	\$871.16	\$112,945.15
29	3/1/1996	9.000%	\$4,081.00	\$3,233.91	\$847.09	\$109,711.23
30	4/1/1996	9.000%	\$4,081.00	\$3,258.17	\$822.83	\$106,453.07
31	5/1/1996	9.000%	\$4,081.00	\$3,282.60	\$798.40	\$103,170.47
32	6/1/1996	9.000%	\$4,081.00	\$3,307.22	\$773.78	\$99,863.25
33	7/1/1996	9.000%	\$4,081.00	\$3,332.03	\$748.97	\$96,531.22
34	8/1/1996	9.000%	\$4,081.00	\$3,357.02	\$723.98	\$93,174.20
35	9/1/1996	9.000%	\$4,081.00	\$3,382.19	\$698.81	\$89,792.01
36	10/1/1996	9.000%	\$4,081.00	\$3,407.56	\$673.44	\$86,384.45
37	11/1/1996	9.000%	\$4,081.00	\$3,433.12	\$647.88	\$82,951.33
38	12/1/1996	9.000%	\$4,081.00	\$3,458.86	\$622.14	\$79,492.47
Totals for 1996:				\$39,848.46	\$9,123.54	
39	1/1/1997	9.000%	\$4,081.00	\$3,484.81	\$596.19	\$76,007.66
40	2/1/1997	9.000%	\$4,081.00	\$3,510.94	\$570.06	\$72,496.72
41	3/1/1997	9.000%	\$4,081.00	\$3,537.27	\$543.73	\$68,959.44
42	4/1/1997	9.000%	\$4,081.00	\$3,563.80	\$517.20	\$65,395.64

0/27/1993
ENNA HILLS

SENNA HILLS
Loan Amortization

Page 2

43	5/1/1997	9.000%	\$4,081.00	\$3,590.53	\$490.47	\$61,805.11
44	6/1/1997	9.000%	\$4,081.00	\$3,617.46	\$463.54	\$58,187.65
45	7/1/1997	9.000%	\$4,081.00	\$3,644.59	\$436.41	\$54,543.05
46	8/1/1997	9.000%	\$4,081.00	\$3,671.93	\$409.07	\$50,871.13
47	9/1/1997	9.000%	\$4,081.00	\$3,699.47	\$381.53	\$47,171.66
48	10/1/1997	9.000%	\$4,081.00	\$3,727.21	\$353.79	\$43,444.45
49	11/1/1997	9.000%	\$4,081.00	\$3,755.17	\$325.83	\$39,689.28
50	12/1/1997	9.000%	\$4,081.00	\$3,783.33	\$297.67	\$35,905.95
otals for 1997:				\$43,586.52	\$5,385.48	
51	1/1/1998	9.000%	\$4,081.00	\$3,811.71	\$269.29	\$32,094.25
52	2/1/1998	9.000%	\$4,081.00	\$3,840.29	\$240.71	\$28,253.95
53	3/1/1998	9.000%	\$4,081.00	\$3,869.10	\$211.90	\$24,384.86
54	4/1/1998	9.000%	\$4,081.00	\$3,898.11	\$182.89	\$20,486.74
55	5/1/1998	9.000%	\$4,081.00	\$3,927.35	\$153.65	\$16,559.39
56	6/1/1998	9.000%	\$4,081.00	\$3,956.80	\$124.20	\$12,602.59
57	7/1/1998	9.000%	\$4,081.00	\$3,986.48	\$94.52	\$8,616.11
58	8/1/1998	9.000%	\$4,081.00	\$4,016.38	\$64.62	\$4,599.73
59	9/1/1998	9.000%	\$4,081.00	\$4,046.50	\$34.50	\$553.23
60	10/1/1998	9.000%	\$557.38	\$553.23	\$4.15	\$0.00
otals for 1998:				\$35,905.95	\$1,380.43	

otals over the life of the loan:

incipal: \$194,345.00 Interest: \$46,991.38



SENNA HILLS MUNICIPAL UTILITY DISTRICT

Final

ORDER ESTABLISHING WATER AND WASTEWATER
SERVICE RATES, CHARGES AND TAP FEES,
AND ADOPTING GENERAL POLICIES WITH
RESPECT TO THE DISTRICT'S WATER,
WASTEWATER AND DRAINAGE SYSTEMS
(August 1, 1994)

THE STATE OF TEXAS

COUNTY OF TRAVIS

WHEREAS, pursuant to Section 54.204, Texas Water Code, the Board of Directors (the "Board") of Senna Hills Municipal Utility District (the "District") is authorized to adopt and enforce all necessary rates, charges, fees and deposits for providing District facilities or services;

IT IS, THEREFORE, ORDERED BY THE BOARD OF DIRECTORS OF Senna Hills Municipal Utility District as follows:

I. GENERAL POLICIES

- A. Definitions. For purposes of this Order, the following terms shall have the meanings indicated:
1. "Connection" shall mean and refer to each residential unit other than apartment facilities containing multiple residential units with a single connection, and each business unit.
 2. "District's representative" shall mean and refer to the general manager of the District or another representative or employee of the District acting pursuant to the direction of the general manager or the Board of Directors of the District.
 3. "Rules" shall mean and refer to such rules and regulations as the District may adopt pursuant to Section 54.205, Texas Water Code.
 4. "Systems" shall mean and refer to the District's water, wastewater and drainage systems.
- B. All Services Required. Except as otherwise expressly authorized in the Rules, no service shall be provided by and through the District's Systems unless the applicant agrees to take both water and wastewater service. Construction or temporary meters will be allowed on an as needed and approved basis.
- C. All Services Charged. At no time shall the District render water and/or sewer services without charge to any person, firm, corporation, organization or entity.
- D. Other Utilities. Prior to installing underground cables in the area of District water supply and sanitary sewer collection

lines, representatives of utility companies shall meet with the District's representative to file such companies construction plans and schedules and to review the engineering plans illustrating the location of the District's lines.

II. CONNECTIONS TO THE DISTRICT'S SYSTEMS.

A. Applications for Connections.

1. Any party desiring to make a connection to the District's Systems shall first make an application to the District's representative in the form approved by the Board of Directors of the District. The applicant shall, upon request, furnish the District's representative with evidence that the party who will actually install the tap and connecting line has comprehensive general liability insurance in the minimum amounts of \$300,000 bodily injury and \$50,000 property damage, with an underground rider and a completed operations rider.
2. The District's representative shall review all applications for connections to the District's Systems. In the event that the District's representative finds that the materials to be used and the procedures and methods to be followed in laying the line and making the connection are equal to or better than the standards established by the Uniform Plumbing Ordinance and the water and wastewater standard service details promulgated by the City of Austin Water and Wastewater Department, as amended from time to time, and are in compliance with all terms and conditions of the Rules, the District's representative may approve the application and the proposed connection, subject to such terms or conditions as the District's representative deems necessary or convenient to accomplish the purpose and objectives of the Rules.

B. Payment of Fees

1. Any party desiring to make a connection to the District's water and wastewater system shall pay the connection fee required by the Lower Colorado River Authority under the Water Services Agreement which the District has with the LCRA. No connection shall be made until such fees are paid.

C. Tap and Inspection Fees.

1. The District's water and sanitary sewer tap fee shall be as follows:

\$150.00 plus cost of water meter.

Sewer tap installation involving excavation of the sewer main shall be performed by the District at cost plus 10% in addition to the above sewer tap fee.

If more than one (1) inspection is required before a tap is approved by the District the fee for each additional inspection shall be \$25.00 (residential) and \$75.00 (commercial).

2. Security Deposit - Customer. A security deposit per connection shall be paid prior to service to the District's representative by each customer in the following amounts:

<u>Meter Size</u>	<u>Security Deposit</u>
5/8"	\$100.00
3/4"	\$125.00
1"	\$150.00
1-1/2"	\$250.00
2"	\$350.00
over 2"	3 times estimated monthly usage, not to exceed \$1,000.00

Security deposits shall not be transferable and shall be held by the District to assure the prompt payment of all bills for water and wastewater services to the customer. Following eight (8) months of prompt payment, when due, of the District bills, a customer who owns and occupies a residence within the District shall, upon written request to the District's representative, be entitled to a refund of its security deposit; provided however, that the district may require the customer to replace the security deposit in the event the customer thereafter makes late payments for two (2) or more consecutive months. At its option, the district may apply all of any part of a customer's security deposit against any delinquent bill of the customer. Upon discontinuation of service the deposit shall be applied against amounts due, including any disconnection fees, whether because of the customer's delinquency or upon the customer's request. Any portion of the deposit remaining after deduction of such amounts shall be refunded to the customer. In no event shall the security deposit bear interest for the benefit of the customer.

3. Security Deposit - Builder. The builder shall make a one-time \$1,000.00 deposit covering all houses he is building or intends to build within the District. The District's Representative shall carefully monitor the building of all houses covered by such \$1,000.00 deposit to make sure that the sanitary sewer and water service connection at each such house has been inspected and approved prior to its being covered. In any instance in which this procedure is not followed, the District's Representative shall require the builder to uncover the sanitary sewer or water service connection so that it may be inspected. Any cost to the District for additional inspections or other work resulting from a violation of this requirement shall be deducted from the \$1,000.00 security deposit and the builder shall be billed for such amount as necessary to fully restore the \$1,000.00. The District's

Representative will not approve a water tap for any such builder until such builder's security deposit has been reestablished at the full \$1,000.00 amount. A connection permit will be granted after inspection confirms that all requirements of these Rules and Regulations have been met. The \$1,000.00 security deposit will be refunded when the builder finishes his building program within the District. In no event shall the security deposit bear interest for the benefit of the builder.

- D. Additional Charges. Any non-routine charges incurred by the District in connection with any water tap, sewer tap and/or inspection shall be the responsibility of the applicant for such connection and shall be payable to the District upon demand.

III. WATER AND WASTEWATER SERVICES.

- A. Applications for Service. Any party desiring to receive service from the District's water or wastewater systems shall make an application for such service to the District's representative in the form approved by the Board of Directors of the District. All applications shall be made by the record owner of the property for which service is being requested. Proof of ownership shall be furnished to the District's representative upon request.
- B. In-District Water and Sewer Service Rates. The following rates and charges for the sale of water and the collection and disposal of sewage shall be in effect for residential customers, including multifamily and apartment, and commercial customers within the District from the effective date of this Order, in addition to the monthly water and sewer surcharge described above:

1. General Provisions

- a. Bills for sewer service shall be computed: (i) on the basis of the average amount of water used by the customer during the winter season based upon the average of the monthly readings of the customer's water meter for the preceding December, January, and February; or (ii) on the basis of the customer's current monthly water bill, whichever is less.
- b. If a residential customer does not have an acceptable history of water usage during the preceding December, January, and February the customer's monthly sewer bill will be calculated based upon: (i) the customer's current monthly water usage; or (ii) on the basis of 9,000 gallons water usage per month, whichever is less.
- c. If a nonresidential customer does not have an acceptable history of water usage during the preceding December, January, February, the customer's monthly sewer bill shall: (i) be calculated based upon the customer's current monthly water usage; or (ii) be calculated by measuring actual sewage volume, on a basis acceptable to

the District, at the expense of the customer, and correlating such volume to the schedule set forth below.

- d. There shall be no sewer charge for separate irrigation meters.

2. Monthly Water Rates Per Connection.

Usage charge per connection:

<u>Meter Size</u>	<u>Base Fee</u>
5/8"	\$22.00
3/4"	1.5 times Base Fee
1"	2.5 times Base Fee
1-1/2"	5.0 times Base Fee
2"	8.0 times Base Fee

Gallorage Charge \$ 2.75 per 1000 gallons

3. Monthly Wastewater Rates Per Connection.

Usage Charge per
Connection Base Fee \$35.00

Gallorage Charge \$ 1.80 per 1000 gallons

4. Fire Hydrant Meter Fees

Sale of water on a temporary basis from fire hydrants within the District shall be applied for to the District's Representative. There shall be charged and collected for each fire hydrant meter a fire hydrant meter fee in the mount of \$75.00 per month of any part of a month plus \$3.00 per 1,000 gallons usage. A security deposit shall be paid to the District's Representative at the time application is paid for a fire hydrant meter in the amount of \$750.00. Such security deposit shall be refunded to the applicant at the time the meter is returned in good working order less any amounts due for damage to the meter. A violation of this metering requirement shall result in the offending party being subject to a fine in the amount of \$200.00 per violation. The District may deduct the amount of any fines imposed as a result of a builder's or contractor's violation of this requirement from the builder's meter deposit and may further require that the builder replenish the deposit by an amount equivalent to the total deducted.

IV. DELINQUENT ACCOUNTS.

- A. The District shall bill each customer monthly for all services rendered in the preceding month, in substantial compliance with the procedures established in the City of Austin Utility Service Regulations. All bills shall be due when rendered and shall become delinquent if not paid by the date specified in the bill.

- B. A late charge of ten percent (10%) of the amount of the bill shall be added for each monthly billing date to be delinquent amount remains unpaid. If a bill remains delinquent for thirty (30) days, or is paid with a check which is dishonored, water service shall be discontinued in accordance with this paragraph. Prior to termination, the customer shall be notified of amount due by letter sent certified mail, return receipt requested. The notice shall state the date upon which water service shall be terminated, which date shall not be less than ten (10) days from the date such notice is sent. Such notice shall state the time and place at which the account may be paid and that any errors in the bill may be corrected by contacting the District's representative, whose telephone number shall also be given in such notice. Provided, however, that in the event the customer contacts the District's representative within such ten (10) day period, the District's representative may, at its opinion, allow the customer to make arrangements to pay the delinquent amount in installments to be approved by the District's Representative.
- C. The District reserves the right to institute suit for the collection of any amounts due and unpaid, together with interest thereon at the maximum legal rate and reasonable attorney's fees.
- D. The District further reserves the right to charge a customer paying a bill with a check which is dishonored a fee of \$25.00.

V. DISCONTINUATION OF SERVICE.

Charge for Reconnection. In the event of any discontinuation of service, whether because of customer's delinquency or upon a customer's request, the District shall charge the following charge per connection prior to reconnecting such customers:

A. Water System

- | | |
|---------------------------|----------|
| 1. When meter removed | \$100.00 |
| 2. When meter not removed | \$ 40.00 |

B. Wastewater System - 2 times the cost to the District.

VI. TRANSFER OF SERVICE

In the event service at an address is to be transferred from one customer name to another customer name there shall be assessed the following charge:

Transfer Fee: \$ 5.00

- VII. The Secretary of the Board is hereby directed to file a copy of this Order in the principal office of the District.

PASSED AND APPROVED this _____ day of _____, 1994.

President, Board of Directors

ATTEST: _____
Secretary, Board of Directors

j:\w\rtordr.sen

Senna Hills Municipal Utility District
12912 Hill County Blvd., Suite F-232
Austin, Texas 78738

December 1, 2016

The Attorney General of Texas
Public Finance Division
William P. Clements Building, 7th Floor
300 West 15th Street
Austin, Texas 78701

The Comptroller of Public Accounts
Public Finance Division
208 East 10th Street
Austin, Texas 78701

Re: Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer
System Revenue Bonds, Series 2016

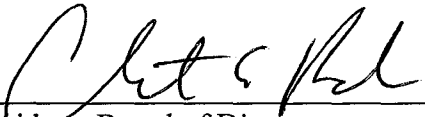
Ladies and Gentlemen:

The captioned Bonds are being sent to the Office of the Attorney General and it is requested that such office examine and approve the Bonds in accordance with law. After such approval, it is requested that the Attorney General deliver the Bonds to the Comptroller of Public Accounts for registration.

Enclosed with the Bonds is a signed but undated copy of the GENERAL AND NO LITIGATION CERTIFICATE relating to the Bonds. The Attorney General is hereby authorized and directed to date the GENERAL AND NO LITIGATION CERTIFICATE concurrently with the date of approval of the Bonds. If any litigation or contest should develop pertaining to the Bonds or any other matters covered by said GENERAL AND NO LITIGATION CERTIFICATE, the undersigned will notify the Attorney General thereof immediately by telephone. With this assurance the Attorney General can rely on the absence of any such litigation or contest, and on the veracity and currency of said GENERAL AND NO LITIGATION CERTIFICATE, at the time the Attorney General approves the Bonds unless the Attorney General is notified otherwise as aforesaid.

The Comptroller is hereby requested to register the Bonds as required by law and the proceedings authorizing the Bonds. After such registration the Comptroller is hereby authorized and directed to deliver the Bonds, together with three copies of each of the Attorney General's approving Opinion and Comptroller's Certificate to Greg Shields, Andrews Kurth Kenyon LLP, 111 Congress Avenue, Suite 1700, Austin, Texas 78701.

SENNA HILLS MUNICIPAL UTILITY DISTRICT

By: 
Title: President, Board of Directors

SECRETARY'S CERTIFICATE

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

The undersigned officer of the Board of Directors of SENNA HILLS MUNICIPAL UTILITY DISTRICT, hereby certifies as follows:

1. The Board of Directors of said District convened at a REGULAR MEETING, on the 31st day of July, 2015, at 353 South Commons Ford Road, Austin, Texas 78733; and the roll was called of the duly constituted officers and members of said Board, to-wit:

- Chet A. Palesko - President
- David I. Perl - Vice President
- Lisa M. McKenzie - Secretary
- Joseph M. Szoo - Assistant Secretary
- Corey Newhouse - Assistant Secretary

and all said persons were present, except Lisa M. McKenzie and Joseph M. Szoo, thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting;

**RESOLUTION AUTHORIZING APPLICATION TO THE
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
FOR APPROVAL OF ENGINEERING PROJECT AND
\$1,105,000 SENNA HILLS MUNICIPAL UTILITY DISTRICT BOND ISSUE**

was duly introduced for the consideration of the Board. It was then duly moved and seconded that said Resolution be passed; and, after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: 3

NOES: 0

2. That a true, full, and correct copy of the aforesaid Resolution passed at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said Resolution has been duly recorded in said Board's minutes of said meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said meeting pertaining to the passage of said Resolution; that the persons named in the above and foregoing paragraphs are duly chosen, qualified, and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that said Resolution would be introduced and considered for passage at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose; that said meeting was open to the public as required by law; and that public notice of the time, place, and subject of said meeting was given as required by Chapter 551, Government Code, and Sec.

49.063, Water Code.

SIGNED AND SEALED the 31st day of July, 2015.

By: 
Assistant Secretary



**RESOLUTION AUTHORIZING APPLICATION TO THE
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
FOR APPROVAL OF ENGINEERING PROJECT AND
\$1,105,000 SENNA HILLS MUNICIPAL UTILITY DISTRICT BOND ISSUE**

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

WHEREAS, Senna Hills Municipal Utility District (the “District”) has been legally created and its Board of Directors have met and organized; and

WHEREAS, the Board of Directors desire to issue \$1,105,000 in bonds to finance the wastewater treatment plant improvements and expansion within the District; and

WHEREAS, Section 49.181, Texas Water Code, requires the District, when it desires to issue bonds, to submit in writing to the Texas Commission on Environmental Quality (the “Commission”), an application for investigation of the proposed project and of the issuance of the bonds to finance such project, together with a copy of the engineer’s report and data, profiles, maps, plans and specifications and market information prepared in connection therewith; and

WHEREAS, the Board of Directors desire to secure the approval and consent of the Commission for the construction of the aforementioned facilities, which are more completely described in the engineer’s report and supplemental information submitted in connection with this application, and for the issuance of the bonds described in Section 1(2) of this Resolution.

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

Section 1. The President and/or Vice President and Secretary and/or Assistant Secretary of the Board of Directors are authorized and directed as follows:

- (1) to make an application to the Commission for an investigation and report of the feasibility of the District acquiring that portion of improvements and expansion of the wastewater treatment plant described in the engineering report entitled “Senna Hills Municipal Utility District Bond Issue Series 2015, \$1,105,000,” prepared by Murfee Engineering, Inc., in connection with this application and any supplemental information, for such project to consist generally of improvements to the District’s water, wastewater and drainage system to serve the District; and

- (2) to request the Commission to approve the bonds of the District in the principal amount of \$1,105,000 bearing interest at a net effective interest rate not to exceed the maximum allowed by law, and maturing serially in accordance with the schedule provided in the aforesaid engineering report; and

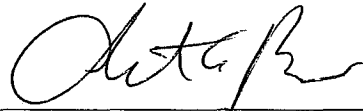
- (3) to request the Commission to waive the requirements of the developer's 30% contribution and a market study by reason of the fact that, after issuance of the bonds, the District's certified assessed valuation for 2015 will exceed 10 times that of the District's outstanding bonds.
- (4) to seek authorization to use up to two (2) year(s) of capitalized interest; and
- (5) to seek expedited review as authorized by Commission Rule 293.42(b).

Section 2. By this application the District assures the Commission that it will abide by the terms and conditions prescribed by the Commission, and it will retain all amounts required by law due all construction contractors on the project to assure that the project is completed in accordance with the approved plans and specifications.

Section 3. The President and/or Vice President and Secretary and/or Assistant Secretary of the Board of Directors, Murfee Engineering, Inc., the District's attorney and the District's financial advisor, Southwest Securities, are authorized and directed to do any and all things necessary and proper in connection with this application.

Section 4. An original of this Resolution shall constitute an application and request on behalf of the District to the Commission pursuant to Section 49.181, Texas Water Code, for approval of the project described in Section 1(1) and of the bonds described in Section 1(2).

PASSED AND APPROVED this 31st day of July, 2015.



Name: Chet A. Palesko
Title: President

(SEAL)

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon Niermann, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

October 10, 2016

Chet Palesko, President
Senna Hills Municipal Utility District
c/o Willatt & Flickinger, PLLC
12912 Hill Country Boulevard, Suite F-232
Austin, Texas 78738

Bill Flickinger, Attorney
Willatt & Flickinger, PLLC
12912 Hill Country Boulevard, Suite F-232
Austin, Texas 78738

RE: Senna Hills Municipal Utility District of Travis County

This letter is your notice that the Texas Commission on Environmental Quality (TCEQ) executive director (ED) has issued final approval of the above-named application. According to 30 Texas Administrative Code (TAC) Section 50.135 the approval became effective on the date the ED signed the permit or other approval. A copy of the final approval is enclosed and cites the effective date.

You may file a **motion to overturn** with the chief clerk. A motion to overturn is a request for the commission to review the TCEQ executive director's approval of the application. Any motion must explain why the commission should review the TCEQ executive director's action. According to 30 TAC Section 50.139 an action by the ED is not affected by a motion to overturn filed under this section unless expressly ordered by the commission.

A motion to overturn must be received by the chief clerk within 23 days after the date of this letter. An original and 7 copies of a motion must be filed with the chief clerk in person or by mail. The Chief Clerk's mailing address is Office of the Chief Clerk (MC 105), TCEQ, P.O. Box 13087, Austin, Texas 78711-3087. On the same day the motion is transmitted to the chief clerk, please provide copies to Robert Martinez, Environmental Law Division Director (MC 173), and Vic McWherter, Public Interest Counsel (MC 103), both at the same TCEQ address listed above. If a motion is not acted on by the commission within 45 days after the date of this letter, then the motion shall be deemed overruled.

You may also request **judicial review** of the ED's approval. According to Texas Water Code Section 5.351 a person affected by the ED's approval must file a petition appealing the ED's approval in Travis County district court within 30 days after the effective date of the approval. Even if you request judicial review, you still must exhaust your administrative remedies, which includes filing a motion to overturn in accordance with the previous paragraphs.

Individual members of the public may seek further information by calling the TCEQ Public Education Program, toll free, at 1-800-687-4040.

Sincerely,

A handwritten signature in cursive script that reads "Bridget C. Bohac".

Bridget C. Bohac
Chief Clerk

BCB/tm

cc: Vic McWherter, TCEQ Public Interest Counsel (MC 103)

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon Niermann, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

October 10, 2016

Mr. Chet Palesko, President
Senna Hills Municipal Utility District
c/o Willatt & Flickinger, PLLC
12912 Hill Country Boulevard, Suite F-232
Austin, Texas 78738

Re: Issuance of bonds by Senna Hills Municipal Utility District of Travis County (District) in the amount of \$1,105,000 at a maximum net effective interest rate of 4.52%.

Dear Mr. Palesko:

Enclosed are certified copies of an Order of the Texas Commission on Environmental Quality (TCEQ) approving your district's project and the issuance of bonds in the amount of \$1,105,000 at a maximum net effective interest rate of 4.52% to finance the District's project, all being more fully set out in the Order.

Your attention is directed to Texas Water Code Section 54.601, which reads as follows:

At the time bonds payable in whole or in part from taxes are issued, the board shall levy a continuing direct annual ad valorem tax for each year while all or part of the bonds are outstanding on all taxable property within the District in sufficient amount to pay the interest on the bonds as it becomes due and to create a sinking fund for the payment of the principal of the bonds when due or the redemption price at any earlier required redemption date and to pay the expenses of assessing and collecting the taxes.

Based on the projected taxable assessed valuation discussed in the TCEQ memorandum associated with the District's application, we have concluded that initially a tax of at most \$0.37 per \$100 valuation should be levied to pay interest, principal, and the cost of assessing and collecting such taxes. Application of the recommended tax rate should provide sufficient funds to satisfy the average annual debt service requirement of \$821,526.

You should read the enclosed Order carefully. This action is taken under authority delegated by the Executive Director of the TCEQ. Please take particular note of the provision that no substantial alterations in the approved plans and specifications shall be made without prior TCEQ approval. This is a requirement of Texas Water Code Section 49.182.

Mr. Chet Palesko, President

Page 2

A copy of the TCEQ's Order and this letter are being sent to the Attorney General's Office, Public Finance Division, Austin, Texas. Additional copies are being provided to your attorney, engineer, and fiscal agent of record.

Sincerely,



Cari-Michel La Caille, Director
Water Supply Division
Texas Commission on Environmental Quality

CML/ss

Enclosures

cc: Mr. Bill Flickinger
Willatt & Flickinger, PLLC
12912 Hill Country Boulevard, Suite F-232
Austin, Texas 78738

Mr. Robert Ferguson, P.E.
Murfee Engineering Company, Inc.
1101 Capital of Texas Hwy., South, Bldg. D
Austin, Texas 78746

Mr. Douglas A. Whitt
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024

Attorney General's Office
Public Finance Division
PO Box 12548
Austin, Texas 78711

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TRAVIS
I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY
OF A TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
DOCUMENT, WHICH IS FILED IN THE PERMANENT RECORDS

OCT 06 2016

OF THE COMMISSION, GIVEN UNDER MY HAND AND THE
SEAL OF OFFICE ON

Bridget C. Bohac

BRIDGET C. BOHAC, CHIEF CLERK
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AN ORDER APPROVING (1) AN ENGINEERING PROJECT AND THE ISSUANCE OF \$1,105,000 IN UNLIMITED TAX AND REVENUE BONDS AND (2) THE USE OF \$200,000 IN SURPLUS FUNDS FOR SENNA HILLS MUNICIPAL UTILITY DISTRICT OF TRAVIS COUNTY

An application by Senna Hills Municipal Utility District of Travis County (the "District") was presented to the Executive Director of the Texas Commission on Environmental Quality (TCEQ) for consideration of approval pursuant to TEX. WATER CODE §§ 5.122 and 49.181. The District requests approval of an engineering project and issuance of \$1,105,000 in bonds and the use of \$200,000 in surplus funds to finance: upgrade, expansion and rehabilitation of the existing Wastewater Treatment Plant (WWTP). The TCEQ has jurisdiction to consider this matter, and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation.

FINDINGS OF FACT

1. The District filed an application with the TCEQ on July 12, 2016, for approval of a proposed engineering project and the issuance of \$1,105,000 in bonds and the use of \$200,000 in surplus funds.
2. The Executive Director has investigated the District.
3. The application and accompanying documents have been examined. The project site was visited by a member of the Districts Section on August 4, 2016, and a memorandum was prepared on the project dated August 24, 2016, along with addendum no. 1 dated September 27, 2016, copies of which are attached and made a part hereof.
4. The District's project and issuance of \$1,105,000 in bonds at a maximum net effective interest rate of 4.52% to finance the project should be approved.
5. The request for approval to use \$200,000 in surplus funds should be granted.
6. The District should be directed not to expend \$903,400 (\$1,045,750 construction, plus \$57,560 contingencies, less \$200,000 in surplus funds) for upgrade, expansion and rehabilitation at the wastewater treatment plant until the District's board has received plans and specifications approved by all entities with jurisdiction.
7. The District should be advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report.
8. The District should be directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency

line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds.

CONCLUSIONS OF LAW

1. The TCEQ has jurisdiction to consider the engineering report and bond application pursuant to TEX. WATER CODE § 49.181.
2. The Executive Director of the TCEQ has investigated the District, and the TCEQ has found it legally organized and feasible.
3. The Districts Section's memorandum, dated August 24, 2016, along with addendum no. 1 dated September 27, 2016, on this engineering project and bond issue should be adopted as the written TCEQ project report in compliance with TEX. WATER CODE § 49.181(d).

NOW THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Districts Section's memorandum dated August 24, 2016, along with addendum no. 1 dated September 27, 2016, on this engineering project and bond issue is adopted as the written TCEQ project report. Pursuant to TEX. WATER CODE § 49.181, the engineering project for Senna Hills Municipal Utility District of Travis County is hereby approved together with the issuance of \$1,105,000 in bonds at a maximum net effective interest rate of 4.52%. The request for approval to use \$200,000 in surplus funds is granted. The District is directed not to expend \$903,400 (\$1,045,750 construction, plus \$57,560 contingencies, less \$200,000 in surplus funds) for upgrade, expansion and rehabilitation at the wastewater treatment plant until the District's board has received plans and specifications approved by all entities with jurisdiction. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds. The approval of the sale of these bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the TCEQ.

BE IT FURTHER ORDERED that pursuant to TEX. WATER CODE § 5.701, the District shall pay to the TCEQ 0.25% of the principal amount of bonds actually issued not later than the seventh (7th) business day after receipt of the bond proceeds. The fees shall be paid by check payable to the Texas Commission on Environmental Quality.

BE IT FURTHER ORDERED that to enable the TCEQ to carry out the responsibilities imposed by TEX. WATER CODE §§ 49.181-182, the District shall (1) furnish the Districts Section copies of all bond issue project construction documentation outlined under 30 TEX. ADMIN. CODE § 293.62, including detailed progress reports and as-built plans required by TEX. WATER CODE § 49.277(b), which have not already been submitted; (2) notify the Districts Section and obtain approval of the TCEQ for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by TEX. WATER CODE § 49.277(b), that all construction financed with the proceeds from the sale of bonds is completed by the construction contractor according to the plans and specifications contracted.

BE IT FURTHER ORDERED that failure of said District to comply with all applicable laws and with provisions of this Order shall subject the District and its directors to all penalties that are provided by law and shall further be considered by the TCEQ as grounds for refusal to approve other bonds of the District.

The Chief Clerk of the TCEQ is directed to forward the District a copy of this Order.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: October 4, 2016



For the Commission

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Cari-Michel La Caille, Director
Water Supply Division *CML* Date: August 24, 2016

Thru: Tom Glab, P.E., Team Leader
Districts Bond Team *TG*

From: *SS* Sandra Sandoval
Districts Bond Team *8/24/16*

Subject: Senna Hills Municipal Utility District of Travis County; Application for Approval of \$1,105,000 Unlimited Tax and Revenue Bonds, Sixth Issue, 4.52% Net Effective Interest Rate, Series 2016; Pursuant to Texas Water Code Section 49.181; and the use of \$200,000 in Surplus Funds.
TCEQ Internal Control No. D-07122016-013 (TC)
CN: 601362437 RN: 102688959

A. GENERAL INFORMATION

The Texas Commission on Environmental Quality (TCEQ) received an application from the Senna Hills Municipal Utility District of Travis County (District) requesting TCEQ approval of the issuance of \$1,105,000 in unlimited tax and revenue bonds and the use of \$200,000 in surplus funds to finance the following:

1. Upgrade, expansion and rehabilitation of the existing Wastewater Treatment Plant (WWTP).

The District is not proposing to fund new utilities with this bond issue. The District's previous bond issues funded utilities to serve 413 equivalent single-family connections (ESFCs) on 293.34 acres. According to the engineering report, the current District area contains 323.39 acres.

B. ECONOMIC ANALYSIS

Tax Rate Analysis

The financial feasibility of this bond issue is based on existing 410 ESFCs as of July 2016 with a certified January 1, 2016 assessed valuation of \$287,042,706. A market study has not been provided, and is not required since the feasibility of this bond issue is based on no-growth.

According to a Travis Central Appraisal District certificate, the District's January 1, 2016, certified taxable assessed valuation is \$287,042,706. The annual debt service requirement for a proposed bond amount of \$1,105,000 plus existing debt averages \$821,526 for the 21-year life of the District's bond debt. According to the engineering report, the District levied a maintenance tax of \$0.1911 in 2015 and is projecting to levy maintenance tax of \$0.1761 in the future.

The District's financial advisor submitted a cash flow schedule considering the requested \$1,105,000 bond issue, no-growth to an January 1, 2016, estimated taxable assessed valuation of \$292,387,302, no capitalized interest, a bond interest rate of 4.25%, a 3% bond discount, a 95% collection rate, and a projected tax rate of \$0.365 for tax year 2017 reducing to \$0.0305 by tax year 2035, per \$100 assessed

valuation. A TCEQ Districts Section financial analyst has reviewed the financial information submitted and concluded that the following level debt service tax rate would be sufficient.

	<u>Projected Tax Rate</u>
District	
Debt Service	\$0.37 ⁽¹⁾ (2)
Maintenance	<u>\$0.18</u>
Total District Taxes	\$0.55 ⁽³⁾

Notes:

- (1) Based on a net effective interest rate of 4.52%, a 95% collection rate, no-growth to a January 1, 2016, certified taxable assessed valuation of \$287,042,706, and at least a 25% ending debt service fund balance.
- (2) The term "commission-approved tax rate" in 30 Texas Administrative Code (TAC) Section 293.85 refers to an initial ad valorem debt service tax of at most \$0.37 per \$100 assessed valuation.
- (3) Represents the combined projected tax rate as defined by 30 TAC Section 293.59(f).

Additional Financial Comments

The District is exempt from the 75% and 25% build-out requirements of 30 TAC Sections 293.59(l)(4) and 293.59(k)(7), respectively, based on its combined no-growth tax rate of \$0.55 per \$100 AV being less than \$1.20, pursuant to 30 TAC Sections 293.59(l) and 293.59(k)(11)(C).

C. ENGINEERING ANALYSIS

Water Supply

The District's source of water is potable water provided by West Travis County Public Utility Agency (WTCPUA) based on the water sales contract dated March 19, 2012 between Lower Colorado River Authority (LCRA) and WTCPUA. Pursuant to the "Water Services Agreement between Lower Colorado River Authority and Senna Hills Municipal Utility District" (the Agreement) dated September 2, 1994, the District receives raw water from the Lower Colorado River Authority (LCRA). The LCRA acquired the Uplands Company Water Supply System (in 1993) consisting of a 1.8 million gallon per day (MGD) raw water intake and pumping system, two 1,250 gallon per minute (GPM) raw water pumps, a 30-inch diameter raw water transmission main, a 1.8 MGD water treatment plant, treated water storage facilities, and treated water transmission and distribution facilities. The Agreement provides for water capacity up to 907,000 gpd at a peak rate of 630 gpm.

Under LCRA Contract No. 12823 dated January 11, 1993, as amended, the District is able to divert a maximum of 170 acre-feet of raw water per year from Lake Austin. The LCRA has also constructed a loop line to transport water from the water treatment plant to the District boundaries.

The District has two water supply connection points with the LCRA. The connection points are located at the east and west intersections of Senna Hills Boulevard and FM 2244.

The water supply capacity appears adequate to serve the 410 ESFCs upon which the engineering feasibility of this bond issue is based.

Wastewater Treatment

Wastewater treatment for the District is provided by an activated sludge/complete mix wastewater treatment plant (WWTP). Pursuant to the Texas Pollutant Discharge Elimination System Permit No. WQ0013238001 (a no-discharge permit), the District is authorized for an interim discharge of 0.080

MGD, and a final discharge of 0.157 MGD. The District's developer has provided a drainage easement and public utility easement for the irrigation areas required by the permit.

Based on a design factor of 300 gpd/ESFC, the District's existing 0.080 MGD wastewater treatment appears sufficient to serve 266 ESFCs. As indicated in the June 18, 2009 addendum to the December 15, 2008 staff memorandum regarding the District's fourth bond issue, the Commission has approved a reduced flow rate factor of 190 gpd/ESFC based on flow rate data provided. Using the reduced flow rate of 190/ESFC, the proposed 0.08 MGD wastewater treatment capacity is adequate to serve 421 ESFCs. The District is proposing to fund costs associated with expansion of the wastewater treatment plant capacity to 0.10 MGD with this bond issue. The District's existing and proposed capacity appear sufficient to serve the 410 ESFCs upon which the feasibility of this bond issue is based.

Storm Water Drainage

Storm water 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.

Purchase of Existing Facilities / Assumption of Contracts

None

Facilities to be Constructed

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Subject to District Contribution</u>
Wastewater Treatment Plant - upgrade, expansion and rehabilitation	\$1,045,750	\$1,045,750

Approved plans and specifications and various construction contract documents have not been provided.

Inspection

The District was inspected by a member of the TCEQ's Districts Section staff on August 4, 2016. The District appeared as represented in the engineering report. District name signs were properly posted.

D. SUMMARY OF COSTS

<u>Construction Costs</u>	<u>Amount</u> ⁽¹⁾
A. Developer Contribution Items	
None	\$ 0
B. District Items	
1. Wastewater Treatment Plant Expansion	\$ 1,045,750
2. Engineering, Surveying and Review Fees	50,000
3. Contingency (5.26% of item Nos. 1 and 2)	<u>57,650</u>
Total District Items	\$ <u>1,153,400</u>
TOTAL CONSTRUCTION COSTS	\$ 1,153,400
Surplus Operations and Maintenance	(\$200,000) ⁽²⁾
Net Construction Costs	\$ 953,400
<u>Nonconstruction Costs</u>	
A. Legal Fees (2.0%)	\$ 22,100 ⁽³⁾

B. Fiscal Agent Fees (2.0%)	22,100 ⁽⁴⁾
C. Bond Discount (3%)	33,150
D. Bond Issuance Expenses and Contingency	35,382
E. Bond Application Report Costs	35,000
F. Attorney General Fee (0.10% or \$9,500 max.)	1,105
G. TCEQ Bond Issuance Fee (0.25%)	<u>2,763</u>
TOTAL NONCONSTRUCTION COSTS	\$ 151,600
TOTAL BOND ISSUE REQUIREMENT	\$ 1,105,000

Notes:

- (1) The District has requested a waiver of the 30% developer contribution requirement pursuant to 30 TAC Section 293.47.
- (2) Recommended for approval as discussed in special consideration No. 3.
- (3) According to contract provided, legal fees are based on 2% of the bonds issued.
- (4) According to contract provided, fiscal fees are based on 2% of the bonds issued.

E. SPECIAL CONSIDERATIONS

1. 30% Developer Contribution and Market Study Requirement

The District has requested a waiver of the 30% developer contribution and market study requirements associated with this bond issue. Since all of the bond issue projects are exempt from the 30% developer contribution requirement pursuant to 30 TAC Section 293.47(d), and the feasibility of the bond issue is based on no-growth, the District is exempt from the 30% developer contribution and market study requirements, and granting waivers is unnecessary.

2. Delayed Funding

The cost summary includes funds for District projects and/or facilities which are incomplete or proposed and for which approved plans and specifications are not available. Therefore, the District should be directed not to expend these funds until the District's board has received plans and specifications approved by all entities with jurisdiction.

3. Surplus Funds

The District's board resolution requesting approval of the \$1,105,000 bond issue also included a request for TCEQ approval of the use of \$200,000 in surplus funds to finance a portion of the projects. A letter from the District's bookkeeper has been received stating that the District has a surplus funds balance of \$200,000 as of July 12, 2016. Commission staff recommends approval of the requested use of \$200,000 in surplus funds to finance a portion of the projects as presented in the cost summary.

F. CONCLUSIONS

1. Based on \$16,000,000 in unlimited tax and revenue bonds approved by voters and \$14,895,000 previously approved by the TCEQ and issued by the District, the District has sufficient voter-authorized bonds (\$1,105,000) for the proposed bond issue.
2. Based on the review of the engineering report and supporting documents, the bond issue is considered feasible and meets the criteria established by the TCEQ's economic feasibility rules, 30 TAC Section 293.59.

3. The recommendations are made under authority delegated by the Executive Director of the TCEQ.

G. RECOMMENDATIONS

1. Approve the bond issue in the amount of \$1,105,000, in accordance with the recommended summary of costs, at a maximum net effective interest rate of 4.52%.
2. Approve the use of \$200,000 in surplus funds, as shown in the summary of costs.
3. The District should be directed not to expend \$903,400 (\$1,045,750 for construction, plus \$57,560 contingencies, less \$200,000 in surplus funds) for upgrade, expansion, and rehabilitation at the wastewater treatment plant until the District's board has received plans and specifications approved by all entities with jurisdiction.
4. Standard recommendations regarding consultant fees, surplus proceeds, time of approval, and bond proceeds fee apply.

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Cari-Michel La Caille, Director
Water Supply Division *CM 9/27/16*

Date: September 27, 2016

Thru: Tom Glab, P.E., Team Leader
Districts Bond Team *TG 9/27/16*

From: Sandra Sandoval
Districts Bond Team *SS 9/28/16*

Subject: Addendum No. 1 to Memorandum dated August 24, 2016. Subject: "Senna Hills Municipal Utility District of Travis County; Application for Approval of \$1,105,000 Unlimited Tax and Revenue Bonds, Sixth Issue, 4.52% Net Effective Interest Rate, Series 2016; Pursuant to Texas Water Code Section 49.181; and the use of \$200,000 in Surplus Funds."
TCEQ Internal Control No. D-07122016-013 (ADD)
CN: 601362437 RN: 102688959

On September 1, 2016, Senna Hills Municipal Utility District of Travis County (District) commented on the above-referenced memorandum requesting corrections to Section C, regarding the method to which water and wastewater services are provided to the District.

Engineering Analysis (Section C) is revised as follows:

Water Supply

The District's source of water is potable water provided by West Travis County Public Utility Agency (PUA) based on the "First Amendment to Wholesale Water Services Agreement between Lower Colorado River Authority and Senna Hills Municipal Utility District" (Water Sales Contract), dated March 19, 2012. The District receives wholesale potable water service from the PUA under its Water Sales Contract that was assigned from the LCRA to the PUA when the PUA purchased the potable water system. The District purchases raw water through a raw water purchase contract with the LCRA for water in Lake Austin (Colorado River). The raw water is treated and potable water is delivered to the District by the PUA. The raw water sale contract (Firm Water Contract), was amended and replaced with a new contract finally executed on June 22, 2012, between the Lower Colorado River Authority and the Senna Hills MUD. The Water Sales Contract provides for water capacity of 575,000 gallons per day. The amount of water reserved by the PUA for the District is 485 LUEs. According to the PUA, the water treatment plant is presently operating and had a peak day of 14.01 million gallons and average day production of 6.61 million gallons per day (MGD). The rated capacity of the water treatment plant is 20 MGD. The rated capacity is capable of serving 23,148 ESFCs based upon the TCEQ criteria of 0.6 gpm per ESFC. The PUA continues to monitor the plant and distribution systems to meet the needs of the area's growing population and to help improve performance during periods of peak demand.

The water supply capacity appears adequate to serve the 410 ESFCs upon which the engineering feasibility of this bond issue is based.

Wastewater Treatment

Wastewater treatment for the District is provided by a membrane bioreactor (MBR) wastewater treatment plant (WWTP). Pursuant to the Texas Pollutant Discharge Elimination System Permit No. WQ0013238001 (a no-discharge permit), the District is authorized for an interim discharge of 0.080 MGD, and a final discharge of 0.157 MGD. The District's developer has provided a drainage easement and public utility easement for the irrigation areas required by the permit.

Based on a design factor of 300 gpd/ESFC, the District's existing 0.080 MGD wastewater treatment appears sufficient to serve 266 ESFCs. As indicated in the June 18, 2009 addendum to the December 15, 2008 staff memorandum regarding the District's fourth bond issue, the Commission has approved a reduced flow rate factor of 190 gpd/ESFC based on flow rate data provided. Using the reduced flow rate of 190/ESFC, the proposed 0.08 MGD wastewater treatment capacity is adequate to serve 421 ESFCs. The District is proposing to fund costs associated with expansion of the wastewater treatment plant capacity to 0.10 MGD with this bond issue. The District's existing and proposed capacity appear sufficient to serve the 410 ESFCs upon which the feasibility of this bond issue is based.

Austin American-Statesman

statesman.com | austin360.com

NOTICE OF SALE
SENNA HILLS MUNICIPAL UTILITY
DISTRICT
A Political Subdivision of the State
of Texas
located within Travis County

\$1,105,000
UNLIMITED TAX AND WATERWORKS
AND SEWER SYSTEM REVENUE
BONDS

SERIES 2016
Bids Due: Thursday, December 1, 2016
at 10:00 A.M., Central Time

Place and Time of Bid Opening: The bids for the Bonds will be received and publicly viewed at the designated meeting place, Senna Hills Municipal Utility District, law offices of Willatt & Flickinger, PLLC, 12912 Hill Country Blvd., Suite F-232, Austin, Texas 78738 at 10:00 A.M., Central time, on December 1, 2016.

Award of the Bonds: The Board will take action to award the Bonds (or reject all bids) at a special meeting to commence at 11:30 A.M., Central time, on December 1, 2016. Upon awarding the Bonds, the Board will also adopt the resolution authorizing issuance of the Bonds (the "Bond Resolution") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Resolution to which Bond Resolution reference is hereby made for all purposes.

Bids by Internet: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 10:00 A.M., Central time, on December 1, 2016. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and must register with PARITY by 9:00 A.M., Central time, on December 1, 2016 indicating their intent to submit a bid by internet.

Bids by Facsimile: Interested bidders may, at their option and risk, submit their bid by facsimile to Doug Whitt at (214) 279-8683 by 10:00 A.M., Central time, on December 1, 2016. Bidders submitting a bid by facsimile shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile must submit an email message to dwhitt@samcocapital.com by 9:00 A.M., Central time, on December 1, 2016 indicating their intent to submit a bid by facsimile.

Good Faith Deposit: A bank cashier's check, payable to the order of "Senna Hills Municipal Utility District", in the amount of \$22,100, which is 2% of the par value of the Bonds, is required.

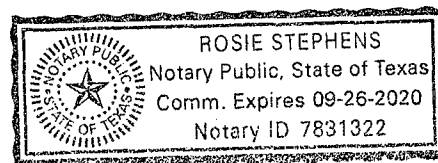
Information: The Bonds are more completely described in the "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form", which may be obtained from the District's Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, Attention: Doug Whitt (214-765-1469). The District reserves the right to reject any and all bids for the Bonds and to waive any and all irregularities, except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by Texas law. The offer to sell Bonds will only be made by means of the "Official Notice of Sale," the "Preliminary Official Statement" and the "Official Bid Form".

Chet Palesko, President
Board of Directors
Senna Hills Municipal Utility District
11-17/2016 #676288

STATE OF TEXAS
COUNTY OF TRAVIS

Before me, the undersigned authority, a Notary Public in and for the County of Travis, State of Texas, on this day personally appeared Alejandro Cado. Advertising Agent of the Austin American-Statesman, a daily newspaper published in said County and State that is generally circulated in Bastrop, Bell, Blanco, Brazos, Burleson, Burnet, Caldwell, Colorado, Comal, Coryell, Fayette, Gillespie, Gonzales, Guadalupe, Hays, Kerr, Lampasas, Lee, Llano, Milam, Nueces, San Saba, Travis, Washington and Williamson Counties, who being duly sworn by me, states that the attached advertisement was published at the lowest published rate for Classified advertising in said newspaper on the following date(s), to wit: SAMCO Capital Markets, Inc., First date of Publication 11/17/2016, Last date of Publication 11/17/2016, Web and print times Published 2, Legal Notices, 1 X 104, and that the attached is a true copy of said advertisement.

Senna Hills MUD
Ad ID: 1322501
Ad Cost: 1,030.64



SWORN AND SUBSCRIBED TO BEFORE ME, on
12/07/2016

Notary Public

SECRETARY'S CERTIFICATE

THE STATE OF TEXAS

COUNTY OF TRAVIS

SENNA HILLS MUNICIPAL UTILITY DISTRICT

§
§
§

The undersigned officer of the Board of Directors of SENNA HILLS MUNICIPAL UTILITY DISTRICT, hereby certifies as follows:

1. The Board of Directors of said District convened at a SPECIAL MEETING, on the 1st day of December, 2016, at 12912 Hill County Blvd., Suite F-232, Austin, Texas 78738 and the roll was called of the duly constituted officers and members of said Board, to-wit:

- Chet Palesko - President
- David Perl - Vice President
- Lisa McKenzie - Secretary
- Corey Newhouse - Assistant Secretary
- Joseph Szoo - Assistant Secretary

and all said persons were present, except Joseph Szoo, thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting;

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

was duly introduced for the consideration of the Board. It was then duly moved and seconded that said Resolution be passed; and, after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: 4

NOES: 0

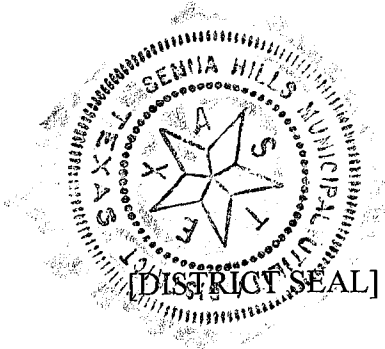
2. That a true, full, and correct copy of the aforesaid Resolution passed at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said Resolution has been duly recorded in said Board's minutes of said meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said meeting pertaining to the passage of said Resolution; that the persons named in the above and foregoing paragraphs are duly chosen, qualified, and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that said Resolution would be introduced and considered for passage at said meeting, and each of said officers and members consented, in advance, to the holding of

said meeting for such purpose; that said meeting was open to the public as required by law; and that public notice of the time, place, and subject of said meeting was given as required by Chapter 551, Government Code, and Sec. 49.063, Water Code.

[Execution page follows.]

SIGNED AND SEALED the 1st day of December, 2016.

By: *Lois S. McKee*
Secretary, Board of Directors
Senna Hills Municipal Utility District



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

THE STATE OF TEXAS

§

COUNTY OF TRAVIS

§

SENNA HILLS MUNICIPAL UTILITY DISTRICT

§

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

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

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

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

WHEREAS, the City has approved the issuance of the Bonds by Resolution No. 20161020-007, dated October 20, 2016 in accordance with the Consent Agreement; and

WHEREAS, the TCEQ has approved the issuance by the District of \$1,105,000 principal amount of bonds upon the terms and conditions as outlined in the TCEQ’s Order dated October 10, 2016 (the “TCEQ Order”); and

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

WHEREAS, the District now deems it necessary and advisable at this time to issue \$1,105,000 of bonds for improvements to the District’s waterworks, sewer and drainage systems, leaving no additional bonds authorized by the Confirmation Election.

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

Section 1. INCORPORATION OF RECITALS. The Board hereby incorporates the recitals set forth in the preamble hereto as if set forth in full at this place and further finds and determines that the recitals are true and correct.

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

“Additional Bonds” shall mean the additional parity bonds which the District reserves the right to issue and deliver in the future as provided by this Resolution.

“Bonds” shall mean and include collectively the bonds initially issued and delivered pursuant to this Resolution and all substitute bonds and bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term “Bond” shall mean any of the Bonds.

“Bond Resolution” or “Resolution” shall mean this Resolution of the Board authorizing the issuance of the Bonds.

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

“Defeasance Securities” means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

“Interest and Sinking Fund” shall have the meaning set forth in Section 8.

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

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

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

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

“Series 2010 Bonds” shall mean the District’s Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010.

“Series 2014 Bonds” shall mean the District’s Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2014.

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

“TCEQ” shall mean the Texas Commission on Environmental Quality and any successor thereto.

“TCEQ Order” shall mean the Order of the TCEQ dated as of October 10, 2016 approving the issuance of the Bonds.

Section 3. AMOUNT AND PURPOSE OF THE BONDS. The Bonds of the District are hereby authorized to be issued and delivered in the aggregate principal amount of \$1,105,000 for the purpose or purposes authorized by the Confirmation Election and the TCEQ Orders including (a) planning, design, construction, expansion and acquisition of water, wastewater, drainage and water quality facilities and (b) certain costs associated with the issuance of the Bonds.

Section 4. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, PRIOR REDEMPTION AND MATURITIES OF BONDS. Each Bond issued pursuant to this Resolution shall be designated: “SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016” and initially there shall be issued, sold and delivered hereunder fully registered Bonds, without interest coupons, with the Bonds being dated December 1, 2016 in the respective denominations and principal amounts hereinafter stated, being numbered consecutively from R-1 upward (except the initial Bond delivered to the Attorney General of the State of Texas which shall be numbered T-1), payable to the respective initial registered owners thereof (as designated in Section 23 hereof), or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the “Registered Owner”), subject to redemption prior to their stated maturity as provided in the FORM OF BOND, attached to this Resolution as Exhibit A, and, unless redeemed prior to their respective maturities as provided in the FORM OF BOND, the Bonds shall mature and be payable serially on August 15 in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>
2018	\$45,000
2019	45,000
2020	45,000
2021	45,000
2022	50,000
2023	50,000
2024	50,000
2025	55,000
2026	55,000
***	***
2028	115,000
***	***
2030	125,000
***	***
2033	200,000
***	***
2036	225,000

Section 5. INTEREST. The Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BOND attached to this Resolution as Exhibit A to their respective dates of maturity or earlier redemption at the following rates per annum:

<u>YEAR OF MATURITY</u>	<u>RATE</u>
2018	3.000%
2019	3.000%
2020	3.000%
2021	3.000%
2022	3.000%
2023	3.000%
2024	3.250%
2025	3.375%
2026	3.500%
***	***
2028	3.250%
***	***
2030	3.500%
***	***
2033	3.750%
***	***
2036	4.000%

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

Section 6. CHARACTERISTICS OF THE BONDS.

(a) Registration, Transfer, Conversion and Exchange; Authentication. The District shall keep or cause to be kept at the designated office for payment of BOKF, NA, Austin, Texas (the "Paying Agent/Registrar") in Austin, Texas, books or records for the registration of the transfer, conversion and exchange of the Bonds (the "Registration Books"), and the District hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the District and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Bonds shall be made within three business days after request and presentation thereof. The District shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise

required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds shall be paid as provided in the FORM OF BOND attached to this Resolution as Exhibit A. Registration or assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND attached to this Resolution as Exhibit A. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the Board or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and the Bonds shall be of typewritten, photocopied, printed, lithographed, engraved or produced in any other similar manner, all as determined by the officers executing such Bond as evidenced by their execution thereof. Pursuant to Chapter 1201 of the Texas Government Code, as amended, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

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

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed, sealed, executed and authenticated, (vi) shall be payable as to the principal of and interest, (vii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar at least 30 calendar days prior to any such redemption date), and (viii) shall be administered, and

the Paying Agent/Registrar and the District shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND attached to this Resolution as Exhibit A. The Bonds initially issued and delivered pursuant to this Resolution are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Resolution the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

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

(e) Book-Entry-Only System. The Bonds issued in exchange for the Bonds initially issued as provided in Section 4 shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC") and except as provided in subsection (f) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants (the "DTC Participant") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the

delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any person, other than a Registered Owner, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, but to the extent permitted by law, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal of and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bonds, and for all other purposes of registering transfers with respect to such Bonds, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the District to make payments of principal, and interest pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks being mailed to the Registered Owner at the close of business on the Record Date the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(f) Successor Securities Depository; Transfer Outside-Book-Entry-Only System. In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Resolution.

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

(h) Initial Bond. The Bonds herein authorized shall be initially issued as a fully registered Bond, being one Bond, and the initial Bond shall be registered in the name of the initial purchaser or the designees thereof. The Initial Bond shall be the Bond submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the

Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser. Immediately after the delivery of the Initial Bond on the closing date, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor Bonds in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC and except as provided in this Section 6, all of the outstanding Bonds shall be registered in the name of Cede & Co., and nominee of DTC.

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

Section 7. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bond initially issued and delivered pursuant to this Resolution, shall be, respectively, substantially in the form set forth in Exhibit A hereto, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

Section 8. FUNDS. The creation of the following special funds is hereby confirmed and ratified and such funds shall be maintained by a depository bank of the District, so long as any of the Parity Bonds, or interest thereon, are outstanding and unpaid.

(a) The Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer Revenue Bonds Revenue Fund, hereinafter called the "Revenue Fund."

(b) The Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund."

Section 9. TAX LEVY.

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

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

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

Section 10. PLEDGE. The Bonds, together with all outstanding Parity Bonds, and all interest thereon, are and shall be payable from and secured by the levy of sufficient ad valorem taxes, upon all taxable property within said District, without limit as to rate or amount, and are further secured by an irrevocable lien on and pledge of the Net Revenues. Said Net Revenues are further pledged irrevocably to the establishment and maintenance of the funds as hereinafter provided.

Section 11. RATES. The District covenants and agrees with the holders of the Bonds and all other Parity Bonds, as follows:

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

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

Section 12. REVENUE FUND. All gross revenues of every nature received from the operation and ownership of the System shall be deposited from day to day as collected into the Revenue Fund, and the reasonable, necessary and proper expenses of operation and maintenance of the System shall be paid from the Revenue Fund. The revenues of the System not actually required to pay said expenses shall be deposited from the Revenue Fund into the Interest and Sinking Fund and such other funds to the extent provided by this Resolution.

Section 13. INTEREST AND SINKING FUND. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the District, and shall be used only for paying the interest on and principal of the Bonds and all other Parity Bonds, the

expenses of assessing and collecting such tax, and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds and all other Parity Bonds. There shall be deposited into the Interest and Sinking Fund the following:

(a) Such amounts, beginning on the 20th day of each month 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 and all other Parity Bonds on the next interest payment date; and

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

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

Section 14. DEFICIENCIES IN FUNDS. If, in any month, the District shall fail to deposit into any fund created by his Resolution the full amounts required, amounts equivalent to such deficiencies shall be set apart and paid into said funds from the first available and unallocated taxes and/or Net Revenues for the following month or months and such payments shall be in addition to the amounts otherwise required to be paid into said funds during such month or months. To the extent necessary, the District shall increase the rates and charges for services of the System to make up for any such deficiencies.

Section 15. EXCESS REVENUES. Net Revenues, in excess of those necessary to establish and maintain the funds as required in this Resolution, or as hereafter may be required in connection with the issuance of Additional Bonds, may be used for any lawful purpose.

Section 16. SECURITY FOR FUNDS. All funds created by this 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 this Resolution.

Section 17. ADDITIONAL BONDS, SPECIAL PROJECT BONDS AND REFUNDING BONDS. The District expressly reserves and shall hereafter have the right to issue in one or more installments such other combination unlimited tax and revenue bonds as were authorized at the Confirmation Election and as may hereafter be authorized at subsequent elections. Such bonds may be payable from and equally secured by a pledge of and lien on the Net Revenues of the System to the same extent as pledged and in all things on a parity with the lien of these bonds.

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

(a) Additional Revenue Bonds. The District expressly reserved the right to issue additional bonds payable solely from Net Revenues of the System, as set forth above, for the purpose of completing, repairing, improving, extending, enlarging or replacing the System, and such bonds may be payable from and equally secured by a lien on and pledge of said net

revenues on a parity with the pledge thereof for these Bonds. Provided, however, that before the District can issue additional parity bonds payable solely from the revenues of the District's System, an independent certified public accountant shall certify that the Net Revenues of the District's system for the previous fiscal year have been equal to at least 1.25 times the average annual requirements for principal and interest of the then outstanding bonds of the District payable in whole or in part from the net revenues of the District's system, and a registered professional engineer shall certify that the anticipated Net Revenues of the District's system will equal at least 1.50 times the average annual requirements for payment of the then outstanding bonds of the District payable in whole or in part from the revenues of the District's system plus the additional bonds proposed to be issued; however, such certificates shall not be required for the issuance of additional bonds payable solely from ad valorem taxes or for additional bonds payable from both ad valorem taxes and net revenues of the District's system.

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

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

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

Section 18. MAINTENANCE AND OPERATION; INSURANCE. While any of the Parity Bonds are outstanding, the District covenants and agrees to maintain the System in good condition and operate the same in an efficient manner and at reasonable expense, and to maintain insurance on the System, for the benefit of the holder or holders of said bonds, of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business and which will insure the District against claims for which it can be liable under the Texas Tort Claims Act, or any amendment thereof, or any similar law.

Section 19. PERFECTION. Chapter 1208 of the Texas Government Code applies to the issuance of the Bonds and the pledge of the ad valorem taxes and Net Revenues granted by this Resolution, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of taxes and Net Revenues granted by the District under Section 10 of this Resolution is to be subject to the filing requirements of Chapter 9 of the Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary

under Texas law to comply with the applicable provisions of Chapter 9 of the Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 20. DEFEASANCE OF BONDS.

(a) Any Bond and interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in sections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or an eligible trust company or commercial bank made by the District with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeased Securities.

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

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

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

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

Section 21. INVESTMENT OF FUNDS. The Board may place money in any fund created by this Resolution in time or demand deposits or invest such moneys as authorized by law at the time of such deposit. The District hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued. Obligations purchased as an investment of money in any fund shall be deemed to be a part of such fund. Except as otherwise provided by law or by this Resolution, amounts received from the investment of any money in any fund created by this Resolution, except the Interest and Sinking Fund, which shall be applied as set forth in Section 9 of this Resolution, may be placed into any fund of the District as determined by the Board. All funds created by this Resolution shall be secured in the manner and to the fullest extent required by law for the security of funds of the District.

Section 22. APPLICATION OF BOND PROCEEDS. Proceeds from the sale of the Bonds will be disbursed in accordance with the TCEQ Order for the purposes set forth in Section 3 of this Resolution. Any surplus bond proceeds after completion of the projects authorized in the TCEQ Order, shall be used in accordance with the TCEQ rules and in conformance with the Confirmation Election. Interest earnings derived from the investment of proceeds from the sale of the Bonds deposited shall be used for the purpose for which the Bonds are issued; provided that after completion of the purposes set forth in Section 3 of this Resolution any interest earnings remaining on hand shall be deposited in the Interest and Sinking Fund or used to pay any rebate in accordance with Section 24 of this Resolution.

Section 23. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED. The President of the Board is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller

shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the District's Bond Counsel and the assigned CUSIP numbers may, at the option of the District, be printed on the Bonds issued and delivered under this Resolution, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if a municipal bond insurance policy is obtained, the Bonds may bear an appropriate legend as provided by the such bond insurer.

Section 24. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.

(a) Definitions. When used in this Section 24, the terms listed below shall have the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

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

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

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

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

- (1) Stock: a share of stock in a corporation or a right to subscribe for or to receive such a share;
- (2) Debt: any indebtedness or evidence thereof, including without limitation United States Treasury bonds, notes, and bills (whether or not of the State and Local Government Series) and bank deposits (whether or not certificated or interest bearing or made pursuant to a depository contract);
- (3) Annuities and Deferred Payments: any annuity contract, or any other deferred payment contract acquired to fund an obligation of the District; or
- (4) Other Property: any other investment-type property.

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

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

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

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

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

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

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

“Taxable Investment” means any Investment other than:

- (1) Non-AMT Tax Exempt Obligations: an obligation the interest on which is excluded from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes (or, when such obligation was issued, was purported by the evidence of such obligation to be so excluded) and which is not a preference item, as defined in section 57 of the Code;
- (2) Tax Exempt Mutual Funds: an interest in a regulated investment company to the extent that at least 95% of the income to the holders of such interest is interest that is excludable from gross income under section 103(a) of the Code;
- (3) Demand SLGS: one-day certificates of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program described in 31 C.F.R. part 344, if the District in good faith attempts to comply with all the requirements of such program relating to the investment of Gross Proceeds; and
- (4) Exempt Temporary Investments: Taxable Investments which are held for the credit of the 2015 Debt Service Fund.

“Yield” of:

- (1) Taxable Investments: Taxable Investments to any date means the actuarial “yield” of all such Taxable Investments on or before such date as “yield” is defined in section 1.148-5(b) of the Regulations; and
- (2) Bonds: Any series of bonds means the actuarial “yield” of such Bonds, as defined in section 1.148-4 of the Regulations, and for the Bonds shall be specified in a certificate executed by an officer of the Board on the Issue Date.

(b) Not to Cause Interest to Become Taxable. The District shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property acquired, constructed, or improved with Gross Proceeds) in a manner which, if made or omitted, respectively, (or take or omit to take any other action which if taken or omitted, respectively), would cause interest on any Bond to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes. The District shall adopt and comply with the provisions of such amendments hereof and supplements hereto as may, in the opinion of nationally recognized bond counsel, be necessary to preserve or perfect such

exclusion. Without limiting the generality of the foregoing, the District shall comply with each of the specific covenants in this Section at all times prior to the last maturity of the Bonds, unless and until the District shall have received a written opinion of nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the excludability of interest on any Bond from the gross income of the owner thereof for federal income tax purposes, and thereafter such covenant shall no longer be binding upon the District to the extent described in such opinion, anything in any other Subsection of this Section to the contrary notwithstanding.

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

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

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

- (u) Sale or Lease: it is sold or otherwise disposed of, or leased, to such Person;
- (v) Management Contract: it is operated, managed, or otherwise physically employed, utilized, or consumed by such Person, excluding operation or management pursuant to an agreement which meets the conditions described in I.R.S. Rev. Proc. 97-13, as modified by Notice 2014-67;
- (w) Capacity, Output, or Service Commitment: capacity in or output or service from such property is reserved or committed to such Person under a take-or-pay, output, incentive payment, or similar contract or arrangement;
- (x) Preferential Service: such property is used to provide service to (or such service is committed to or reserved for) such Person on a basis or terms which (except possibly for the amount of use and any

corresponding rate adjustment) are different from the basis or terms on which such service is provided (or committed or reserved) to members of the public generally;

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

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

(d) No Private Loan. The District shall not use Gross Proceeds to make or finance loans to any Person other than a state or local government, excluding loans consisting of temporary investments of Gross Proceeds pending application of such Gross Proceeds for their intended purposes. For purposes of this Subsection 22(d), Gross Proceeds are considered to be “loaned” to a Person if (1) property acquired, constructed, or improved with Gross Proceeds is sold or leased to such Person in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such Person under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of Gross Proceeds or such property are otherwise transferred to such Person in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. The District shall not, at any time prior to the final maturity of the Bonds, directly or indirectly invest Gross Proceeds in any Taxable Investment (or use Gross Proceeds to replace money so invested), if, as a result of such investment, the Yield of all Taxable Investments acquired with (or representing an investment of) Gross Proceeds (or money replaced thereby), whether then held or previously disposed of, to the date of such investment exceeds the Yield of the Bonds. Notwithstanding the foregoing, however, the following Investments shall be excluded from the limitation described in this Subsection 22(e):

- (1) Three-year Period for Certain Sale Proceeds: Taxable Investments acquired with (or representing an investment of) Net Sale Proceeds of the Bonds or earnings from the investment thereof;
- (2) 2016 Debt Service Fund Deposits: Taxable Investments acquired with (or representing an investment of) amounts held for the credit of the Debt Service Fund for the payment of the debt service on the Bonds during the then current

bond year (the “2016 Debt Service Fund”), but only during the first 13 months after the date of deposit of such amounts to the 2016 Debt Service Fund;

- (3) Debt Service Fund Deposits: Taxable Investments acquired with (or representing an investment of) amounts held for the credit of the 2016 Debt Service Fund in excess of the amounts held for the credit of the 2016 Debt Service Fund to the extent such Taxable Investments are held during the first 30 days after the date of deposit of such amounts to the 2016 Debt Service Fund or, if held more than 30 days after deposit, do not exceed 10% of the stated principal amount of the Bonds; and
- (4) Other Investments: any other Taxable Investments acquired with (or representing an investment of) Gross Proceeds described in Clause (3) of the definition thereof, to the extent the aggregate amount of Gross Proceeds invested in such Taxable Investments does not exceed the lesser of \$100,000 or 5% of the proceeds from sale of the Bonds.

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

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

- (1) Certain Temporary Investments: Investments described in Subsections (e)(1), (e)(2), and (e)(3) of this Section, whether or not federally-guaranteed or federally-insured, to the extent such Investments are held during the period described in such Subsection;
- (2) Treasury Investments: Investments issued by the United States Treasury; and
- (3) Investments Permitted by Regulations: Any other Investments permitted by regulations of the United States Department of Treasury issued under section 149(b)(3)(B)(v) of the Code.

(g) Not to Divert Arbitrage Profits. Prior to the final maturity of the Bonds, the District shall not at any time invest proceeds from the sale of the Bonds (or any earnings from

the investment thereof) or amounts held for the credit of the Debt Service Fund in any Investment purchased at other than an arm's length price or for which there is not an established market at the time of investment, except possibly for Investments described in Subsection (e)(2) of this Section to the extent such Investments are acquired and mature or are disposed of during the period described in such Subsection.

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

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

- (1) the District reasonably expects that at least 85% of the Net Sale Proceeds of the Bonds will be used to carry out the governmental purposes of the Bonds within three years from the date each series of the Bonds was issued, and
- (2) not more than 50% of the Proceeds of the Bonds will be invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed Yield for four years or more.

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

- (1) The District shall account for all Gross Proceeds (including all receipts and expenditures thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and shall maintain all records of such accounting with the transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of the Bonds with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
- (2) Not less frequently than each Computation Date, the District shall either (i) cause to be calculated by a nationally recognized accounting or financial advisory firm or (ii) calculate and cause its calculations to be verified by a nationally recognized accounting or financial advisory firm, in either case in accordance with rules set forth in section 148(f) of the Code and section 1.148-3 of the Regulations and rulings thereunder, the Rebate Amount with respect to the Bonds. The District shall maintain such calculations with the official transcript of the proceedings relating to the issuance of the Bonds until four years after the final Computation Date;

- (3) As additional consideration for the purchase of the Bonds by the Purchaser and the loan of money represented thereby, and in order to induce such purchase by measures designed to preserve the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the District shall remit to the United States the amount described in paragraph (2) above and the amount described in paragraph (4) below, at the times, in the installments, to the place, in the manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder; and
- (4) The District shall exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (2) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by section 1.148-3(h) of the Regulations.

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

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

Section 25. SALE OF BONDS. The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to Northland Securities (the "Purchaser") at a price of 97.000855% of the par amount (\$1,071,859.45). It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable and the Purchaser's sealed bid produced the lowest net effective interest rate to the District as required by Section 49.183, Texas Water Code. The Initial Bond shall be registered in the name of the Purchaser.

Section 26. GENERAL COVENANTS OF THE DISTRICT. The District covenants and represents that:

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

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

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

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

(e) It will levy an ad valorem tax that will be sufficient to provide funds to pay the interest on the Bonds and to provide the necessary sinking fund, all as described in Section 9 of this Resolution.

(f) It shall keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year. Such audit shall be in accordance with applicable law, rules, and regulations in effect from time to time, including particularly Section 49.191 et seq. of the Texas Water Code, as amended, and the Water District Accounting Manual adopted by the TCEQ. A copy of such audit shall be filed in the office of the District and shall be open to inspect by any interested person during normal office hours. The District shall allow any holder or holders of not less than 25% in principal amount of the bonds then outstanding to inspect the District's facilities and all records, accounts, and data of the District relating thereto at all reasonable times and shall furnish a copy of such audit report to any such holder or holders upon payment to the District of the charge therefor as prescribed by law.

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

(h) So long as any of the Bonds or any other Parity Bonds remain outstanding, the District covenants that it will at all times maintain its facilities or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same,

or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound management principles. In operating and maintaining the District's facilities, the District will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body having jurisdiction over the District.

Section 27. REMEDIES OF REGISTERED OWNERS. In addition to all rights and remedies of any registered owner of the Bonds provided by the laws of the State of Texas, the District and the Board covenant and agree that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make the payments required by this Resolution to be made into the Interest and Sinking Fund, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in this Resolution, the registered owner of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board and other officers of the District to observe and perform any covenant, obligation, or condition prescribed in this Resolution. No delay or omission by any registered owner upon default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies mentioned in this Resolution shall be available to the registered owners of the Bonds as provided herein and shall be cumulative of all other existing remedies.

Section 28. APPROVAL OF OFFERING DOCUMENTS. An "Official Notice of Sale," and "Official Bid Form," and a "Preliminary Official Statement," dated November 18, 2016, were prepared and distributed in connection with the sale of the Bonds together with the Final Official Statement dated December 1, 2016 (said documents are hereinafter referred to as the "Offering Documents"). Said Offering Documents, and any addenda, supplement, or amendment thereto, are hereby approved by the Board, and their use in the offer and sale of the Bonds is hereby approved. It is further hereby officially found, determined and declared that the statements and representations contained in the Preliminary Official Statement and final Official Statement are true and correct in all material respects, to the best knowledge and belief of the Board, and that, as of the date thereof the Preliminary Official Statement was an official statement of the District with respect to the Bonds that was deemed "final" by an authorized official of the District, except for the omission of no more than the information permitted by the Rule.

Section 29. DAMAGED, MUTILATED, LOST, STOLEN OR DESTROYED BONDS.

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

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the

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

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Subchapter B of Chapter 1206 of the Texas Government Code, as amended, this Section of this Resolution shall constitute authority for the issuance of any such replacement Bond without necessity of further action by the governing body of the District or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(a) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 30. ORDER A CONTRACT. The District acknowledges that the covenants and obligations of the District herein contained are a material inducement to the purchase of the Bonds. This Resolution shall constitute a contract with the holders of the Bonds from time to time, binding on the District and its successors and assigns, and shall not be amended or repealed by the District so long as any Bond remains outstanding except as permitted in Section 34.

Section 31. PARTIES INTEREST HEREIN. Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the District shall be for the sole and exclusive benefit of the District and the registered owners of the Bonds.

Section 32. OPEN MEETING. It is hereby officially found and determined that the meeting at which this Resolution is adopted, was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551 of the Texas Government Code, as amended and Section 49.064 of the Texas Water Code, as amended.

Section 33. APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT. The Paying Agent/Registrar Agreement by and between the District and BOKF, NA, Austin, Texas (“Paying Agent Agreement”), in substantially the form and substance presented with this Resolution is hereby approved and the President or Vice President is hereby authorized and directed to complete, amend, modify and execute the Paying Agent Agreement, as necessary, and the Secretary or Assistant Secretary is authorized and directed to attest such agreement.

Section 34. AMENDMENTS.

(a) Amendment with Consent of Owners of 51% of Bonds. The owners of 51% in aggregate principal amount of then outstanding Bonds shall have the right from time to time to approve any amendments to this Bond Resolution which may be deemed necessary or desirable by the District; provided however, that, other than as permitted by subsection (f) of this Section 34, nothing herein contained shall permit or be construed to permit the amendment, without the consent of the owner of each of the outstanding Bonds affected thereby, of the terms and conditions of this Bond Resolution or the Bonds so as to:

- (i) change debt service requirements, interest payment dates or the maturity or maturities of the outstanding Bonds;
- (ii) reduce the rate of interest borne by any of the outstanding Bonds;
- (iii) reduce the amount of the principal of, redemption premium, if any, or interest on the outstanding Bonds or impose any conditions with respect to such payments;
- (iv) modify the terms of payment of principal of, redemption premium, if any, or interest on the outstanding Bonds, or impose any conditions with respect to such payments;
- (v) affect the right of the Registered Owners of less than all of the Bonds then outstanding; or
- (vi) decrease the minimum percentage of the principal amount of Bonds necessary for consent to any such amendment.

(b) Notice of Amendment. If at any time the District shall desire to amend this Bond Resolution and such amendment requires notice, the District may cause a written notice of the proposed amendment to be published at least once on a business day in a financial newspaper, journal, or publication of general circulation in the City of New York, New York, or in the State of Texas. If, because of temporary or permanent suspension of the publication or general circulation of all such newspapers, journals, or publications, it is impossible or impractical to publish such notice in the manner provided herein, then such publication in lieu thereof as shall

be made by the Registrar shall constitute a sufficient publication of notice. In addition to such publication, the Registrar shall cause a written notice of the proposed amendment to be given by registered or certified mail to Registered Owners of the Bonds as shown on the Registration Books maintained by the Registrar; provided, however, that failure to receive such written notice of the proposed amendment, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding in connection with, or the adoption of, such amendment. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file in the principal office of the Registrar for inspection by all Registered Owners of Bonds.

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

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

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

(f) Amendments Without Consent. Notwithstanding the provisions of (a) through (e) of this Section, and without notice of the proposed amendment and without the consent of the Registered Owners, the District may, at any time, amend this Bond Resolution to cure any ambiguity or to cure, correct, or supplement any defective or inconsistent provision contained therein, or to make any other change that does not in any respect materially and adversely affect the interest of the Registered Owners, provided that no such amendment shall be made contrary to the provision of Section 34(a), and a duly certified or executed copy of each such amendment shall be filed with the Registrar.

Section 35. DISTRICT'S SUCCESSORS AND ASSIGNS. Whenever in this Bond Resolution the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Bond Resolution by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

Section 36. NO RECOURSE AGAINST DISTRICT OFFICERS OR DIRECTORS. No recourse shall be made for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Bond Resolution against any officer or director of the District or any person executing the Bonds.

Section 37. PAYING AGENT/REGISTRAR. The Paying Agent/Registrar shall act as agent for the payment of principal of and interest on the Bonds and shall maintain the Register for the Bonds, all in accordance with the terms of this Bond Resolution. If the Paying Agent/Registrar or its successors becomes unable for any reason to act as Paying Agent/Registrar hereunder, or if the Board determines that a successor Paying Agent/Registrar should be appointed, a successor Paying Agent/Registrar shall be selected by the District. Any successor Paying Agent/Registrar shall be either a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Section 38. PAYING AGENT/REGISTRAR MAY OWN BONDS. The Paying Agent/Registrar, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not Registrar.

Section 39. BENEFITS OF ORDER PROVISIONS. Nothing in this Bond Resolution or in the Bonds, expressed or implied, shall give or be construed to give any person, firm or corporation, other than the District, the Registrar, and the Registered Owners, any legal or equitable right or claim under or in respect to this Bond Resolution, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Bond Resolution or in the Bonds being for the sole benefit of the District, the Registrar, and the Registered Owners.

Section 40. UNAVAILABILITY OF AUTHORIZED PUBLICATION. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Bond Resolution shall be given in such other manner and at such time or times as in the judgment of the District shall most effectively approximate such required publication, and the giving of such notice in such manner shall for all purposes of this Bond Resolution be deemed to be in compliance with the requirements for publication thereof.

Section 41. SEVERABILITY CLAUSE. If any word, phrase, clause, sentence, paragraph, section, or other part of this Bond Resolution, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Bond Resolution and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Bond Resolution to any other persons or circumstances shall not be affected thereby.

Section 42. FURTHER PROCEEDINGS. The President and Secretary of the Board and other appropriate officials of the District are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Bond Resolution.

Section 43. CONTINUING DISCLOSURE UNDERTAKING. The District makes the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”) through its electronic municipal market access system. Information will be available free of charge by MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

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

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

(b) The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) consummation of a merger, consideration or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definite agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (6)

tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

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

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

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

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

extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

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

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

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

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

The provisions of this Section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized co-bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the District

so amends the provisions of this Section, the District shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

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

Section 44. PAYMENT OF ATTORNEY GENERAL FEE. The District hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of the Bonds or (ii) \$9,500, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. The appropriate member of the District's staff is hereby instructed to take the necessary measures to make this payment. The District is also authorized to reimburse the appropriate District funds for such payment from proceeds of the Bonds.

[Execution page follows.]

ADOPTED this 1st day of December, 2016

By: Cliff Paul
President, Board of Directors

ATTEST:

Lois M Keyie
Secretary, Board of Directors

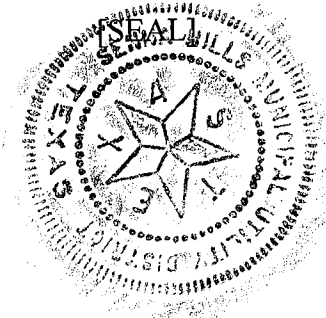


EXHIBIT "A"

FORM OF BOND

**UNITED STATES OF AMERICA
STATE OF TEXAS**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS,
SERIES 2016**

NO. R **PRINCIPAL
AMOUNT**
\$ _____

**INTEREST
RATE** **DATED DATE** **MATURITY
DATE** **CUSIP
NO.**

December 1, 2016

REGISTERED OWNER:

PRINCIPAL AMOUNT:

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

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this

Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity at the designated office for payment of BOKF, NA (the "Paying Agent/Registrar") in Austin, Texas. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required by the order authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on or before each such interest payment date, to the registered owner hereof, at its address on the close of business on the fifteenth calendar day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if any when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 calendar days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner as it appears on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

THIS BOND is one of a series of Bonds dated as of December 1, 2016 and authorized to be issued pursuant to the Bond Resolution adopted by the Board in the principal amount of \$1,105,000 for the purpose or purposes authorized by the Confirmation Election including (a) planning, design, construction, expansion and acquisition of water, wastewater, drainage and water quality facilities and (b) certain costs associated with the issuance of the Bonds. The Bonds are issued under the authority of the constitution and laws of the State of Texas, including

particularly Chapters 49 and 54 of the Texas Water Code, as amended; the bond election and an order issued by the Texas Commission on Environmental Quality.

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

THE BONDS MATURING ON AUGUST 15 in the years 2028, 2030, 2033 and 2036 (the "Term Bonds") are subject to mandatory sinking fund redemption by lot prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date on the respective dates and in principal amounts as follows:

Term Bond Maturing on August 15, 2028

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2027	\$55,000
August 15, 2028*	60,000

*Stated Maturity

Term Bond Maturing on August 15, 2030

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2029	\$60,000
August 15, 2030*	65,000

*Stated Maturity

Term Bond Maturing on August 15, 2033

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2031	\$65,000
August 15, 2032	65,000
August 15, 2033*	70,000

*Stated Maturity

Term Bond Maturing on August 15, 2036

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2034	\$70,000
August 15, 2035	75,000
August 15, 2036*	80,000

*Stated Maturity

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

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

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

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

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

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

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

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

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

THE BONDS are payable (until all the territory within the District is annexed, all properties and assets of the District are taken over, and all debts, liabilities and obligations of the District, including the Bonds, are assumed by one or more cities and the District is abolished pursuant to existing Texas law) from the proceeds of an ad valorem tax levied without legal limitation as to rate or amount, levied upon all taxable property within the District and by a pledge of and lien on the Net Revenues of the District's System (as such terms are defined in the Resolution). Reference is hereby made to the Resolution for a complete description of the terms, covenants and provisions pursuant to which the Bond are secured and made payable, the respective rights thereunder of the registered owners of the Bonds and of the District and the Paying Agent/Registrar; and the terms upon which the Bonds are, and are to be, registered and delivered.

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

THE DISTRICT EXPRESSLY RESERVES THE RIGHT to issue additional bonds payable from taxes and also secured by a pledge of and lien on the Net Revenues to be derived from the operation of the District's System. Said additional tax and revenue bonds may be in all respects on a parity and of equal dignity with the Bonds.

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

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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular and due time, form, and manner, as required by law; that

provision has been made for the payment of the principal of and interest on the Bonds by the levy of a continuing, direct annual ad valorem tax upon all taxable property within the District; and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In the event that any provisions herein contained do or would, presently or prospectively, operate to make any part hereof void or voidable, such provisions shall be without effect or prejudice to the remaining provisions hereof, which shall nevertheless remain operative, and such violative provisions, if any, shall be reformed by a court of competent jurisdiction within the limits of the laws of the State of Texas.

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

**SENNA HILLS MUNICIPAL
UTILITY DISTRICT**

Secretary,
Board of Directors

President,
Board of Directors

[DISTRICT SEAL]

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

**(To be executed if this Bond is not accompanied by an
executed Registration Certificate of the Comptroller
of Public Accounts of the State of Texas)**

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

BOKF, NA
Paying Agent/Registrar

Dated:

By: _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed
by an eligible guarantor institution
participating in a securities transfer
association recognized signature guarantee
program.

NOTICE: The signature above must
correspond with the name of the registered
owner as it appears upon the front of this
Bond in every particular, without alteration
of enlargements or any change whatsoever.

**FORM OF REGISTRATION CERTIFICATE OF
THE COMPTROLLER OF PUBLIC ACCOUNTS**

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO.

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

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

The date of initial delivery of this Bond was _____, 2016.

INSERTIONS FOR THE INITIAL BOND

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

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

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

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

<u>Maturity</u>	<u>Principal Amount</u>	<u>Rate</u>
-----------------	-------------------------	-------------

(Information from Sections 4 and 5 to be inserted)

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

C. The initial Bond shall be numbered “T-1.”

ACKNOWLEDGMENT OF RECEIPT OF NOTICE

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

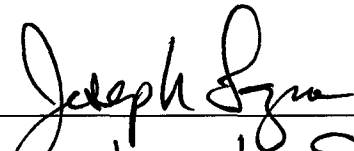
§
§
§

I, the undersigned, was a member of the Board of Directors (the "Board") of the Senna Hills Municipal Utility District at the time that a special meeting of the Board was held on December 1, 2016, which meeting I failed to attend, and at which meeting the Board adopted the following resolution:

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

I hereby acknowledge that sufficient notice of such meeting was given to me and hereby waive any other notice to which I otherwise may have been entitled.

WITNESS MY HAND THIS 12/10, 2016.



Name: Joseph Szoo

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT dated as of December 1, 2016 (this “Agreement”), by and between Senna Hills Municipal Utility District (the “Issuer”), and BOKF, NA, Austin, Texas, a banking association duly organized and existing under the laws of the United States of America (the “Bank”).

RECITALS

WHEREAS, the Issuer has duly authorized and provided for the issuance of bonds to be issued only in registered form, as to the payment of principal and interest thereon in an aggregate principal amount of \$1,105,000 and titled Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (the “Securities”); and

WHEREAS, the Securities are scheduled to be delivered to the initial purchasers thereof on or about December 29, 2016; and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on the Securities and with respect to the registration, transfer and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the “Order” (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the “Bond Order.”

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

Section 1.02. Compensation.

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Exhibit "A" attached hereto.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

**ARTICLE TWO
DEFINITIONS**

Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Bank Office" means the corporate trust office of the Bank as indicated herein. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Fiscal Year" means the fiscal year of the Issuer.

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register.

"Issuer Request" and "Issuer Order" means a written request or order signed in the name of the Issuer by the President of the Issuer, any one or more of said officials, delivered to the Bank.

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Bond Order).

“Redemption Date” when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Order.

“Order” means the order of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary of the Board of Directors or any other officer of the Issuer and delivered to the Bank.

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Security Register” means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

“Stated Maturity” means the date specified in the Order on which the principal of a Security is scheduled to be due and payable.

Section 2.02. Other Definitions.

The terms “Bank,” “Issuer,” and “Security” have the meanings assigned to them in the recital paragraphs of this Agreement.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

**ARTICLE THREE
PAYING AGENT**

Section 3.01. Duties of Paying Agent.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer no later than 10:00 a.m. Central Time on the applicable payment date, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer no later than 10:00 a.m. Central Time on the applicable payment date, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address

appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

Section 3.02. Payment Dates.

The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Bond Order.

**ARTICLE FOUR
REGISTER**

Section 4.01. Security Register - Transfers and Exchanges.

The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Bond Dealers, Inc., in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02. Securities.

The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 4.03. Form of Bond Register.

The Bank, as Registrar, will maintain the Bond Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Bond Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Bond Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04. List of Bond Holders.

The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Bond Register. The Issuer may also inspect the information contained in the Bond Register at any time the Bank is customarily open for business, provided that reasonable time is allowed for the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Bond Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Bond Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Bond Register.

Section 4.05. Return of Cancelled Securities.

The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

Section 4.06. Mutilated, Destroyed, Lost or Stolen Securities.

The Issuer hereby instructs the Bank, subject to the applicable provisions of the Bond Order, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

Section 4.07. Transaction Information to Issuer.

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

**ARTICLE FIVE
THE BANK**

Section 5.01. Duties of Bank.

The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

Section 5.02. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgement made in good faith by a Responsible Officer unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5.03. Recitals of Issuer.

The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

Section 5.04. May Hold Securities.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05. Moneys Held by Bank.

The Bank shall deposit any moneys received from the Issuer into a trust account to be held in a paying agent capacity for the payment of the Securities, with such moneys in the account that exceed the deposit insurance available to the Issuer by the Federal Deposit Insurance Corporation, to be fully collateralized with Securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts, until the principal and interest on such Securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

Subject to the Unclaimed Property Laws of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after the final maturity of the Bond has become due and payable will be paid by the Bank to the Issuer if the Issuer so elects, and the Holder of such Security shall hereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such monies shall thereupon cease. If the Issuer does not elect, the Bank is directed to report and dispose of the funds in compliance with Title Six of the Texas Property Code, as amended.

Section 5.06. Indemnification.

To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on the Bank's part, arising out of or in connection with the Bank's acceptance or administration of its duties hereunder, including the cost and expense incurred by the Bank in defending against any claim or from liability imposed on the Bank in connection with the Bank's exercise or performance of any of its powers or duties under this Agreement.

Section 5.07. Interpleader.

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State

District Court located in the State of Texas and county where either the Bank Office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

Section 5.08. Depository Trust Company Services.

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the Depository Trust Company's "Operational Arrangements," as they may be amended from time to time, which establishes requirements for Securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

**ARTICLE SIX
MISCELLANEOUS PROVISIONS**

Section 6.01. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 6.02. Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

Section 6.04. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns.

All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 6.06. Severability.

In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 6.07. Benefits of Agreement.

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08. Entire Agreement.

This Agreement and the Bond Order constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Bond Order, the Bond Order shall govern.

Section 6.09. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Termination.

This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Bond Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

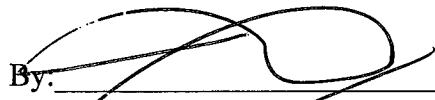
The provisions of Article Five and Section 1.02, to the extent that fees and expenses are due to the Paying Agent/Registrar under this Agreement at the time of termination, shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BOKF, NA

By: 

Jose A. Gaytan, Jr.
Vice President, Relationship Manager

Mailing Address:

100 Congress Avenue, Suite 250
Austin, Texas 78701

**SENA HILLS MUNICIPAL UTILITY
DISTRICT**

By: Chet A. Saleh
President, Board of Directors

Address:

c/o Willatt & Flickinger
12912 Hill County Blvd., Suite F-232
Austin, Texas 78738

SCHEDULE A

Paying Agent/Registrar Fee Schedule



Services provided by BOKF, NA

\$1,105,000
Senna Hills Municipal Utility District
Unlimited Tax and Waterworks and Sewer System Revenue Bonds,
Series 2016

PAYING AGENT/REGISTRAR

Schedule of Fees

Acceptance Fee: **\$ 0**

Annual Administration Fee: **\$500.00**
(Billed Semi-Annually @ \$250.00 w/Debt Service)

For ordinary administration services by Paying Agent /Registrar – includes daily routine account management and processing in accordance with the agreement. Float credit received by the bank for receiving funds that remain uninvested are deemed part of the Paying Agent's compensation.

Call or Redemption of Bonds At Cost
Cost includes distribution to holders of record, redemption processing and notification through DTC. Any and all publication expenses including Bond Buyer, Regional and Financial Periodicals for the call notice will be billed to the Issuer at cost.

Charges for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be determined by appraisal in the amounts commensurate with the service provided. Counsel fees, if ever retained as a result of a default, or other extraordinary occurrences on behalf of the bondholders or Bank of Texas, will be billed at cost.

Services not included in this Fee Schedule, but deemed necessary or desirable by you, may be subject to additional charges. Our proposal is subject in all aspects to review and acceptance of the final financing documents which sets forth our duties and responsibilities.

Jose Gaytan
Vice President
Tel: 512.813.2002
Fax: 512.813.2020
JGaytan@bokf.com

BOK Financial
Corporate Trust Services
100 Congress Avenue
Suite 250
Austin, TX 78701

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

\$1,105,000*

SENNA HILLS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas
located within Travis County)

**Unlimited Tax and Waterworks and Sewer
System Revenue Bonds
Series 2016**

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

**Bids to be received by the Board of Directors
at 10:00 A.M., Central Time
December 1, 2016**

*Preliminary, subject to change. See “THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS” herein.

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

OFFICIAL NOTICE OF SALE

\$1,105,000*
SENNA HILLS MUNICIPAL UTILITY DISTRICT
(Travis County)

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BID: Senna Hills Municipal Utility District (the "District" or the "Issuer") is offering for sale at competitive bid \$1,105,000* Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (the "Bonds"). Bidders may submit bids for the Bonds by either of the following methods:

- (1) Submit bids electronically as described below in "BIDS BY INTERNET;" or
- (2) Submit bids by facsimile as described below in "BIDS BY FACSIMILE."

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 10:00 A.M., Central time, on December 1, 2016. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and must register with PARITY by 9:00 A.M., Central time, on December 1, 2016 indicating their intent to submit a bid by internet.

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

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

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

BIDS BY FACSIMILE: Interested bidders may, at their option and risk, submit their bid by facsimile to Doug Whitt at (214) 279-8683 by 10:00 A.M., Central time, on December 1, 2016. Bidders submitting a bid by facsimile shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit a bid by facsimile must submit an email message to dwhitt@samcocapital.com by 9:00 A.M., Central time, on December 1, 2016 indicating their intent to submit a bid by facsimile.

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

PLACE AND TIME OF BID OPENING: The bids for the Bonds will be received and publicly viewed at the designated meeting place, Senna Hills Municipal Utility District, law offices of Willatt & Flickinger, PLLC, 12912 Hill Country Blvd., Suite F-232, Austin, Texas 78738 at 10:00 A.M., Central time, on December 1, 2016.

AWARD OF THE BONDS: The Board will take action to award the Bonds (or reject all bids) at a special meeting to commence at 11:30 A.M., Central time, on December 1, 2016. Upon awarding the Bonds, the Board will also adopt the resolution authorizing issuance of the Bonds (the "Bond Resolution") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Resolution to which Bond Resolution reference is hereby made for all purposes.

THE BONDS

DESCRIPTION: The Bonds will be dated December 1, 2016 (the "Bond Date" or "Dated Date") with interest payable initially February 15, 2017 and semiannually thereafter on August 15 and February 15 until stated maturity or prior redemption. The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the

**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

principal of and interest on the Bonds will be payable by BOKF, NA, Austin, Texas as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.) The Bonds will be stated to mature on August 15 in each of the following years in the following amounts:

Maturity (8/15)	Principal Amount	Maturity (8/15)	Principal Amount
2018	\$50,000	2028	\$60,000
2019	50,000	2029	60,000
2020	50,000	2030	60,000
2021	50,000	2031	65,000
2022	50,000	2032	65,000
2023	55,000	2033	65,000
2024	55,000	2034	65,000
2025	55,000	2035	70,000
2026	55,000	2036	70,000
2027	55,000		

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS: After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in \$5,000 increments to reflect the actual interest rates and to create a substantially level debt service schedule for the District. Such adjustments will not change the aggregate principal amount of the Bonds by more than 10% from the amount set forth herein or change the principal amount due on the Bonds in any year by more than 20%. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustment within four (4) hours after the opening of the bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the District or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS OF AWARD" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that any two or more consecutive annual principal amounts for maturities 2027 through 2036 be combined into one or more term bonds.

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

OPTIONAL REDEMPTION: The District reserves the right to redeem the Bonds maturing on or after August 15, 2027, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026, or any date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Bonds will be issued pursuant to a resolution (the "Bond Resolution"), adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds, and pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The Bonds were authorized at an election held in the District on January 21, 1995. The Texas Commission on Environmental Quality ("TCEQ") approved the District's bond application on October 10, 2016. The Bonds, when issued, will constitute valid and binding obligations of the District payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax levied against taxable property located within the District, without legal limitation as to rate or amount. The Bond Resolution pledges such ad valorem taxes to the payment for the principal of and interest on the Bonds, and the Bonds are further payable from and secured by a pledge of and lien on Net Revenues of the System. See "THE BONDS" in the Official Statement.

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

**Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.*

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS: The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations" which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District expects to designate the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt obligations (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2016 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2016.

Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

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

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

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an "All or None" basis, and no bid of less than ninety-seven percent (97%) of the par value plus accrued interest to the date fixed for delivery will be considered. Bidders are to name the rate or rates of interest to be borne by the Bonds, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. No bid which results in a net effective interest rate as defined by Chapter 1204, Texas Government Code (the IBA method) in excess of 15% will be considered. No limitations will be imposed upon bidders as to the number of interest rates that may be used, but the highest interest rate bid may not exceed the lowest interest rate bid by more than two percent (2%) in rate. All Bonds maturing within a single year must bear the same rate of interest, and no bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as part of the bid.

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

GOOD FAITH DEPOSIT: A bank cashier's check, payable to the order of "Senna Hills Municipal Utility District", in the amount of \$22,100, which is 2% of the par value of the Bonds, is required. The Good Faith Deposit of the Purchaser will be retained uncashed by the Issuer pending the Purchaser's compliance with the terms of its bid and this Official Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Bonds in accordance with its bid, then said check shall be cashed and accepted by the Issuer as full and complete liquidated damages. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately; however, if submitted separately, it shall be made available to the Issuer prior to the opening of the bids, and shall be accompanied by instructions from the bank on which drawn which authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of delivery.** No interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Bonds has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

New obligation of the District to receive information from winning bidder. Effective January 1, 2016, pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the winning bidder submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"). In the event that the bidder's bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and will obligate the winning bidder to establish (unless the winning bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 – name of the governmental entity (Senna Hills Municipal Utility District) and (b) item 3 – the identification number assigned to this contract by the District (0001) and description of the goods or services (Purchase of the Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a business entity contracting with the District to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, notarize, and deliver, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the District.** The notarized Disclosure Form must be sent by email, to the District's financial advisor at dwhitt@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the winning bidder must submit the Disclosure Form by email to Greg Shields, c/o Andrews Kurth Kenyon LLP, 111 Congress Avenue, Suite 1700, Austin, Texas 78701.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the bidder **MUST BE ACKNOWLEDGED BY AND SUBMITTED UNDER A NOTARY STAMP.** No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under oath and under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. **Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed Disclosure Form is received. The District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein.** Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

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

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

Thereafter, the Issuer will complete and authorize distribution of the Official Statement identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the Final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of SEC Rule 15c2-12(e) (3). Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below.

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

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - Conditions to

Delivery," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the Issuer to do so will terminate when the Issuer delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the Issuer on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the Issuer's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Issuer delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the Initial Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Issuer contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Issuer and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Issuer, since September 30, 2015, the date of the last financial statements of the Issuer appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the District's Board of Directors on the date of sale, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

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

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

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: Initial Delivery will be accomplished by the issuance of one or more fully registered Bonds in the aggregate principal amount of \$1,105,000*, payable to the Purchaser (the "Initial Bond", "Initial Bonds", or "Initial Bond(s)"), signed by the President and Secretary, by their manual or facsimile signatures, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts. Initial Delivery will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bonds, they shall be immediately canceled and one definitive Bond for each maturity in the aggregate principal amount of \$1,105,000* payable to Cede & Co. will be delivered to DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that the delivery of the Initial Bond(s) can be made on or about December 29, 2016, but if for any reason the District is unable to make delivery by January 26, 2017, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend his obligation to take up and pay for the Bonds an additional 30 days. If the Purchaser does not elect to extend his offer within six days thereafter, then his Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided that such failure is due to circumstances beyond the District's reasonable control.

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

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

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's acknowledgment of the receipt of the Initial Bond, the

*Preliminary, subject to change. See "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" herein.

Initial Purchaser's receipt of the legal opinion of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE," all as described below. In addition, if the Issuer fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the Issuer within five (5) days thereafter.

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

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

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

GENERAL CONSIDERATIONS

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

RATING: The outstanding tax and revenue bond debt of the District is rated "A" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement. A municipal bond rating application has been made to S&P. The cost of the ratings from S&P will be paid by the District. An explanation of the significance of such rating may be obtained from the rating agency. A rating by S&P reflects only the respective view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time, or that they will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating by the rating agency may have an adverse effect on the market price of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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

ADDITIONAL COPIES: Subject to the limitations described herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024.

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

SENNA HILLS MUNICIPAL UTILITY DISTRICT

ATTEST:

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

Dated: November 18, 2016

OFFICIAL BID FORM

December 1, 2016

President and Board of Directors
 Senna Hills Municipal Utility District
 c/o Willatt & Flickinger, PLLC
 12912 Hill Country Blvd., Suite F-232
 Austin, Texas 78738

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Official Statement dated November 18, 2016 of \$1,105,000* Senna Hills Municipal Utility District, Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016, both of which constitute a part hereof.

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

Maturity (8/15)	Principal Amount	Interest Rate	Maturity (8/15)	Principal Amount	Interest Rate
2018	\$50,000	_____	2028	\$60,000	_____
2019	50,000	_____	2029	60,000	_____
2020	50,000	_____	2030	60,000	_____
2021	50,000	_____	2031	65,000	_____
2022	50,000	_____	2032	65,000	_____
2023	55,000	_____	2033	65,000	_____
2024	55,000	_____	2034	65,000	_____
2025	55,000	_____	2035	70,000	_____
2026	55,000	_____	2036	70,000	_____
2027	55,000	_____			

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

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

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

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

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

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

*Preliminary, subject to change.

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

Cashier's Check of the _____ (bank), _____ (location), in the amount of \$22,100 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms as set forth in the Official Notice of Sale and the Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of delivery.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at BOKF, NA, Austin, Texas, no later than 12:00 P.M., Central time, on December 29, 2016 or thereafter on the date the Initial Bond(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

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

Upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the District's financial advisor at dwhitt@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

Respectfully submitted,

Purchaser

(Signature - Title)

(Telephone)

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this December 1, 2016 by the Senna Hills Municipal Utility District.

President

ATTEST:

Secretary

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

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

OFFICE USE ONLY

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

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

Senna Hills Municipal Utility District

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

0001

Purchaser of the Senna Hills Municipal Utility District Unlimited Tax Waterworks and Sewer System Revenue Bonds, Series 2016

4 Name of Interested Party	City, State, Country (place of business)	Nature of Interest (check applicable)	
		Controlling	Intermediary

5 Check only if there is NO interested party.

6 AFFIDAVIT I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.

 Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said _____, this the _____ day of _____, 20 _____, to certify which, witness my hand and seal of office.

 Signature of officer administering oath Printed name of officer administering oath Title of officer administering oath

ADD ADDITIONAL PAGES AS NECESSARY

CERTIFICATE OF MANAGING UNDERWRITER

The undersigned hereby certifies as follows with respect to the sale of \$1,105,000* Senna Hills Municipal Utility District, Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (the "Bonds").

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

Maturity (8/15)	Principal Amount	Initial Offering Price (% Yield)	Maturity (8/15)	Principal Amount	Initial Offering Price (% Yield)
2018	\$50,000	_____	2028	\$60,000	_____
2019	50,000	_____	2029	60,000	_____
2020	50,000	_____	2030	60,000	_____
2021	50,000	_____	2031	65,000	_____
2022	50,000	_____	2032	65,000	_____
2023	55,000	_____	2033	65,000	_____
2024	55,000	_____	2034	65,000	_____
2025	55,000	_____	2035	70,000	_____
2026	55,000	_____	2036	70,000	_____
2027	55,000	_____			

4. On the date the Issuer entered into a binding written obligation to sell the Bonds, the Underwriters reasonably expected to sell at least 10% of each of the Excepted Maturities to the public at the respective price set forth above.
5. The term "public" as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organization acting in the capacity of underwriters or wholesalers.
6. The offering prices described above reflect current market prices at the tie of such sales.
7. The undersigned and/or one or more other members of the underwriting syndicate, as the case may be, (have)(have not) purchased bond insurance for the Bonds. The bond insurance, if any, has been purchased from _____ (the "Insurer") for a premium cost of \$_____ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such cost is set forth in the Insurer's commitment and is separately stated from all other fees or charges payable to the Insurer. The premium does not exceed a reasonable charge for the transfer of credit risk taking into account payments charged by guarantors in comparable transactions (including transactions in which a guarantor has no involvement other than as a guarantor). The present value of the debt service savings expected to be realized as a result of such insurance, discounted at a rate equal to the yield on the Bonds which results after recovery of the insurance premium, exceeds the present value of the bond insurance premium.
8. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the excludability of interest on the Bonds from the gross income of their owners.

Executed and delivered the _____ day of _____, 2016.

(Name of Underwriter or Manager)

(Signature)

(Title)

*Preliminary, subject to change.

BOND YEARS

\$1,105,000*

SENNA HILLS MUNICIPAL UTILITY DISTRICT
(Travis County, Texas)

**UNLIMITED TAX AND WATERWORKS AND SEWER
SYSTEM REVENUE BONDS, SERIES 2016**

Dated: December 1, 2016

Due: August 15

Year	Amount*	Bond Years*	
		Bond Years	Cumulative Bond Years
2018	\$ 50,000	81.3885	81.3885
2019	50,000	131.3885	212.7770
2020	50,000	181.3885	394.1655
2021	50,000	231.3885	625.5540
2022	50,000	281.3885	906.9425
2023	55,000	364.5274	1,271.4699
2024	55,000	419.5274	1,690.9972
2025	55,000	474.5274	2,165.5246
2026	55,000	529.5274	2,695.0519
2027	55,000	584.5274	3,279.5793
2028	60,000	697.6662	3,977.2455
2029	60,000	757.6662	4,734.9117
2030	60,000	817.6662	5,552.5779
2031	65,000	950.8051	6,503.3829
2032	65,000	1,015.8051	7,519.1880
2033	65,000	1,080.8051	8,599.9930
2034	65,000	1,145.8051	9,745.7981
2035	70,000	1,303.9439	11,049.7420
2036	70,000	1,373.9439	12,423.6859

Average Maturity = 11.243

*Preliminary, subject to change. See "THE BONDS - ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" in the Official Notice of Sale and Bidding Instructions.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

RATING: S&P "Applied For"

(See "RATING", "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated: November 18, 2016

NEW ISSUE: BOOK-ENTRY-ONLY

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION, INCLUDING THE ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

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

\$1,105,000*

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

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016

Dated Date: December 1, 2016

Due: August 15, as shown on the inside cover

The Senna Hills Municipal Utility District (the "District" or the "Issuer") is issuing its \$1,105,000* Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (the "Bonds") pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapter 49 and Chapter 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and a resolution (the "Bond Resolution") to be adopted by the Board of Directors (the "Board"). (See "THE BONDS – Authority for Issuance" herein.)

Interest on the Bonds will accrue from the Dated Date, will be payable February 15 and August 15 of each year commencing on February 15, 2017, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof.

The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. 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 of the Bonds will be payable by BOKF, NA, Austin, Texas as Paying Agent/Registrar ("Paying Agent/Registrar"), to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.)

The Bonds maturing on or after August 15, 2027 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026 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. 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 – Pledge of Ad Valorem Taxes and System Revenues" 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 Initial Purchaser subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Andrews Kurth Kenyon LLP, Austin, Texas, Bond Counsel. Andrews Kurth Kenyon LLP has also engaged to serve as disclosure counsel for the offering. The Bonds are expected to be available for initial delivery through the services of DTC on or about December 29, 2016.

BIDS DUE DECEMBER 1, 2016 BY 10:00 A.M., CENTRAL TIME

**Preliminary, subject to change.*

\$1,105,000*
SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016

MATURITY SCHEDULE
Base CUSIP No.⁽¹⁾:817227

Maturity Date (8/15)	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix No. ⁽¹⁾
2018	\$50,000			
2019	50,000			
2020	50,000			
2021	50,000			
2022	50,000			
2023	55,000			
2024	55,000			
2025	55,000			
2026	55,000			
2027	55,000			
2028	60,000			
2029	60,000			
2030	60,000			
2031	65,000			
2032	65,000			
2033	65,000			
2034	65,000			
2035	70,000			
2036	70,000			

(Interest to accrue from the Dated Date)

**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 S&P Capital IQ 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 Purchaser 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. 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.

NEITHER THE DISTRICT OR ITS FINANCIAL ADVISOR 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.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

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

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

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

Securities Laws

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

TABLE OF CONTENTS

USE OF INFORMATION IN THE OFFICIAL STATEMENT	3	Water and Wastewater Quality	16
SALE AND DISTRIBUTION OF THE BONDS	3	Tax Collections and Foreclosure Remedies	16
Award of the Bonds.....	3	Registered Owners' Remedies	16
Prices and Marketability	3	Bankruptcy Limitation to Registered Owners' Rights	16
Securities Laws.....	3	The Effect of the Financial Institutions Act of 1989 on Tax	
OFFICIAL STATEMENT SUMMARY	5	Collections of the District	17
THE DISTRICT	5	Marketability	17
THE BONDS	5	Continuing Compliance with Certain Covenants	17
RISK FACTORS.....	6	Future Debt.....	17
OFFICIAL STATEMENT	7	THE DISTRICT	18
INTRODUCTION.....	7	General.....	20
THE BONDS	7	Commitments of the District.....	20
General Description	7	Management of the District.....	20
Optional Redemption	7	Status of Development	21
Notice of Redemption and DTC Notices	7	Consolidation	21
Authority for Issuance	8	Annexation.....	21
Payment Record	8	Alteration of Boundaries	21
Authorized but Unissued Debt	8	THE SYSTEM	21
Paying Agent/Registrar	8	General.....	21
Registration, Transfer and Exchange.....	8	Water Supply	22
Record Date.....	9	Wastewater Treatment	22
Lost, Stolen or Destroyed Bonds	9	Storm Drainage	22
Legal Investment and Eligibility to Secure Public Funds in		Irrigation Land.....	22
Texas	9	Regulation	22
Remedies in Event of Default	9	100-Year Flood Plain	22
Approval of the Bonds.....	10	Water and Wastewater Operations.....	23
Amendments to the Bond Resolution.....	10	INVESTMENT AUTHORITY AND INVESTMENT PRACTICES	
SECURITY AND SOURCE OF PAYMENT FOR THE		OF THE DISTRICT	23
BONDS	10	TAX RATE LIMITATIONS	25
Pledge of Ad Valorem Taxes and System Revenues	10	District Bond Tax Rate Limitation	25
Revenue Fund	11	Maintenance Tax	25
Interest and Sinking Fund.....	11	TAXING PROCEDURES	25
Additional Bonds.....	11	RATING	27
Maintenance and Operation; Insurance	12	LEGAL MATTERS	27
Accounts and Fiscal Year	12	TAX MATTERS.....	28
Accounting Reports.....	12	OTHER INFORMATION	32
USE AND DISTRIBUTION OF BOND PROCEEDS.....	13	Financial Advisor	32
BOND INSURANCE	13	OFFICIAL STATEMENT.....	32
BOND INSURANCE RISK FACTORS	13	Experts	32
BOOK-ENTRY-ONLY SYSTEM	14	Updating the Official Statement During Underwriting	
Use of Certain Terms in Other Sections of this Official		Period	32
Statement	15	Certification as to Official Statement.....	32
RISK FACTORS	15	Official Statement "Deemed Final"	32
General	15	Annual Audits	33
Impact on District Tax Rates.....	15		
Overlapping and Combined Tax Rates	16		

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 approximately 323 acres. The District has approximately 413 developed lots allowed under current land development and water quality regulations. There are currently 401 active homes on the 413 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.

THE BONDS

- Description** The Bonds are issued in the aggregate principal amount of \$1,105,000 (preliminary, subject to change) maturing annually in varying amounts on August 15 of each year from 2018 through 2036. Interest on the Bonds will be payable February 15 and August 15 of each year commencing on February 15, 2017, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof. See "THE BONDS – General Description" herein.
- Optional Redemption** The Bonds maturing on or after August 15, 2027 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026 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. See "THE BONDS - Optional Redemption" herein.
- Source of Payment** Principal of and interest on the Bonds 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 Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapter 49 and Chapter 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and a resolution (the "Bond Resolution" to be adopted by the Board of Directors (the "Board"). See "THE BONDS - Authority for Issuance" herein.
- Use of Proceeds** Proceeds from the sale of the Bonds will be used to provide improvements to the water system, wastewater system, and drainage and storm sewer system, including an upgrade, expansion and rehabilitation of the existing wastewater treatment plant and to pay costs of issuance of the Bonds. See "THE BONDS – Sources and Uses of Funds"

Bonds Authorized but Unissued	Following the issuance of the Bonds, the District will not have any authorized but unissued unlimited ad valorem tax bonds for water, wastewater and drainage purposes from the election held on January 21, 1995.
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 S&P Global Ratings, a division of S&P Global Inc. ("S&P") for a contract rating on the Bonds. The outstanding combination tax and revenue bond debt of the District is currently rated "A" 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	Andrews Kurth Kenyon LLP, Austin, Texas.
Disclosure Counsel	Andrews Kurth Kenyon LLP, Austin, Texas.
General Counsel	Willatt & Flickinger, PLLC, Austin, Texas.
Financial Advisor	SAMCO Capital Markets, Inc. Plano, Texas.
Bookkeeper	Bott & Douthitt PLLC, Round Rock, Texas.
Auditor	McCall Gibson Swedlund Barfoot PLLC, Houston, Texas
Engineer	Murfee Engineering Company, Inc., Austin, Texas.
Operations Manager	Severn Trent 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**

\$1,105,000*

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

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Senna Hills Municipal Utility District (the "District" or "Issuer") of its \$1,105,000 (preliminary, subject to change) Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (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 the Official Statement relating to the Bonds 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 December 1, 2016 (the "Dated Date"). Interest on the Bonds accrues from their Dated Date and is payable semiannually until stated maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable initially on February 15, 2017, and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in the denominations of \$5,000 of principal or any integral multiple thereof within a maturity. Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, 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 Bond is payable on any interest payment date is the last business day of the month next preceding such interest payment date. The principal 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, 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.

Optional Redemption

The Bonds maturing on or after August 15, 2027 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026 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.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the Bonds, 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 Bond 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 Bonds shall cease to accrue from and after such redemption date notwithstanding that a Bond has not been presented for payment.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds 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 Bonds, 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 Bonds, 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 Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice 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 Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds 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 Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapter 49 and Chapter 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and Bond Resolution to be adopted by the Board.

Payment Record

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

Authorized but Unissued Debt

Following the issuance of the Bonds, the District will not have any authorized but unissued unlimited ad valorem tax bonds for water, wastewater and drainage purposes from the election held on January 21, 1995. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Additional Bonds" herein.

Paying Agent/Registrar

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Water Code, bonds, notes or other obligations issued by a district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Water Code provides that bonds, notes or other obligations issued by a district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

If the District defaults in the payment of the principal or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Resolution and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. 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. The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Resolution covenants. Even if a judgment against the District could be obtained, it 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 to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, 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. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the

enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

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 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 the rate of interest thereon, reduce the redemption price of the Bonds, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the registered owners of any or all of the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue such Bonds to maturity or redemption and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a district, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be. If any of the Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Bond Resolution.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the District to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Pledge of Ad Valorem Taxes and System Revenues

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, to date, paid debt service on all of its ad valorem tax-supported debt with funds collected from the levy and collection of ad valorem taxes for such purpose. No System revenues have been available to be used to pay debt service on the District's combination ad valorem tax and water and wastewater system revenue supported debt, including the Bonds, nor does the District expect for any such revenues to be available in the foreseeable future. Accordingly, holders of Bonds should look to the sufficiency of the ad valorem tax collections of the District available to pay debt service on combination ad valorem tax and water and wastewater system revenue supported District debt, including the Bonds, and not Net Revenues of the System when making an investment decision relative to the Bonds. See "DISTRICT TAX RATES" in Appendix A hereto.

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.
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 120 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.

USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to provide improvements to the water system, wastewater system, and drainage and storm sewer system, including an upgrade, expansion and rehabilitation of the existing wastewater treatment plant and to pay costs of issuance of the Bonds as set forth below.

CONSTRUCTION COSTS

	<u>Amount ⁽¹⁾</u>
A. Developer Contribution Items	
None	\$ 0
B. District Items	
1. Wastewater Treatment Plant Expansion	\$ 1,045,750
2. Engineering, Surveying and Review Fees	\$ 50,000
3. Contingency (5.26% of Item Nos. 1 and 2)	<u>\$ 57,650</u>
Total District Items	<u>\$ 1,153,400</u>
TOTAL CONSTRUCTION COSTS	\$ 1,153,400
Surplus Operations and Maintenance	<u>\$ (200,000)⁽²⁾</u>
Net Construction Costs	\$ 953,400
 Nonconstruction Costs	
A. Legal Fees (2.0%)	\$ 22,100 ⁽³⁾
B. Fiscal Agent Fees (2.0%)	\$ 22,100 ⁽⁴⁾
C. Bond Discount (3%)	\$ 33,150
D. Bond Issuance Expenses and Contingency	\$ 35,382
E. Bond Application Report Costs	\$ 35,000
F. Attorney General Fee (0.10% or \$9,500 max.)	\$ 1,105
G. TCEQ Bond Issuance Fee (0.25%)	<u>\$ 2,763</u>
TOTAL NONCONSTRUCTION COSTS	\$ 151,600
TOTAL BOND ISSUE REQUIREMENT	\$ 1,105,000

Notes:

- ⁽¹⁾ The District has requested a waiver of the 30% developer contribution requirement pursuant to 30 TAC Section 293.47.
- ⁽²⁾ Recommended for approval as discussed in special consideration No.3.
- ⁽³⁾ According to contract provided, legal fees are based on 2% of the bonds issued.
- ⁽⁴⁾ According to contract provided, fiscal fees are based on 2% of the bonds issued.

BOND INSURANCE

The District has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Bonds with a municipal bond insurance company. If the District obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Bonds (the "Policy"), the final Official Statement shall disclose relevant information relating to the Insurer and the Policy.

BOND INSURANCE RISK FACTORS

General

The District has yet to determine whether any insurance will be purchased with respect to 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 Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will 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 District which is recovered by the District from the note owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Bonds and the Insurer's consent may be required in connection with amendments to the Resolution.

In the event the 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 moneys received by the Paying Agent/Registrar pursuant to the Resolution. In the event the 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 Insurer and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the 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. See "BOND INSURANCE" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency. Neither the District, the Financial Advisor, nor the Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investors Services, Inc., S&P (defined herein) and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Bonds and the claims paying ability of the 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 Purchaser 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 Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption price 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 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 S&P Global Ratings 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 Bonds 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 Purchaser 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 Net Revenues of the System. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein. The ultimate security for payment of principal 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 \$288,615,438 (see "Appendix A - FINANCIAL INFORMATION OF THE DISTRICT"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$1,037,369 (2021) and the Projected Average Annual Debt Service Requirement will be \$814,898 (2017 through 2036, inclusive) (these amounts are preliminary and subject to change, pending the final terms of pricing of the Bonds). Assuming (1) no increase or decrease from the current taxable assessed valuation, and (2) no use of funds on hand, a tax rate of \$0.3706 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 \$0.2861 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 Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

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

Future Debt

Following the issuance of the Bonds, the District has no authorized but unissued bonds for water, wastewater and drainage purposes from an election held in 1995. See "SECURITY AND SOURCE OF PAYMENT OF THE BONDS – Additional Bonds" herein.

DISTRICT AND AREA MAPS

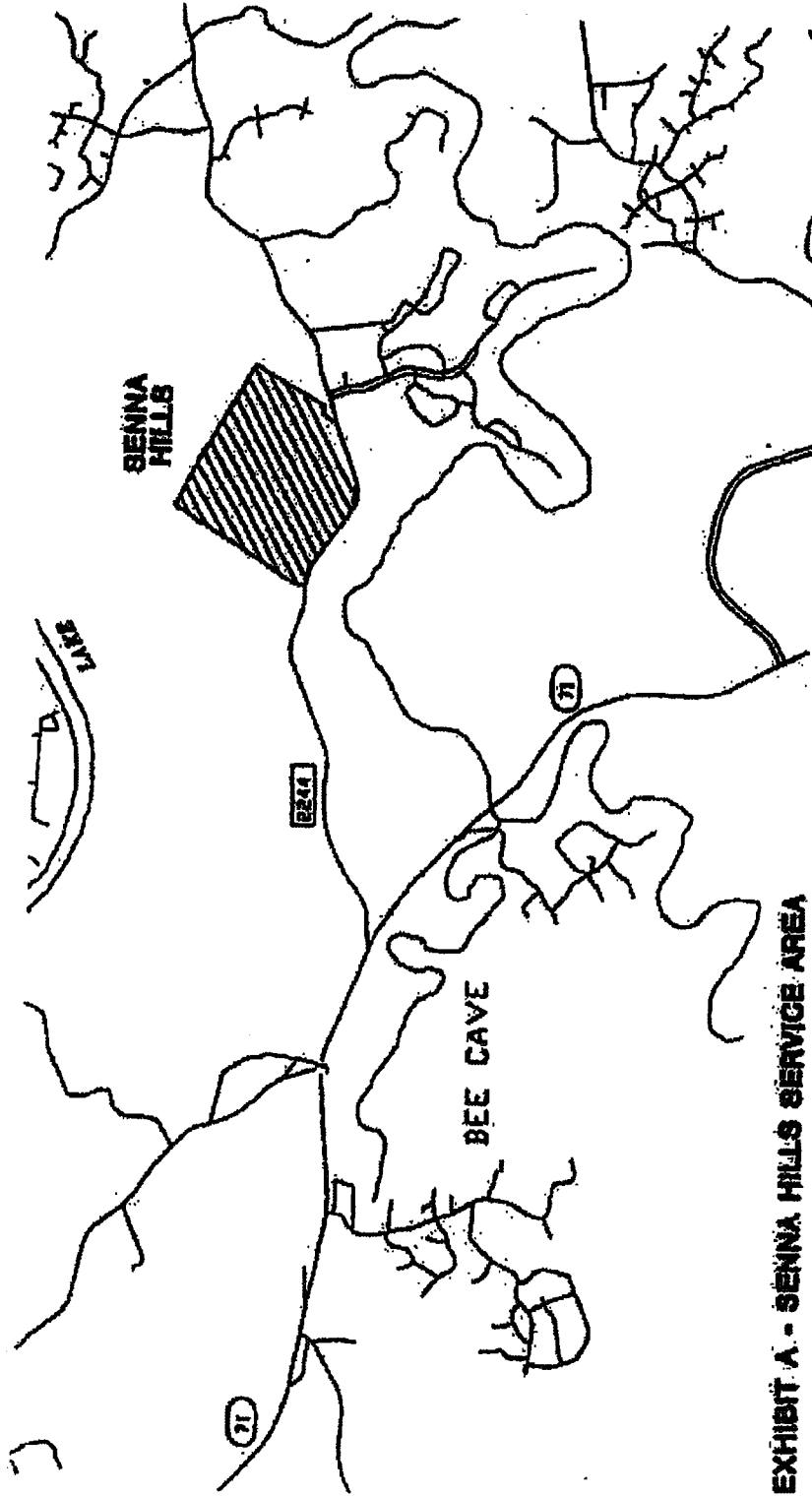


EXHIBIT A - SENNA HILLS SERVICE AREA

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 323 acres to be developed as single family homes. On April 1, 2010, the District annexed 0.708 acres of the Evans Weaver Tract. Approximately 413 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 has entered into a potable and non-potable water sales contract to service its residents. See "THE SYSTEM – Water Supply" herein.

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 November of each even numbered year.

<u>Name</u>	<u>Position</u>	<u>Term Expires (Nov)</u>
Chet Palesko	President	2018
David Perl	Vice President	2018
Lisa McKenzie	Secretary	2020
Corey Newhouse	Assistant Secretary	2020
Joseph Szoo	Assistant Secretary	2020

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 McCall Gibson Swedlund Barfoot PLLC.

Financial Advisor/Disclosure Counsel

SAMCO Capital Markets, Inc. 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 / Disclosure Counsel

The District employs Andrews Kurth Kenyon LLP, Austin, Texas, as Bond Counsel and Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel

The District employs Willatt & Flickinger, PLLC, Austin, Texas, as general counsel.

Operations Manager

The District employs Severn Trent 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 approximately 323 acres. The District has approximately 413 developed lots allowed under current land development and water quality regulations. There are currently 401 homes on the 413 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.

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 a water sales agreement dated September 2, 1994. Under this 40-year contract, the District is obligated to pay \$1.950 per living unit equivalent (LUE), a monthly charge of \$3.00, and a volume rate of \$1.80 per 1,000 gallons. The District continues to have a raw water sales contract with the LCRA for a maximum annual quantity of 404 acre feet. This contract was renewed as of June 22, 2012 for an additional 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 the water distribution portion of the 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.

The wastewater treatment plant has, since its installation, experienced a number of operational setbacks requiring a higher than expected level of maintenance and attention throughout its life. The District has recently replaced its engineer, hiring an engineer experienced in the operation and maintenance of facilities such as the wastewater treatment plant and, as a result of this change, has seen plant operations stabilize and necessary ongoing maintenance decrease. Although these improvements of the wastewater treatment plant have come over a relatively short duration, the District is confident that these results are sustainable. The District makes no guarantees however, that it will not return to past episodes of wastewater treatment plant malfunctions, but it remains committed to addressing such events should they arise.

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	\$ 150.00
Sewer Residential	150.00
Builder Deposit	1,000.00

Security Deposit:

Residential (5/8")	\$ 200.00
Residential (3/4")	200.00
Residential (1")	200.00
Residential (1 1/2")	250.00
Residential (2")	350.00
Residential (Over 2")	3 times estimated usage, not to exceed \$1,000.00
Fire Hydrant Meter	750.00

Water Consumption Rates:

Base Rate (5/8") including zero gallons	\$28.12
3/4" Meter	37.20
1" Meter	63.60
1 1/2" Meter	129.60
2" Meter	208.80
Per 1,000:	
0-20,000 gallons	\$ 5.05
20,001-30,000 gallons	7.00
30,001-45,000 gallons	9.00
45,001-60,000 gallons	10.00
60,001-75,000 gallons	12.00
Over 75,000 gallons	14.00

Sewer Consumption Rates:

0-10,000 gallons (flat charge)	\$ 70.00
Over 10,000 (per 1,000 gallons)	2.85

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 (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in the State, and 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 (6) or in any other manner and amount provided by law for District deposits or (ii) where (a) the funds are invested by the District through (1) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (2) a depository institution that has its main office or branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3(17 C.F.R. Section 240.15c3-3); (8) fully collateralized repurchase agreements that have a

defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in the State; (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, maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. 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, 2016, the District had approximately \$314,898 (unaudited) in money market type investments and approximately \$1,197,545 (unaudited) invested in LOGIC (which is a government investment pool that generally has the characteristics of a money-market mutual fund). The remaining balance was in checking/clearing accounts. 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. As shown in Appendix A, the District levied a 2016/17 debt service tax of \$0.3500/\$100 assessed valuation.

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 2016/17 maintenance and operations tax of \$0.1911/\$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. 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; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

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.

Freeport Goods: Article VIII, Section I-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly,

storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only one of a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are exempted from taxation by the District.

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. 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 S&P Global Ratings, a division of S&P Global Inc. ("S&P") relating to the Bonds. The outstanding combination tax and revenue bond debt of the District is currently rated "A" 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.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Andrews Kurth Kenyon LLP ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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.

No Material Adverse Change

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

Litigation

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

No-Litigation Certificate

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

TAX MATTERS

Tax Exemption

Delivery of the Bonds is subject to the opinions of Andrews Kurth Kenyon LLP, Austin, Texas, Bond Counsel/Disclosure Counsel, that interest on the Bonds will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

Interest on the Bonds owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the District with certain covenants contained in the Bond Resolution and has relied on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities finance therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the District file an information report with the Internal Revenue Service. If the District should fail to comply with the covenants in the Bond Resolution or if its representations relating to the Bonds that are contained in the Bond Resolution should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome. Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt

interest, such as interest on the Bonds, received or accrued during the year. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount Bonds

Some of the Bonds may be offered at an initial offering price which is less than the stated redemption price payable at maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Bonds of that maturity (the "Discount Bond") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bond under the caption "TAX MATTERS – Tax Exemption" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase a Discount Bond must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX MATTERS – Tax Exemption" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the District. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such 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 Discount Bonds.

Tax Accounting Treatment of Original Issue Premium Bonds

Some of the Bonds may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Bonds of such maturity (the "Premium Bond") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium with respect to the Premium Bonds. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at a price other than the initial offering price for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations" which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District expects to designate the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt obligations (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2016 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2016.

Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

CONTINUING DISCLOSURE OF INFORMATION

The District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, not in excess of 10 business days after the event's occurrence, to the Municipal Securities Rulemaking Board (the "MSRB"), through its Electronic Municipal Markets Access ("EMMA") system, where said information will be available to the general public, without charge, at www.emma.msrb.org.

Annual Reports

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

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended (the "Rule").

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

Notice of Certain Events

The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a 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; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

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

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

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Material Event Notices” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB Board. The address of the MSRB is 1900 Duke Street Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby 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 to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next 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 financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with its continuing disclosure requirements made by it in accordance with the Rule.

OTHER INFORMATION

Financial Advisor

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

OFFICIAL STATEMENT

Experts

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

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

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

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

Updating the Official Statement During Underwriting Period

If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser, provided, however, that the obligation of the District to the Initial Purchaser to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification as to Official Statement

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

Official Statement "Deemed Final"

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

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 Purchaser.

/s/ _____

President, Board of Directors
Senna Hills Municipal Utility District

/s/ _____

Secretary, Board of Directors
Senna Hills Municipal Utility District

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2016/17 Actual Market Value of Taxable Property	\$	289,889,484
Less Exemptions:		(1,274,046)
2016/17 Net Taxable Assessed Valuation (100% of Actual) ^(a)	\$	288,615,438

(a) Source: July 18, 2016 report entitled 2016 Certified Totals by the Travis Central Appraisal District.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Outstanding:		
Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010		4,740,000
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2014		5,980,000
Total Gross General Obligation Debt Outstanding:	\$	10,720,000
Plus: Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2016		1,105,000 *
Total Gross General Obligation Debt:	\$	11,825,000 *
Less: Estimated Self-Supporting Gross Debt	\$	-
Less: I&S Fund Balance as of September 30, 2015		(512,211)
Total Net General Obligation Debt Outstanding:	\$	11,312,789
Ratio of Gross General Obligation Debt to Net Assessed Valuation		4.10%
Ratio of Net General Obligation Debt to Net Assessed Valuation		3.92%

Gross Area of the District in acres -	323.41
Gross Bonded Debt Per Acre	\$36,563
Net Bonded Debt Per Acre	\$34,980
Estimated Assessed Value Per Acre	\$892,413
2016 Population Estimate ^(a)	1,410
Per Capita Net Appraised Taxable Valuation	\$204,692
Per Capita Gross Bonded Debt	\$8,387
Per Capita Net Bonded Debt	\$8,023

**Preliminary, subject to change*

(a) Based on 3.5 residents per 401 completed single-family connections.

\$1,105,000
Senna Hills Municipal Utility District
(Travis County, Texas)
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2016

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Fiscal Year <u>30-Sep</u>	Outstanding Debt Service Requirements	The Bonds ⁽¹⁾			Combined Debt Service ⁽¹⁾
		Principal	Interest	Total	
2017	962,031.26	-	17,502.19	17,502.19	979,533.45
2018	961,443.76	50,000.00	24,806.26	74,806.26	1,036,250.02
2019	960,593.76	50,000.00	23,806.26	73,806.26	1,034,400.02
2020	959,293.76	50,000.00	22,806.26	72,806.26	1,032,100.02
2021	965,562.52	50,000.00	21,806.26	71,806.26	1,037,368.78
2022	959,650.02	50,000.00	20,806.26	70,806.26	1,030,456.28
2023	962,381.26	55,000.00	19,806.26	74,806.26	1,037,187.52
2024	878,156.26	55,000.00	18,706.26	73,706.26	951,862.52
2025	884,925.00	55,000.00	17,606.26	72,606.26	957,531.26
2026	882,387.50	55,000.00	16,506.26	71,506.26	953,893.76
2027	879,275.00	55,000.00	15,406.26	70,406.26	949,681.26
2028	883,962.50	60,000.00	14,306.26	74,306.26	958,268.76
2029	696,900.00	60,000.00	12,956.26	72,956.26	769,856.26
2030	698,662.50	60,000.00	11,606.26	71,606.26	770,268.76
2031	694,425.00	65,000.00	10,256.26	75,256.26	769,681.26
2032	699,000.00	65,000.00	8,631.26	73,631.26	772,631.26
2033	692,375.00	65,000.00	7,006.26	72,006.26	764,381.26
2034		65,000.00	5,381.26	70,381.26	70,381.26
2035		70,000.00	3,675.00	73,675.00	73,675.00
2036		70,000.00	1,837.50	71,837.50	71,837.50
	<u>14,621,025.10</u>	<u>1,105,000.00</u>	<u>295,221.11</u>	<u>1,400,221.11</u>	<u>16,021,246.21</u>

⁽¹⁾ Preliminary, subject to change.

TAX ADEQUACY

TABLE 4

2016/17 Net Taxable Valuation	\$ 288,615,438
Maximum Annual Debt Service Requirement	1,037,369
Indicated Maximum Interest and Sinking Fund Tax Rate	0.3706
Indicated Maximum Interest and Sinking Fund Tax Levy at 97% Collections	1,037,521

DEBT SERVICE FUND MANAGEMENT INDEX

TABLE 5

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2015	\$ 512,211
Estimated 2016/17 Interest and Sinking Fund Tax Levy at 99% Collections Assuming \$0.35 Produces	<u>1,000,052</u>
Total Available for Debt Service	\$ 1,512,263
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-17	<u>(979,533)</u>
Estimated Surplus at Fiscal Year End 9-30-17	<u>\$ 532,730</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	Plus: The Bonds ⁽¹⁾	Total ⁽¹⁾		
2017	395,000.00	-	395,000.00	11,430,000.00	3.34%
2018	595,000.00	50,000.00	645,000.00	10,785,000.00	8.79%
2019	610,000.00	50,000.00	660,000.00	10,125,000.00	14.38%
2020	625,000.00	50,000.00	675,000.00	9,450,000.00	20.08%
2021	650,000.00	50,000.00	700,000.00	8,750,000.00	26.00%
2022	665,000.00	50,000.00	715,000.00	8,035,000.00	32.05%
2023	690,000.00	55,000.00	745,000.00	7,290,000.00	38.35%
2024	630,000.00	55,000.00	685,000.00	6,605,000.00	44.14%
2025	660,000.00	55,000.00	715,000.00	5,890,000.00	50.19%
2026	680,000.00	55,000.00	735,000.00	5,155,000.00	56.41%
2027	700,000.00	55,000.00	755,000.00	4,400,000.00	62.79%
2028	730,000.00	60,000.00	790,000.00	3,610,000.00	69.47%
2029	570,000.00	60,000.00	630,000.00	2,980,000.00	74.80%
2030	595,000.00	60,000.00	655,000.00	2,325,000.00	80.34%
2031	615,000.00	65,000.00	680,000.00	1,645,000.00	86.09%
2032	645,000.00	65,000.00	710,000.00	935,000.00	92.09%
2033	665,000.00	65,000.00	730,000.00	205,000.00	98.27%
2034		65,000.00	65,000.00	140,000.00	98.82%
2035		70,000.00	70,000.00	70,000.00	99.41%
2036		70,000.00	70,000.00	-	100.00%
	<u>10,720,000.00</u>	<u>1,105,000.00</u>	<u>11,825,000.00</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	99.84%	99.84%
2013/14	232,901,335	0.5490	1,278,628	99.53%	99.66%
2014/15	254,376,163	0.5411	1,376,429	99.67%	99.89%
2015/16	278,704,138	0.5411	1,508,068	99.00%	100.00%
2016/17	288,615,438	0.5411	1,561,698		

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

(a) Estimated as of September 2016.

PRINCIPAL TAXPAYERS

TABLE 8

<u>Name</u>	<u>Type of Property</u>	<u>2016/17 Net Taxable Assessed Valuation</u>	<u>% of Total 2016/17 Assessed Valuation</u>
Cook, Angus & Tina D.	Residence	\$ 1,021,758	0.35%
Wang, Rongshan & Fang Yin	Residence	1,006,896	0.35%
Young, Daniel J. & Meredith H.	Residence	999,455	0.35%
Doggett, Eric & Lisa	Residence	986,802	0.34%
Nazareth, Mathew B. & Cardoza, Rekha C.	Residence	985,352	0.34%
Tara Trust	Residence	983,619	0.34%
O'Connell, Conleth S. Jr.	Residence	982,588	0.34%
Kozlowski, Jarek & Beata	Residence	967,130	0.34%
Stumm, Petra & Michael Malkdei	Residence	961,492	0.33%
Sorrell, J Sean & Stephanie T	Residence	960,053	0.33%
	Total	\$ 9,855,145	3.41%

Source: Travis Central Appraisal District.

HISTORICAL ASSESSED VALUATION AND EXEMPTIONS

TABLE 9

<u>Property Use Category</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Real Property	\$ 217,607,019	\$ 234,764,840	\$ 262,877,706	\$ 281,820,065	\$ 289,723,811
Personal Property	160,714	150,314	145,195	162,768	165,673
Total Appraised Value	\$ 217,767,733	\$ 234,915,154	\$ 263,022,901	\$ 281,982,833	\$ 289,889,484
Less: Exemptions					
Loss to Agriculture	\$ -	\$ -	\$ -	\$ -	\$ -
Exempt	119,000	119,000	119,000	119,000	180,222
Homestead Cap	172,072	1,545,335	7,524,664	2,863,394	785,997
Disabled/Deceased Veterans	17,500	17,500	17,500	17,500	22,500
Solar	-	331,984	398,210	278,801	285,327
Total Exemptions	\$ 308,572	\$ 2,013,819	\$ 8,059,374	\$ 3,278,695	\$ 1,274,046
Net Taxable Assessed Valuation	\$ 217,459,161	\$ 232,901,335	\$ 254,963,527	\$ 278,704,138	\$ 288,615,438

Source: Travis Central Appraisal District.

PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY

TABLE 10

<u>Property Use Category</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Real Property	99.93%	99.94%	99.94%	99.94%	99.94%
Personal Property	0.07%	0.06%	0.06%	0.06%	0.06%
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	\$ 922,629
Debt Service Fund	512,211
Capital Projects Fund	-
	\$ 1,434,840

Source: Audited Financial Statement for the period ending September 30, 2015.

DISTRICT TAX RATES⁽¹⁾

TABLE 12

<u>Fund</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Maintenance & Operations Fund	\$0.2390	\$0.2411	\$0.1911	\$0.1911
Interest & Sinking Fund	<u>0.3100</u>	<u>0.3000</u>	<u>0.3500</u>	<u>0.3500</u>
TOTAL	\$0.5490	\$0.5411	\$0.5411	\$0.5411

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 13

(As of September 2016)

<u>Taxing Body</u>	<u>Gross Debt</u>	<u>Estimated Percentage Overlapping</u>	<u>Amount Overlapping</u>
Austin CCD	\$ 304,153,659	0.00%	\$ -
Eanes Independent School District	143,025,000	2.04%	2,917,710
Travis County	707,826,497	0.16%	1,132,522
Travis Co Healthcare District	11,355,000	0.16%	18,168
Total Gross Overlapping Debt			\$ 4,068,400
Senna Hills Municipal Utility District	\$ 11,312,789 ⁽¹⁾	100.00%	11,312,789
Total Direct and Overlapping Debt			\$ 15,381,189
Ratio of Direct and Overlapping Debt to Assessed Valuation			5.33%
Ratio of Direct and Overlapping Debt to Actual Value			5.31%
Direct and Overlapping Debt per Acre			\$47,559

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

(1) Includes the Bonds.

OVERLAPPING TAXES

TABLE 14

<u>Governmental Entity</u>	<u>2016/17 Tax Rate Per \$100 Assessed Valuation</u>	<u>Average Tax Bill (a)</u>
Austin CCD	\$ 0.1020	\$ 594.61
Eanes Independent School District	1.2125	7,068.23
Travis County	0.3838	2,237.35
Travis Co Healthcare District	<u>0.1105</u>	<u>644.40</u>
Total	\$ 1.8088	\$ 10,544.58

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

(a) Based on an average home value of \$582,947.

GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE

TABLE 15

	Fiscal Year Ended September 30				
REVENUES:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Service Revenue	\$ 663,265	\$ 682,060	\$ 719,096	\$ 799,711	\$ 904,279
Property Taxes, Including Penalties	171,485	187,348	497,934	554,471	616,196
Interest	719	36	181	200	701
Settlement Proceeds	-	-	-	-	85,280
Other	5,065	1,438	-	918	976
Total Revenues	<u>\$ 840,534</u>	<u>\$ 870,882</u>	<u>\$ 1,217,211</u>	<u>\$ 1,355,300</u>	<u>\$ 1,607,432</u>
EXPENDITURES:					
Current					
Water/Wastewater Purchases	\$ 609,399	\$ 437,229	\$ 421,764	\$ 329,435	\$ 315,408
Repairs and Maintenance	-	165,873	524,857	471,815	458,126
Operations/Management Fees	-	74,683	92,682	76,027	75,015
Utilities/Telephone	-	48,460	58,711	61,322	62,411
Director Fees	-	-	-	-	9,527
Legal Fees	-	71,364	55,693	83,817	76,185
Engineering Fees	-	54,339	44,116	104,915	85,900
Accounting Fees	-	12,600	22,350	22,350	22,350
Audit Fees	-	11,000	8,900	9,000	9,300
Insurance	-	2,170	2,587	3,062	3,228
Tax Appraisal/Collection	-	1,062	3,977	4,190	3,734
Contracted Services	45,455	-	-	-	-
Professional Fees	107,481	-	-	-	-
Other	61,687	19,842	1,149	1,550	1,998
Capital Outlay	-	153,635	5,000	-	93,629
Debt Service	-	-	2,157	-	-
Total Expenditures	<u>\$ 824,022</u>	<u>\$ 1,052,257</u>	<u>\$ 1,243,943</u>	<u>\$ 1,167,483</u>	<u>\$ 1,216,811</u>
Excess Revenues Over (Under)					
Expenditures	\$ 16,512	\$ (181,375)	\$ (26,732)	\$ 187,817	\$ 390,621
OTHER FINANCING SOURCES (USES):					
Developer Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Voided Checks for Prior Expenditures	-	-	-	-	-
Operating Transfers In	-	-	349,714	-	110,188
Operating Transfers Out	-	-	-	-	-
Refund of Prior Years Taxes	-	-	-	-	-
Total Other Financing Sources (Uses):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,714</u>	<u>\$ -</u>	<u>\$ 110,188</u>
Excess of Revenues & Other Sources					
Over (Under) Expenditures and Other Uses	\$ 16,512	\$ (181,375)	\$ 322,982	\$ 187,817	\$ 500,809
Fund Balance - Beginning of Year	<u>\$ 75,884</u>	<u>\$ 92,396</u>	<u>\$ (88,979)</u>	<u>\$ 234,003</u>	<u>\$ 421,820</u>
Fund Balance - End of Year	<u>\$ 92,396</u>	<u>\$ (88,979)</u>	<u>\$ 234,003</u>	<u>\$ 421,820</u>	<u>\$ 922,629</u>

APPENDIX B
FORM OF LEGAL OPINION OF BOND COUNSEL

_____, 2016

WE HAVE ACTED as Bond Counsel for Senna Hills Municipal Utility District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016, dated December 1, 2016, in the aggregate principal amount of \$_____, maturing on August 15 in each year from 20__ through and including 20__. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, may be transferred and exchanged and are subject to redemption as set out in the Bonds and in the resolution (the "Resolution") adopted by the Board of Directors of the District (the "Board") authorizing their issuance. Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Resolution

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the District; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to

bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) The Bonds, together with the District's Previously Issued Bonds, are additionally payable from and secured by a first lien on and pledge of the Net Revenues, if any, derived from ownership and operation of the District's waterworks and sewer system.

THE DISTRICT HAS RESERVED THE RIGHT in the Resolution to issue from time to time Additional Bonds which are equally and ratably secured on parity with the Bonds and the Previously Issued Bonds by a first lien on and pledge of the Net Revenues.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes. If the District fails to comply with the foregoing provisions of the Resolution, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusions occurs.

INTEREST ON the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC), or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. Purchasers of Bonds are directed to the discussion entitled "TAX MATTERS" set forth in the Official Statement.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

7874/7868

APPENDIX C

**THE DISTRICT'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**SENNA HILLS
MUNICIPAL UTILITY DISTRICT
YEAR ENDED SEPTEMBER 30, 2015**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**SENNA HILLS
MUNICIPAL UTILITY DISTRICT**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2015**

**SENNA HILLS
MUNICIPAL UTILITY DISTRICT**

TABLE OF CONTENTS

	<u>Page</u>
<i>Annual Filing Affidavit</i>	1
<i>Independent Auditor's Report</i>	2
<i>Management's Discussion and Analysis</i>	MDA-1
 <i>Financial Statements</i>	
Statement of Net Position and Governmental Funds Balance Sheet	FS-1
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	FS-2
<i>Notes to the Financial Statements</i>	FS-3
 <i>Required Supplementary Information</i>	
Budgetary Comparison Schedule - General Fund	FS-17
 <i>Texas Supplementary Information (TSI)</i>	
Services and Rates	TSI-1
General Fund Expenditures	TSI-2
Temporary Investments	TSI-3
Taxes Levied and Receivable	TSI-4
Long-Term Debt Service Requirements - By Years	TSI-5
Changes in Long-Term Bonded Debt	TSI-6
Comparative Schedule of Revenues and Expenditures General Fund and Debt Service Fund - Five Years	TSI-7
Board Members, Key Personnel and Consultants	TSI-8
 <i>Other Supplementary Information (OSI)</i>	
Principal Taxpayers	OSI-1
Assessed Value by Classification	OSI-2

ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF TRAVIS

I, _____ of the
(Name of Duty Authorized District Representative)

SENNA HILLS MUNICIPAL UTILITY DISTRICT
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **5th day of February, 2016**, its annual audit report for the fiscal period ended **September 30, 2015** and that copies of the annual audit report have been filed in the District's office, located at:

2001 North Lamar Blvd.
Austin, Texas 78705
(Address of District's Office)

This filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 110.002 of the Texas Water Code.

Date: _____

Sworn to and subscribed to before me _____

(S)



(Signature of Notary)

My Commission Expires On: _____
Notary Public in the State of Texas

7.21, 2018

INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

111 Congress Avenue
Suite 400
Austin, Texas 78701
(512) 610-2209
www.mgsbpllc.com

Board of Directors
Senna Hills Municipal Utility District
Travis County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Senna Hills Municipal Utility District (the "District"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors
Senna Hills Municipal Utility District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Budgetary Comparison Schedule – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Texas Supplementary Information and the Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 5, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

SENNA HILLS MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015

In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Senna Hills Municipal Utility District (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2015. Since this information is designed to focus on current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the unassigned fund balance was \$922,629, an increase of \$500,809 from the previous fiscal year. General Fund revenues increased from \$1,355,300 in the previous fiscal year to \$1,607,432 in the current fiscal year due to an increase in the District's assessed valuation and an increase in the service rates.
- *Debt Service Fund:* Fund balance restricted for debt service decreased from \$712,877 in the previous fiscal year to \$512,211 in the current fiscal year. Debt Service Fund revenues increased from \$720,437 in the previous fiscal year to \$768,283 in the current fiscal year due to an increase in the District's assessed valuation.
- *Capital Projects Fund:* Fund balance restricted for capital projects decreased from \$110,141 in the previous fiscal year to \$-0- in the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$588,750. Net position increased from a deficit balance of \$2,191,739 to a deficit balance of \$1,602,989.

OVERVIEW OF THE DISTRICT

The District was created by an order of the Commissioner's Court of Travis County, Texas on April 6, 1988, and confirmed by the electorate of the District at a confirmation election held on January 21, 1995. The District operates and maintains a water distribution system and a sewer treatment facility and collection system in Travis County, Texas under Chapter 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the GASB, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statements No. 14 and No. 39 which are included in the District's reporting entity.

SENNA HILLS MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015

USING THIS ANNUAL REPORT

This annual report consists of five parts:

1. *Management's Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Required Supplementary Information*
4. *Texas Supplementary Information* (required by the Texas Commission on Environmental Quality (the TSI section))
5. *Other Supplementary Information* (the OSI section)

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances* includes a column (titled "Governmental Funds Total") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*.

The *Required Supplementary Information* presents a comparison statement between the District's adopted budget and its actual results.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	<u>Activities</u>		Increase (Decrease)
	<u>2015</u>	<u>2014</u>	
Current and other assets	\$ 1,644,104	\$ 1,426,225	\$ 217,879
Capital and non-current assets	8,545,237	8,699,079	(153,842)
Total Assets	10,189,341	10,125,304	64,037
Current Liabilities	1,011,705	651,269	360,436
Long-term Liabilities	10,780,625	11,665,774	(885,149)
Total Liabilities	11,792,330	12,317,043	(524,713)
Net Investment in Capital Assets	(2,630,388)	(3,281,554)	651,166
Restricted	104,319	666,372	(562,053)
Unrestricted	923,080	423,443	499,637
Total Net Position	\$ (1,602,989)	\$ (2,191,739)	\$ 588,750

The District's combined net position increased by \$588,750 to a deficit balance of \$1,602,989 from the previous year deficit amount of \$2,191,739. Some of the District's assets are accounted for by capital assets or restricted for debt service. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$923,080.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

Revenues and Expenses:

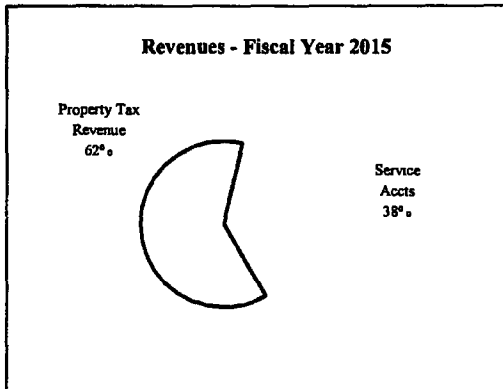
Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2015	2014	
Service accounts	\$ 904,279	\$ 800,211	\$ 104,068
Property taxes	1,380,307	1,272,937	107,370
Other	88,477	4,134	84,343
Total Revenues	2,373,063	2,077,282	295,781
Water/sewer service	315,408	329,435	(14,027)
Repairs/maintenance	458,126	471,815	(13,689)
Contracted services	75,015	76,027	(1,012)
Professional fees	193,735	220,082	(26,347)
Other	85,559	73,011	12,548
Debt Service	402,376	676,924	(274,548)
Depreciation/Amortization	254,094	500,302	(246,208)
Total Expenses	1,784,313	2,347,596	(563,283)
Change in Net Position	588,750	(270,314)	859,064
Beginning Net Position	(2,191,739)	(1,921,425)	(270,314)
Ending Net Position	\$ (1,602,989)	\$ (2,191,739)	\$ 588,750

Revenues were \$2,373,063 for the fiscal year ended September 30, 2015 while expenses were \$1,784,313. Net position increased \$588,750.

Property taxes totaled \$1,380,307. Included in these taxes are real and personal property taxes which are assessed October 1 and payable before the following January 31.

SENNA HILLS MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015



The District's assessed value in fiscal year 2015 was approximately \$255 million compared to approximately \$232 million in fiscal year 2014. The tax rate is set after reviewing the operating and debt service requirements and appraised values determined by Travis County. The ad valorem tax rate for fiscal year 2015 and 2014 was \$0.5411 and \$0.549 respectively per \$100 assessed valuation. The District's primary revenue sources are service account fees and property taxes.

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2015	2014
Cash and investments	\$ 1,479,839	\$ 1,301,493
Receivables	172,820	138,302
Total Assets	\$ 1,652,659	\$ 1,439,795
Accounts payable	130,074	100,298
Other payables	86,159	90,374
Total Liabilities	216,233	190,672
Deferred Inflows of Resources	1,586	4,285
Restricted	512,211	823,018
Unassigned	922,629	421,820
Total Fund Balance	1,434,840	1,244,838
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,652,659	\$ 1,439,795

For the fiscal year ended September 30, 2015, the District's governmental funds reflect a combined fund balance of \$1,434,840.

This fund balance includes a \$500,809 increase in the General Fund balance.

The Debt Service Fund reflects a decrease of \$200,666 in fiscal year 2015. The Debt Service Fund remitted bond principal of \$425,000 and interest of \$538,338. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had a \$110,141 decrease in fund balance for fiscal year 2015. The Capital Projects Fund transferred \$110,188 to the General Fund to reimburse for repair and maintenance work on the District's drip field irrigation system.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

BUDGETARY HIGHLIGHTS

The *General Operating Fund* pays for daily operating expenses. On August 29, 2014, the Board of Directors approved a budget for the fiscal year ending September 30, 2015. The budget included revenues of \$1,435,115 as compared to expenses of \$1,027,593. When comparing actual to budget, the District had a positive variance of \$93,287. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities had invested \$8,545,237 in land and infrastructure. The detail is reflected in the following schedule:

<u>Summary of Capital Assets, net</u>		
	9/30/2015	9/30/2014
Capital Assets:		
Land and Easements	\$ 50,000	\$ 50,000
Construction in progress	-	-
Water/Wastewater/Drainage Facilities	10,835,131	10,741,502
Less: Accumulated Depreciation	(2,339,894)	(2,092,423)
Total Net Capital Assets	\$ 8,545,237	\$ 8,699,079

More detailed information about the District's capital assets is presented in the *Notes to the Financial Statements*.

LONG TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

	<u>Bonds Payable</u>
Series 2010	\$ 5,115,000
Series 2014	6,000,000
Total	\$ 11,115,000

The District owes approximately \$11 million to bond holders. During the year, the principal balance was reduced by \$425,000. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements*.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The total assessed value for the 2015 tax year is approximately \$280 million and the net taxable assessed value is approximately \$277 million. The fiscal year 2016 tax rate is \$0.5411 on each \$100 of taxable value. Approximately 35% of the property tax will fund general operating expenses, and approximately 65% of the property tax will be set aside for debt service on the District's bonded debt.

The adopted budget for fiscal year 2016 projects an operating fund balance increase of \$57,541.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Willatt & Flickinger, 2001 North Lamar, Austin, Texas, 78705.

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL STATEMENTS

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
<u>ASSETS</u>						
Cash and cash equivalents:						
Cash	\$ 205,394	\$ -	\$ -	\$ 205,394	\$ -	\$ 205,394
Cash equivalents	753,679	520,766	-	1,274,445	-	1,274,445
Receivables:						
Service accounts, no provision for uncollectible accounts	148,031	-	-	148,031	-	148,031
Taxes, no provision for uncollectible accounts	451	1,135	-	1,586	-	1,586
Interfund receivables	8,555	-	-	8,555	(8,555)	-
Other	14,648	-	-	14,648	-	14,648
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	50,000	50,000
Water/wastewater/drainage facilities	-	-	-	-	8,495,237	8,495,237
TOTAL ASSETS	\$ 1,130,758	\$ 521,901	\$ -	\$ 1,652,659	8,536,682	10,189,341
<u>LIABILITIES</u>						
Accounts payable	\$ 130,074	\$ -	\$ -	\$ 130,074	-	130,074
Refundable deposits	77,604	-	-	77,604	-	77,604
Accrued interest payable	-	-	-	-	409,027	409,027
Interfund payables	-	8,555	-	8,555	(8,555)	-
Bonds payable:						
Due within one year	-	-	-	-	395,000	395,000
Due after one year	-	-	-	-	10,780,625	10,780,625
TOTAL LIABILITIES	207,678	8,555	-	216,233	11,576,097	11,792,330
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Property taxes	451	1,135	-	1,586	(1,586)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	451	1,135	-	1,586	(1,586)	-
<u>FUND BALANCES / NET POSITION</u>						
Fund balances:						
Restricted for debt service	-	512,211	-	512,211	(512,211)	-
Restricted for capital projects	-	-	-	-	-	-
Unassigned	922,629	-	-	922,629	(922,629)	-
TOTAL FUND BALANCES	922,629	512,211	-	1,434,840	(1,434,840)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,130,758	\$ 521,901	\$ -	\$ 1,652,659		
<u>NET POSITION:</u>						
Net investment in capital assets					(2,630,388)	(2,630,388)
Restricted for debt service					104,319	104,319
Unrestricted					923,080	923,080
TOTAL NET POSITION					\$ (1,602,989)	\$ (1,602,989)

The accompanying notes are an integral part of this statement.

SENNA HILLS MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
REVENUES:						
Service revenues, including penalties	\$ 904,279	\$ -	\$ -	\$ 904,279	\$ -	\$ 904,279
Property taxes, including penalties and interest	616,196	766,810	-	1,383,006	(2,699)	1,380,307
System connection/inspection fees	150	-	-	150	-	150
Interest	701	1,238	47	1,986	-	1,986
Settlement proceeds	85,280	-	-	85,280	-	85,280
Other	826	235	-	1,061	-	1,061
TOTAL REVENUES	1,607,432	768,283	47	2,375,762	(2,699)	2,373,063
EXPENDITURES / EXPENSES:						
Current:						
Water/wastewater purchases	315,408	-	-	315,408	-	315,408
Repairs/maintenance	458,126	-	-	458,126	-	458,126
Operations/management fee	75,015	-	-	75,015	-	75,015
Utilities/telephone	62,411	-	-	62,411	-	62,411
Director fees, including payroll taxes	9,527	-	-	9,527	-	9,527
Legal fees	76,185	-	-	76,185	-	76,185
Engineering fees	85,900	-	-	85,900	-	85,900
Accounting fees	22,350	-	-	22,350	-	22,350
Audit fees	9,300	-	-	9,300	-	9,300
Insurance	3,228	-	-	3,228	-	3,228
Tax appraisal/collection	3,734	4,646	-	8,380	-	8,380
Other	1,998	15	-	2,013	-	2,013
Debt service:						
Principal	-	425,000	-	425,000	(425,000)	-
Interest	-	538,338	-	538,338	(136,912)	401,426
Fiscal agent fees	-	950	-	950	-	950
Capital outlay	93,629	-	-	93,629	(93,629)	-
Depreciation	-	-	-	-	247,471	247,471
Amortization	-	-	-	-	6,623	6,623
TOTAL EXPENDITURES / EXPENSES	1,216,811	968,949	-	2,185,760	(401,447)	1,784,313
Excess / (deficiency) of revenues over / (under) expenditures / expenses	390,621	(200,666)	47	190,002	398,748	588,750
OTHER FINANCING SOURCES / (USES)						
Operating transfer	110,188	-	(110,188)	-	-	-
TOTAL OTHER FINANCING SOURCES / (USES)	110,188	-	(110,188)	-	-	-
Change in fund balances / net position	500,809	(200,666)	(110,141)	190,002	398,748	588,750
FUND BALANCES / NET POSITION:						
Beginning of the year	421,820	712,877	110,141	1,244,838	(3,436,577)	(2,191,739)
End of the year	\$ 922,629	\$ 512,211	\$ -	\$ 1,434,840	\$ (3,037,829)	\$ (1,602,989)

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Senna Hills Municipal Utility District (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created by an order of the Commissioner's Court of Travis County, Texas on April 6, 1988, and confirmed by the electorate of the District at a confirmation election held on January 21, 1995. The District operates and maintains a water distribution system and a sewer treatment facility and collection system in Travis County, Texas under Chapter 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by GASB standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB standards which are included in the District's reporting entity.

Basis of Presentation - Government-wide and Fund Financial Statements - These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position - This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

The financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition a budgetary comparison statement is presented that compares the adopted and amended General Fund budget with actual results.

- **Government-wide Statements:** The District's statement of net position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities column reflects depreciation expense on the District's capital assets, including infrastructure.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

- **Fund Financial Statements:**

Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** – The Debt Service Fund is used to account for the resources restricted, committed or assigned for the payment of debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Non-current Governmental Assets and Liabilities - GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Position.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Accounting

Government-wide Statements - The government-wide financial statement column is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available).

"Measurable" means that the amount of the transaction can be determined and "available" means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred revenue. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting – A budget was adopted on August 29, 2014, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year-end.

Pensions - The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that Directors are considered to be “employees” for federal payroll tax purposes only.

Cash and Cash Equivalents – Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of common trust funds, money market funds, and obligations in the State Treasurer’s Investment Pool, are recorded at cost, which approximates fair market value.

Capital Assets – Capital assets, which include Administrative Facilities and Equipment, Common and Recreation Areas, Water Production/Distribution System, Wastewater Collection System, Water Quality Ponds and Organizational Costs are reported in the government-wide column in the Statement of Net Position. Public domain (“infrastructure”) capital assets including water, wastewater and drainage systems, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Common and Recreation Areas	5 - 30
Water Production/Distribution System	10 - 50
Wastewater Collection System	5 - 50
Organizational Costs	5

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Long-Term Debt - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Long-Term Debt (continued) -

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Balance – Fund balances in governmental funds are classified using the following hierarchy:

- ***Nonspendable***: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District did not have any nonspendable fund balances.
- ***Restricted***: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- ***Committed***: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- ***Assigned***: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District does not have any assigned fund balances.
- ***Unassigned***: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS -

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Position are as follows:

Fund Balances - Total Governmental Funds		\$ 1,434,840
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds-		
Capital assets	\$ 10,885,131	
Less: Accumulated depreciation	<u>(2,339,894)</u>	8,545,237
Revenue is recognized when earned in the government statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available		1,586
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Bonds payable, net of deferred charge	\$ (11,115,000)	
Bond discounts, net	62,405	
Bond premiums, net	(123,030)	
Accrued interest	<u>(409,027)</u>	<u>(11,584,652)</u>
Net Position - Governmental Activities		<u><u>\$ (1,602,989)</u></u>

Adjustments to convert the Governmental Funds Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows :

Changes in Fund Balances - Governmental Funds		\$ 190,002
Amounts reported for governmental activities in the Statement of activities are different because:		
Governmental funds report:		
Bond principal payments as expenditures	\$ 425,000	
Interest expenditures in year paid	136,912	
Tax revenue when collected	(2,699)	
Capital outlay	<u>93,629</u>	652,842
Governmental funds do not report:		
Depreciation	\$ (247,471)	
Amortization	<u>(6,623)</u>	<u>(254,094)</u>
Change in Net Position - Governmental Activities		<u><u>\$ 588,750</u></u>

SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

3. CASH AND INVESTMENTS

The investment policies of the District are governed by State statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2015, the carrying amount of the District's deposits was \$205,394 and the bank balance was \$212,388. The bank balance was covered by federal depository insurance.

Investments -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

Credit risk. The District's investment policy requires the application of the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy requires that District funds be invested in:

- Obligations of the United States Government and or its agencies and instrumentalities;
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share;
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency; and
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and
- Public funds investment pools rated AAA or AAA-m by a nationally recognized rating agency.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

3. CASH AND INVESTMENTS (continued) --

At September 30, 2015, the District held the following investments:

Investment	Fair Market Value at 9/30/2015	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
LOGIC	\$ 1,050,477	\$ 753,679	\$ 296,798	\$ -	AAAm	Standard & Poors
Money Market	223,968	-	223,968	-	Various	Various
	<u>\$ 1,274,445</u>	<u>\$ 753,679</u>	<u>\$ 520,766</u>	<u>\$ -</u>		

(1) Restricted for Payment of Debt Service and Cost of Assessing and Collecting Taxes

(2) Restricted for Purchase of Capital Assets.

The District invests in LOGIC Liquid Asset Investment Pool (LOGIC), a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to LOGIC as custodian and to make investment purchases with the District's funds.

LOGIC is a member-owned, member-governed public funds investment pool. The Board of Trustees, who have governance responsibilities, is comprised of participants in LOGIC and members of the Texas Association of School Business Officials (TASBO).

The District has investments in the Liquidity Asset Fund. The Liquidity Asset Fund operates in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The Liquidity Asset Fund uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position of the Liquidity Asset Fund is the same as the value of the Liquidity Asset Fund shares.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2015, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with Obligations of the United States or its agencies and instrumentalities. As of September 30, 2015, the District's bank deposits were covered by FDIC insurance and other pledged collateral.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set tax rates for the 2014 tax year on September 26, 2014.

The property tax rates, established in accordance with State law, were based on 100% of the net assessed valuation of real property within the District on the 2014 tax roll. The tax rate, based on total taxable assessed valuation of \$254,710,681 was \$0.5411 on each \$100 valuation and was allocated as follows:

	<u>Tax Rate</u>
General Fund	\$ 0.2411
Debt Service Fund	<u>0.3000</u>
	<u>\$ 0.5411</u>

The maximum allowable maintenance tax of \$1.00 was established by the voters on January 21, 1995.

Property taxes receivable at September 30, 2015, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 112	\$ 139	\$ 251
Prior years' levies	339	996	1,335
	<u>\$ 451</u>	<u>\$ 1,135</u>	<u>\$ 1,586</u>

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

5. INTERFUND ACCOUNTS

A summary of interfund accounts at September 30, 2015, is as follows:

	Interfund	
	Receivables	Payables
General Fund -		
Debt Service Fund	\$ 8,555	\$ -
Debt Service Fund -		
General Fund	-	8,555
	\$ 8,555	\$ 8,555

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2014	Additions	Deletions	Balance 9/30/2015
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in Progress	-	-	-	-
Total Capital assets not being depreciated	50,000	-	-	50,000
Capital assets being depreciated:				
Water/Wastewater/Drainage System	10,741,502	93,629	-	10,835,131
Total capital assets being depreciated	10,741,502	93,629	-	10,835,131
Less accumulated depreciation for:				
Water/Wastewater/Drainage System	(2,092,423)	(247,471)	-	(2,339,894)
Total accumulated depreciation	(2,092,423)	(247,471)	-	(2,339,894)
Total capital assets being depreciated, net of accumulated depreciation	8,649,079	(153,842)	-	8,495,237
Total capital assets, net	\$ 8,699,079	\$ (153,842)	\$ -	\$ 8,545,237

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

7. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2015:

	Combination Unlimited Tax Bonds
Bonds payable at October 1, 2014	\$ 11,540,000
Bonds issued	-
Bonds refunded	-
Bonds retired	(425,000)
Bond discount, net of accumulated amortization	(62,405)
Bond premium, net of accumulated amortization	123,030
Bonds payable at September 30, 2015	\$ 11,175,625

Bonds payable at September 30, 2015, were comprised of the following individual issues:

Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds:

\$5,115,000 - 2010 Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds paid serially through the year 2033 at interest rates which range from 2.00% to 4.50%. Bonds maturing on August 15th of each of the years on or after 2021 are redeemable on August 15, 2020 or on any date thereafter. Bonds maturing on August 15, 2026, 2028, 2030 and 2033 are subject to mandatory redemption.

\$6,000,000 - 2014 Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds paid serially through the year 2033 at interest rates which range from 2.00% to 4.00%. Current interest bonds maturing on or after August 15, 2024 are subject to optional redemption on February 15, 2024 or on any date thereafter. Capital appreciation bonds are not subject to redemption prior to stated maturity.

The annual requirement to amortize all bonded debt at September 30, 2015, including interest, is as follows:

Year Ended September 30,	Principal	Interest	Total
2016	\$ 395,000	\$ 565,937	\$ 960,937
2017	395,000	567,032	962,032
2018	595,000	366,444	961,444
2019	610,000	350,593	960,593
2020	625,000	334,295	959,295
2021 - 2025	3,295,000	1,355,675	4,650,675
2026 - 2030	3,275,000	766,187	4,041,187
2031 - 2033	1,925,000	160,801	2,085,801
	\$ 11,115,000	\$ 4,466,964	\$ 15,581,964

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

7. BONDED DEBT (continued) -

\$512,211 is available in the Debt Service Fund to service the bonded debt. Bonds authorized but not issued amounted to \$1,105,000 at September 30, 2015.

8. LINE OF CREDIT

On April 25, 2014, the District secured a line of credit of \$200,000. Collateral for the line of credit includes all tax receipts, tax receivables, tax payments, tax obligations, receivables and other such rights to payments of any nature. Interest on the line of credit currently accrues at the greater interest rate of prime plus 1% or 4.25%. All principal and accrued unpaid interest is due and payable in full on or before April 15, 2016.

As of September 30, 2015, principal due was \$-0- and accrued interest due was \$-0-.

9. COMMITMENTS AND CONTINGENCIES

On June 22, 2012, the District entered into an agreement with the Lower Colorado River Authority ("LCRA") that replaced an earlier agreement dated January 11, 1993 and amended March 25, 1999. Under this agreement, the District is entitled to a maximum quantity of 404 acre feet of raw water. The District is charged \$151 per acre-foot for water usage and \$75.50 per acre-foot for reserved capacity.

On September 2, 1994, the District entered into a water supply agreement with the Lower Colorado River Authority ("LCRA"). The term of the agreement is for 40 years. Under this agreement, the LCRA agrees to provide certain water services to the District for raw water which the District purchases pursuant to the District's Raw Water Contract. The District is obligated to pay the LCRA a connection fee for each new retail water connection. Additionally, the District pays a monthly charge each month and a volume rate for the amount of water delivered to the District. During the prior fiscal year, this agreement was assigned by the LCRA to the West Travis County Public Utility Agency.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

10. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (the "TML Pool") to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established Claims Reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

11. DEFICIT IN NET POSITION

Total net position had a deficit balance of \$1,602,989 at September 30, 2015. This is primarily attributed to capitalized interest, bond proceeds transferred to the General Fund and depreciation/amortization expense associated with the District's bond issues.

12. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through February 5, 2016.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

13. PENDING LITIGATION

Cause No. D-1-GN-12-000602; Senna Hills, Ltd., Plaintiff v. Senna Hills Municipal Utility District, Defendant in the District Court of Travis County, Texas; 250th Judicial District. In this case, Senna Hills, Ltd. complains that Senna Hills MUD installed a wastewater line in a public utility easement. A Motion for Partial Summary Judgment filed by Senna Hills, Ltd. was denied. The possibility of an outcome adverse to the MUD in this litigation is remote.

Cause No. D-1-GN-14-004993; Senna Hills, Ltd., Plaintiff v. Senna Hills Municipal Utility District, Defendant in the District Court of Travis County, Texas; 200th Judicial District. In this case the Plaintiff seeks to build an office building on a tract of land of approximately 11.73 acres. The land is addressed in the Conceptual Plan attached to the First Amended and Restated Agreement Concerning Creation and Operation of Senna Hills Municipal Utility District, by and between the Plaintiff's, the City of Austin and the District, dated effective as of October 1, 1992. The 11.73 acres is identified on the Conceptual Plan attached to the Consent Agreement as "Lot 3" and "Lot 4". Lot 3 is a 10 acre tract on which is written "School (irrigation ESMT)." Lot 4 is a 1.73 acre tract on which is written "Irrigation." The Plaintiff contends that the requirement that the 11.73 acre tract be dedicated or set aside as land available to the MUD for irrigation purposes can be eliminated by the City of Austin Director of Planning and Development without the consent of the MUD. Plaintiff's petition has been amended to add a claim against the District for inverse condemnation of the 11.73 acre tract, with no amount of damages specified and to request a declaratory judgment finding and declaring that the TCEQ permit held jointly by the Plaintiff and the District should be amended to allow irrigation on tracts of less than 15% slope. The report prepared by the District's engineer shows that the District requires a part of the 11.73 acre tract for irrigation. The District's engineer has been deposed and limited written discovery has been conducted. The City of Austin has been made a party to this case. Mediation of this case was held jointly with Cause No. D-1-GN-12-000602 on January 21, 2016. The outcome of this case cannot be predicted at this time.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2015**

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Service revenues, including penalties	\$ 904,279	\$ 821,814	\$ 82,465
Property taxes, including penalties	616,196	613,301	2,895
Interest	701	-	701
Settlement proceeds	85,280	-	85,280
Other	826	-	826
TOTAL REVENUES	<u>1,607,432</u>	<u>1,435,115</u>	<u>172,317</u>
EXPENDITURES:			
Current:			
Water/wastewater purchases	315,408	348,623	33,215
Repairs/maintenance	458,126	400,800	(57,326)
Operations/management fees	75,015	74,400	(615)
Utilities/telephone	62,411	61,200	(1,211)
Director fees, including payroll taxes	9,527	9,720	193
Legal fees	76,185	48,000	(28,185)
Engineering fees	85,900	42,000	(43,900)
Accounting fees	22,350	22,350	-
Audit fees	9,300	10,000	700
Insurance	3,228	3,200	(28)
Tax appraisal/collection	3,734	4,300	566
Other	1,998	3,000	1,002
Capital outlay	93,629	-	(93,629)
TOTAL EXPENDITURES	<u>1,216,811</u>	<u>1,027,593</u>	<u>(189,218)</u>
Excess of revenues over expenditures	<u>390,621</u>	<u>407,522</u>	<u>(16,901)</u>
OTHER FINANCING USES			
Operating transfer	110,188	-	110,188
TOTAL OTHER FINANCING USES	<u>110,188</u>	<u>-</u>	<u>110,188</u>
Change in fund balances / net position	500,809	<u>\$ 407,522</u>	<u>\$ 93,287</u>
FUND BALANCE:			
Beginning of the year	421,820		
End of the year	<u>\$ 922,629</u>		

**TEXAS SUPPLEMENTARY
INFORMATION**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2015**

1. Services Provided by the District during the Fiscal Year:

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 28.12	-	N	\$ 5.05	0,001-20,000
				\$ 7.00	20,001-30,000
				\$ 9.00	30,001-45,000
				\$ 10.00	45,001-60,000
				\$ 12.00	60,001-75,000
				\$ 14.00	Over 75,000
WASTEWATER:	\$ 70.00	10,000	N	\$ 2.85	10,001 and over
SURCHARGE:	\$ -	-	-	\$ -	

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 78.62 Wastewater \$ 70.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	0.0	0.0	1.0	0.0
≤ 3/4"	405.0	405.0	1.0	405.0
1"	5.0	5.0	2.5	12.5
1 1/2"	1.0	1.0	5.0	5.0
2"	1.0	1.0	8.0	8.0
3"	0.0	0.0	15.0	0.0
4"	0.0	0.0	25.0	0.0
6"	0.0	0.0	50.0	0.0
8"	0.0	0.0	80.0	0.0
10"	0.0	0.0	115.0	0.0
Total Water	412.0	412.0		430.5
Total Wastewater	405.0	405.0	1.0	405.0

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2015**

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: 91,757

Gallons billed to customers: 75,599

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

82.4%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District assess standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: Travis

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City(ies) in which district is located: N/A

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which district is located: Austin, Texas

Are Board members appointed by an office outside the district?

Yes No

If Yes, by whom? _____

SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2015

Professional Fees:	
Auditing	\$ 9,300
Legal	76,185
Engineering	85,900
Purchased Services For Resale-	
Bulk Water and Wastewater Purchases	315,408
Contracted Services:	
General Manager / Bookkeeping	97,365
Appraisal District/Tax Collector	3,734
Utilities	62,411
Repairs and Maintenance	458,126
Administrative Expenditures:	
Insurance	3,228
Other Administrative Expenditures	1,998
Capital Outlay:	
Capitalized Assets	<u>93,629</u>
TOTAL EXPENDITURES	<u><u>\$ 1,216,811</u></u>

Number of persons employed by the District:

Full-Time Part-Time

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2015**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
Logic Investment Pool	XXX8010	Varies	N/A	\$ 753,679	\$ -
Total				<u>753,679</u>	<u>-</u>
Debt Service Fund:					
Logic Investment Pool	XXX8020	Varies	N/A	6,317	-
Logic Investment Pool	XXX8050	Varies	N/A	290,481	
Money Market Account	XXX5991	Varies	N/A	14,920	
Money Market Account	XXX6068	Varies	N/A	<u>209,048</u>	<u>-</u>
Total				<u>520,766</u>	<u>-</u>
Total - All Funds				<u>\$ 1,274,445</u>	<u>\$ -</u>

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2015**

	Maintenance Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year	\$ 1,623	\$ 2,662
2014 Original Tax Levy, less abatements	614,564	764,701
Adjustments	(291)	(362)
Total to be accounted for	615,896	767,001
Tax collections:		
Current year	614,161	764,200
Prior years	1,284	1,666
Total collections	615,445	765,866
Taxes Receivable, End of Year	\$ 451	\$ 1,135
Taxes Receivable, By Years		
2013 and before	\$ 339	\$ 996
2014	112	139
Taxes Receivable, End of Year	\$ 451	\$ 1,135

	2014	2013	2012	2011
Property Valuations-				
Land and improvements	\$ 254,710,681	\$ 232,108,431	\$ 217,425,434	\$ 201,778,579
Total Property Valuations	\$ 254,710,681	\$ 232,108,431	\$ 217,425,434	\$ 201,778,579
Tax Rates per \$100 Valuation:				
Debt Service tax rates	\$ 0.3000	\$ 0.3100	\$ 0.3200	\$ 0.4400
Maintenance tax rates	0.2411	0.2390	0.2290	0.0926
Total Tax Rates per \$100 Valuation:	\$ 0.5411	\$ 0.5490	\$ 0.5490	\$ 0.5326
Original Tax Levy	\$ 1,378,612	\$ 1,274,671	\$ 1,193,666	\$ 1,074,673
Percent of Taxes Collected to Taxes Levied **	99.9%	99.9%	99.9%	99.9%

Maximum Maintenance Tax Rate Approved by Voters: \$ 1.00 on 1/21/1995.

**Calculated as taxes collected in current and previous years divided by tax levy.

SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2015

Fiscal Year Ending	Unlimited Tax Bonds Series 2010			Unlimited Tax Refunding Bonds Series 2014			Total - All Issues		
	Principal Due 8/15	Interest Due 2/15, 8/15	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 8/15	Interest Due 2/15, 8/15	Total
2016	\$ 375,000	\$ 181,581	\$ 556,581	\$ 20,000	\$ 384,356	\$ 404,356	\$ 395,000	\$ 565,937	\$ 960,937
2017	385,000	172,675	557,675	10,000	394,357	404,357	395,000	567,032	962,032
2018	395,000	162,088	557,088	200,000	204,356	404,356	595,000	366,444	961,444
2019	410,000	150,237	560,237	200,000	200,356	400,356	610,000	350,593	960,593
2020	415,000	137,938	552,938	210,000	196,357	406,357	625,000	334,295	959,295
2021	440,000	123,931	563,931	210,000	191,631	401,631	650,000	315,562	965,562
2022	455,000	108,531	563,531	210,000	186,119	396,119	665,000	294,650	959,650
2023	470,000	92,038	562,038	220,000	180,344	400,344	690,000	272,382	962,382
2024	405,000	74,413	479,413	225,000	173,744	398,744	630,000	248,157	878,157
2025	145,000	58,212	203,212	515,000	166,712	681,712	660,000	224,924	884,924
2026	135,000	52,412	187,412	545,000	149,975	694,975	680,000	202,387	882,387
2027	130,000	47,013	177,013	570,000	132,262	702,262	700,000	179,275	879,275
2028	120,000	41,650	161,650	610,000	112,313	722,313	730,000	153,963	883,963
2029	175,000	36,700	211,700	395,000	90,200	485,200	570,000	126,900	696,900
2030	175,000	29,262	204,262	420,000	74,400	494,400	595,000	103,662	698,662
2031	165,000	21,826	186,826	450,000	57,600	507,600	615,000	79,426	694,426
2032	165,000	14,400	179,400	480,000	39,600	519,600	645,000	54,000	699,000
2033	155,000	6,975	161,975	510,000	20,400	530,400	665,000	27,375	692,375
	<u>\$ 5,115,000</u>	<u>\$ 1,511,882</u>	<u>\$ 6,626,882</u>	<u>\$ 6,000,000</u>	<u>\$ 2,955,082</u>	<u>\$ 8,955,082</u>	<u>\$ 11,115,000</u>	<u>\$ 4,466,964</u>	<u>\$ 15,581,964</u>

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2015**

	Bond Issues		
	Series 2010	Series 2014	Total
Interest Rate	2.00% - 4.50%	2.00% to 4.00%	
Dates Interest Payable	2/15, 8/15	2/15, 8/15	
Maturity Dates	8/15/2033	8/15/2033	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 5,485,000	\$ 6,055,000	\$ 11,540,000
Bonds Sold During the Current Fiscal Year	-	-	-
Retirements During the Current Fiscal Year:			
Principal	(370,000)	(55,000)	(425,000)
Refunded	-	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 5,115,000</u>	<u>\$ 6,000,000</u>	<u>\$ 11,115,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 188,982</u>	<u>\$ 349,356</u>	<u>\$ 538,338</u>
Paying Agent's Name & Address:	<u>Wells Fargo Bank</u> <u>Austin, TX</u>	<u>Bank of Texas</u> <u>Austin, TX</u>	
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>	
Amount Authorized by Voters	\$ 16,000,000	N/A	
Amount Issued	<u>(14,895,000)</u>	<u>\$ 12,505,000</u>	
Remaining To Be Issued	<u>\$ 1,105,000</u>	<u>N/A</u>	

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2015:	<u>\$ 520,766</u>
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt:	<u>\$ 865,665</u>

SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL AND DEBT SERVICE FUNDS - FIVE YEARS
SEPTEMBER 30, 2015

	Amounts					Percent of				
						Fund Total Revenues				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
GENERAL FUND REVENUES:										
Property taxes, including penalties and interest	\$ 616,196	\$ 554,471	\$ 497,934	\$ 187,348	\$ 164,985	35.9%	40.9%	31.8%	21.5%	19.7%
Service revenues, including penalties	904,279	799,711	719,096	682,060	666,051	52.6%	59.0%	45.9%	78.3%	79.2%
Tap fees	150	500	-	-	3,714	0.1%	0.1%	-	-	0.4%
Settlement proceeds	85,280	-	-	-	-	5.0%	-	-	-	-
Interest	701	200	181	36	719	0.0%	-	-	-	0.1%
Transfers In	110,188	-	349,714	-	-	6.4%	-	22.3%	-	-
Other	826	418	-	1,438	5,065	-	-	-	0.2%	0.6%
TOTAL GENERAL FUND REVENUES AND OTHER SOURCES	1,717,620	1,355,300	1,566,925	870,882	840,534	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES:										
Current										
Water wastewater purchases	315,408	329,435	421,764	437,229	463,477	18.4%	24.4%	26.9%	50.3%	55.1%
Repairs/maintenance	458,126	471,815	524,857	165,873	77,234	26.7%	34.8%	33.5%	19.0%	9.2%
Operations/Management fees	75,015	76,027	92,682	74,683	44,622	4.4%	5.6%	5.9%	8.6%	5.3%
Utilities/telephone	62,411	61,322	58,711	48,460	39,235	3.6%	4.5%	3.7%	5.6%	4.7%
Director fees, including payroll taxes	9,527	484	-	-	-	0.6%	-	-	-	-
Legal fees	76,185	83,817	55,693	71,364	39,565	4.4%	6.2%	3.6%	8.2%	4.7%
Engineering fees	85,900	104,915	44,116	54,339	53,416	5.0%	7.7%	2.8%	6.2%	6.4%
Accounting fees	22,350	22,350	22,350	12,600	-	1.3%	1.6%	1.4%	0	-
Audit fees	9,300	9,000	8,900	11,000	14,500	0.5%	0.7%	0.6%	1.3%	1.7%
Insurance	3,228	3,062	2,587	2,170	2,594	0.2%	0.2%	0.2%	0.2%	0.3%
Tax appraisal collection	3,734	4,190	3,977	1,062	833	0.2%	0.3%	0.3%	0.1%	0.1%
Other	1,998	1,066	3,306	19,842	88,546	0.1%	0.1%	0.2%	2.3%	10.5%
Capital Outlay	93,629	-	5,000	153,635	-	5.5%	-	0.3%	17.6%	-
TOTAL GENERAL FUND EXPENDITURES AND OTHER USES	1,216,811	1,167,483	1,243,943	1,052,257	824,022	70.7%	86.1%	79.4%	120.8%	98.0%
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES										
	\$ 500 09	\$ 187,817	\$ 322,982	\$ (181,375)	\$ 16,512	29.3%	13.9%	20.6%	-20.8%	2.0%
DEBT SERVICE FUND REVENUES:										
Property taxes, including penalties and interest	\$ 766,810	\$ 717,034	\$ 695,206	\$ 890,208	\$ 890,453	99.8%	99.5%	99.2%	99.5%	99.7%
Interest and other	1,473	3,403	5,958	4,729	3,053	0.2%	0.5%	0.8%	0.5%	0.3%
TOTAL DEBT SERVICE FUND REVENUES AND OTHER SOURCES	768,283	720,437	701,164	894,937	893,506	100.0%	100.0%	100.0%	100.0%	100.0%
DEBT SERVICE FUND EXPENDITURES:										
Tax appraisal/collection	4,646	2,802	2,659	5,046	4,659	0.6%	0.4%	0.4%	0.6%	0.5%
Financial advisor fees	950	1,377	1,587	1,323	-	0.1%	0.2%	0.2%	0	-
Bond principal	425,000	550,000	435,000	170,000	245,000	55.4%	76.4%	62.1%	19.0%	27.4%
Bond interest	538,338	400,894	516,916	761,466	680,046	70.1%	55.6%	73.7%	85.1%	76.1%
Bond issue costs	-	288,741	-	-	-	-	40.1%	-	-	-
Fiscal agent fees and other	15	85	1,463	60	(8,667)	-	-	0.2%	-	-1.0%
Operating Transfers out	-	-	216,792	-	-	-	-	30.9%	-	-
Payment to escrow agent net of proceeds	-	(290,726)	-	-	-	-	-40.4%	-	-	-
TOTAL DEBT SERVICE FUND EXPENDITURES AND OTHER USES	968,949	953,173	1,174,417	937,895	921,038	126.2%	132.3%	167.5%	104.8%	103.0%
EXCESS (DEFICIENCY) OF DEBT SERVICE FUND REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES										
	\$ 200 666	\$ (232,736)	\$ 473 253	\$ (42,958)	\$ (27,532)	-26.2%	-32.3%	-67.5%	-4.8%	-3.0%
TOTAL ACTIVE RETAIL WATER CONNECTIONS										
	412	410	403	402	398					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS										
	405	404	397	397	398					

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2015**

Complete District Mailing Address:	c/o Willatt & Flickinger, 2001 N Lamar, Austin TX 78705
District Business Telephone Number:	(512) 476-6604
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054:	January 20, 2015
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	9/30/2015	Expense Reimbursements	9/30/2015	Title at Year End
Board Members:						
CHET PALESKO	(Elected) 11/14 - 11/18	\$	1,950	\$	-	President
DAVID I. PERL	(Elected) 11/14 - 11/18	\$	1,950	\$	-	Vice-President
LISA S. MCKENZIE	(Appointed) 9/13 - 11/16	\$	1,800	\$	-	Secretary
COREY NEWHOUSE	(Appointed) 6/14 - 11/16	\$	1,650	\$	-	Assistant Secretary
JOSEPH MATTHEW SZOO	(Appointed) 3/13 - 11/16	\$	1,500	\$	-	Assistant Secretary

* Fees of Office are the amounts actually paid to a director during the district's fiscal year.

Consultants:

Severn Trent Environmental Services Inc.	9/1/2012	\$	348,188	\$	-	District Manager
Willatt & Flickinger	9/8/2005	\$	75,241	\$	-	Attorney
McCall Gibson Swedlund Barfoot PLLC	9/26/2014	\$	9,300	\$	-	Auditor
Murfee Engineering	7/13/2011	\$	94,500	\$	-	Engineer
Southwest Securities, Inc.	10/15/1997	\$	-	\$	-	Financial Advisor
Bott & Douthitt, PLLC	3/1/2012	\$	22,350	\$	114	Bookkeeper/
Travis County Tax Collector	2/27/95	\$	549	\$	-	Tax Collector

**OTHER SUPPLEMENTARY
INFORMATION**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2015**

Taxpayer	Type of Property	Tax Roll Year		
		2015	2014	2013
Homeowner	N/A	\$ 1,002,705	\$ 936,755	\$ 873,445
Homeowner	N/A	991,632	923,540	846,747
Homeowner	N/A	968,298	903,732	833,546
Homeowner	N/A	960,058	901,484	823,372
Homeowner	N/A	959,864	883,554	807,460
Homeowner	N/A	936,047	872,604	807,111
Homeowner	N/A	933,272	867,843	793,276
Homeowner	N/A	932,188	862,729	788,948
Homeowner	N/A	924,774	857,140	786,382
Homeowner	N/A	920,517	848,429	770,404
Total		\$ 9,529,355	\$ 8,857,810	\$ 8,130,691
Percent of Assessed Valuation		3.4%	3.5%	3.5%

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2015**

Type of Property	Tax Roll Year					
	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 279,711,249	101.0%	\$ 261,959,488	102.8%	\$ 232,453,730	100.1%
Vacant Lot	146,000	0.1%	356,000	0.1%	156,000	0.1%
Non-Qualified Land	11,730	-	11,730	-	11,730	-
Industrial and Manufacturing Personal	45,399	-	45,399	-	45,399	-
Commercial Real Property	104,380	-	112,922	0.1%	119,517	0.1%
Commercial Personal Property	117,369	-	99,796	-	105,902	-
Residential Inventory	-	-	-	-	725,000	0.3%
Totally Exempt Property	119,000	0.1%	119,000	0.1%	119,000	0.1%
Less: Adjustments	<u>(3,192,693)</u>	<u>-1.2%</u>	<u>(7,993,654)</u>	<u>-3.1%</u>	<u>(1,627,847)</u>	<u>-0.7%</u>
Total Taxable	<u>\$ 277,062,434</u>	<u>100.0%</u>	<u>\$ 254,710,681</u>	<u>100.0%</u>	<u>\$ 232,108,431</u>	<u>100.0%</u>

RATING: S&P "AA" (Enhanced)
S&P "A" (Unenhanced)
(See "RATING", "BOND INSURANCE" and
"BOND INSURANCE RISK FACTORS" herein)

OFFICIAL STATEMENT
Dated: December 1, 2016

NEW ISSUE: BOOK-ENTRY-ONLY

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION, INCLUDING THE ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

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

\$1,105,000
SENNA HILLS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County)

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016

Dated Date: December 1, 2016

Due: August 15, as shown on the inside cover

The Senna Hills Municipal Utility District (the "District" or the "Issuer") is issuing its \$1,105,000 Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (the "Bonds") pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapter 49 and Chapter 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and a resolution (the "Bond Resolution") adopted by the Board of Directors (the "Board"). (See "THE BONDS – Authority for Issuance" herein.)

Interest on the Bonds will accrue from the Dated Date, will be payable February 15 and August 15 of each year commencing on February 15, 2017, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof.

The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. 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 of the Bonds will be payable by BOKF, NA, Austin, Texas as Paying Agent/Registrar ("Paying Agent/Registrar"), to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.)

The Bonds maturing on or after August 15, 2027 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026 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 Term Bonds (hereinafter defined) are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS - Optional Redemption" and "THE BONDS – Mandatory Sinking Fund 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 – Pledge of Ad Valorem Taxes and System Revenues" herein. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. The bond insurance policy was purchased at the sole discretion of the Purchaser (defined below). (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 Initial Purchaser subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Andrews Kurth Kenyon LLP, Austin, Texas, Bond Counsel. Andrews Kurth Kenyon LLP has also engaged to serve as disclosure counsel for the offering. The Bonds are expected to be available for initial delivery through the services of DTC on or about December 29, 2016.

\$1,105,000
SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016

MATURITY SCHEDULE

Base CUSIP No.⁽¹⁾:817227

\$440,000 Serial Bonds

Maturity Date (8/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix No. ⁽¹⁾
2018	\$45,000	3.000%	2.00%	FS5
2019	45,000	3.000	2.25	FT3
2020	45,000	3.000	2.50	FU0
2021	45,000	3.000	2.70	FV8
2022	50,000	3.000	2.85	FW6
2023	50,000	3.000	3.00	FX4
2024	50,000	3.250	3.15	FY2
2025	55,000	3.375	3.30	FZ9
2026	55,000	3.500	3.40	GA3

(Interest to accrue from the Dated Date)

\$665,000 Term Bonds

\$ 115,000	3.250%	Term Bonds due August 15, 2028 – Price 97.625 (yield 3.50%)	CUSIP Suffix No. GC9 ⁽¹⁾
\$ 125,000	3.500%	Term Bonds due August 15, 2030 – Price 98.397 (yield 3.65%)	CUSIP Suffix No. GE5 ⁽¹⁾
\$ 200,000	3.750%	Term Bonds due August 15, 2033 – Price 98.776 (yield 3.85%)	CUSIP Suffix No. GH8 ⁽¹⁾
\$ 225,000	4.000%	Term Bonds due August 15, 2036 – Price 100.000 (yield 4.00%)	CUSIP Suffix No. GL9 ⁽¹⁾

(Interest to accrue from the Dated Date)

⁽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 S&P Capital IQ 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 Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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. 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.

NEITHER THE DISTRICT OR ITS FINANCIAL ADVISOR 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.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX D - Specimen Municipal Bond Insurance Policy".

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of Northland Securities (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of this Official Statement at a price of \$1,071,859.45 of par plus accrued interest to date of delivery. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

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

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

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

Securities Laws

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

TABLE OF CONTENTS

<p>USE OF INFORMATION IN THE OFFICIAL STATEMENT 3</p> <p>SALE AND DISTRIBUTION OF THE BONDS 3</p> <p style="padding-left: 20px;">Award of the Bonds 3</p> <p style="padding-left: 20px;">Prices and Marketability 3</p> <p style="padding-left: 20px;">Securities Laws 3</p> <p>OFFICIAL STATEMENT SUMMARY 5</p> <p>THE DISTRICT 5</p> <p>THE BONDS 5</p> <p>RISK FACTORS 6</p> <p>OFFICIAL STATEMENT 7</p> <p>INTRODUCTION 7</p> <p>THE BONDS 7</p> <p style="padding-left: 20px;">General Description 7</p> <p style="padding-left: 20px;">Optional Redemption 7</p> <p style="padding-left: 20px;">Mandatory Sinking Fund Redemption 7</p> <p style="padding-left: 20px;">Notice of Redemption and DTC Notices 8</p> <p style="padding-left: 20px;">Authority for Issuance 8</p> <p style="padding-left: 20px;">Payment Record 8</p> <p style="padding-left: 20px;">Authorized but Unissued Debt 8</p> <p style="padding-left: 20px;">Paying Agent/Registrar 8</p> <p style="padding-left: 20px;">Registration, Transfer and Exchange 9</p> <p style="padding-left: 20px;">Record Date 9</p> <p style="padding-left: 20px;">Lost, Stolen or Destroyed Bonds 9</p> <p style="padding-left: 20px;">Legal Investment and Eligibility to Secure Public Funds in Texas 9</p> <p style="padding-left: 20px;">Remedies in Event of Default 9</p> <p style="padding-left: 20px;">Approval of the Bonds 10</p> <p style="padding-left: 20px;">Amendments to the Bond Resolution 10</p> <p style="padding-left: 20px;">Defeasance 10</p> <p>SECURITY AND SOURCE OF PAYMENT FOR THE BONDS 11</p> <p style="padding-left: 20px;">Pledge of Ad Valorem Taxes and System Revenues 11</p> <p style="padding-left: 20px;">Revenue Fund 11</p> <p style="padding-left: 20px;">Interest and Sinking Fund 11</p> <p style="padding-left: 20px;">Additional Bonds 12</p> <p style="padding-left: 20px;">Maintenance and Operation; Insurance 12</p> <p style="padding-left: 20px;">Accounts and Fiscal Year 12</p> <p style="padding-left: 20px;">Accounting Reports 12</p> <p>USE AND DISTRIBUTION OF BOND PROCEEDS 13</p> <p>BOND INSURANCE 13</p> <p>BOND INSURANCE GENERAL RISKS 14</p> <p>BOOK-ENTRY-ONLY SYSTEM 15</p> <p style="padding-left: 20px;">Use of Certain Terms in Other Sections of this Official Statement 16</p> <p>RISK FACTORS 16</p> <p style="padding-left: 20px;">General 16</p> <p style="padding-left: 20px;">Impact on District Tax Rates 16</p> <p style="padding-left: 20px;">Overlapping and Combined Tax Rates 17</p> <p style="padding-left: 20px;">Water and Wastewater Quality 17</p>	<p>Tax Collections and Foreclosure Remedies 17</p> <p>Registered Owners' Remedies 17</p> <p>Bankruptcy Limitation to Registered Owners' Rights 17</p> <p>The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District 18</p> <p>Marketability 18</p> <p>Continuing Compliance with Certain Covenants 18</p> <p>Future Debt 18</p> <p>DISTRICT AND AREA MAPS 19</p> <p>THE DISTRICT 21</p> <p style="padding-left: 20px;">General 21</p> <p style="padding-left: 20px;">Location 21</p> <p style="padding-left: 20px;">Commitments of the District 21</p> <p style="padding-left: 20px;">Management of the District 21</p> <p style="padding-left: 20px;">Status of Development 22</p> <p style="padding-left: 20px;">Consolidation 22</p> <p style="padding-left: 20px;">Annexation 22</p> <p style="padding-left: 20px;">Alteration of Boundaries 22</p> <p>THE SYSTEM 22</p> <p style="padding-left: 20px;">General 22</p> <p style="padding-left: 20px;">Water Supply 23</p> <p style="padding-left: 20px;">Wastewater Treatment 23</p> <p style="padding-left: 20px;">Storm Drainage 23</p> <p style="padding-left: 20px;">Irrigation Land 23</p> <p style="padding-left: 20px;">Regulation 23</p> <p style="padding-left: 20px;">100-Year Flood Plain 23</p> <p style="padding-left: 20px;">Water and Wastewater Operations 24</p> <p>INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT 24</p> <p>TAX RATE LIMITATIONS 25</p> <p style="padding-left: 20px;">District Bond Tax Rate Limitation 25</p> <p style="padding-left: 20px;">Maintenance Tax 26</p> <p>TAXING PROCEDURES 26</p> <p>RATING 28</p> <p>LEGAL MATTERS 28</p> <p>TAX MATTERS 29</p> <p>CONTINUING DISCLOSURE OF INFORMATION 31</p> <p>OTHER INFORMATION 32</p> <p style="padding-left: 20px;">Financial Advisor 32</p> <p>OFFICIAL STATEMENT 33</p> <p style="padding-left: 20px;">Experts 33</p> <p style="padding-left: 20px;">Updating the Official Statement During Underwriting Period 33</p> <p style="padding-left: 20px;">Certification as to Official Statement 33</p> <p style="padding-left: 20px;">Official Statement "Deemed Final" 33</p> <p style="padding-left: 20px;">Annual Audits 33</p>
---	--

Financial Information of the District
 Form of Legal Opinion of Bond Counsel
 The District's Audited Financial Statements for the Year Ended September 30, 2015
 Specimen Municipal Bond Insurance Policy

Appendix A
 Appendix B
 Appendix C
 Appendix D

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

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 approximately 323 acres. The District has approximately 413 developed lots allowed under current land development and water quality regulations. There are currently 401 active homes on the 413 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.

THE BONDS

Description	The Bonds are issued in the aggregate principal amount of \$1,105,000 maturing annually in varying amounts on August 15 of each year from 2018 through and including 2026, and in the years 2028, 2030, 2033 and 2036. Interest on the Bonds will be payable February 15 and August 15 of each year commencing on February 15, 2017, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof. See "THE BONDS – General Description" herein.
Optional Redemption	The Bonds maturing on or after August 15, 2027 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026 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 Term Bonds (hereinafter defined) are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS - Optional Redemption" and "THE BONDS – Mandatory Sinking Fund Redemption" herein.
Source of Payment	Principal of and interest on the Bonds 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 Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapter 49 and Chapter 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and a resolution (the "Bond Resolution" adopted by the Board of Directors (the "Board")). See "THE BONDS - Authority for Issuance" herein.
Use of Proceeds	Proceeds from the sale of the Bonds will be used to provide improvements to the water system, wastewater system, and drainage and storm sewer system, including an upgrade, expansion

and rehabilitation of the existing wastewater treatment plant and to pay costs of issuance of the Bonds. See "THE BONDS – Sources and Uses of Funds"

Bonds Authorized but Unissued

Following the issuance of the Bonds, the District will not have any authorized but unissued unlimited ad valorem tax bonds for water, wastewater and drainage purposes from the election held on January 21, 1995.

Municipal Rating and Bond Insurance

It is expected that S&P Global Ratings ("S&P") will assign its municipal bond rating of "AA" to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest of the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY. The outstanding combination tax and revenue bond debt of the District is currently rated "A" by S&P. An explanation of the significance of the rating may be obtained from S&P. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.) (See "RATING" herein).

Qualified Tax-Exempt Obligations

The District has designated 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

Andrews Kurth Kenyon LLP, Austin, Texas.

Disclosure Counsel

Andrews Kurth Kenyon LLP, Austin, Texas.

General Counsel

Willatt & Flickinger, PLLC, Austin, Texas.

Financial Advisor

SAMCO Capital Markets, Inc. Plano, Texas.

Bookkeeper

Bott & Douthitt PLLC, Round Rock, Texas.

Auditor

McCall Gibson Swedlund Barfoot PLLC, Houston, Texas

Engineer

Murfee Engineering Company, Inc., Austin, Texas.

Operations Manager

Severn Trent 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**

\$1,105,000

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

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Senna Hills Municipal Utility District (the "District" or "Issuer") of its \$1,105,000 Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (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 this Official Statement relating to the Bonds 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 are dated December 1, 2016 (the "Dated Date"). Interest on the Bonds accrues from their Dated Date and is payable semiannually until stated maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable initially on February 15, 2017, and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in the denominations of \$5,000 of principal or any integral multiple thereof within a maturity. Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, 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 Bond is payable on any interest payment date is the last business day of the month next preceding such interest payment date. The principal 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, 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.

Optional Redemption

The Bonds maturing on or after August 15, 2027 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026 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.

Mandatory Sinking Fund Redemption

In addition to the optional redemption provisions described above, the Bonds maturing on August 15, 2028, August 15, 2030, August 15, 2033 and August 15, 2036 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their stated maturity, and will be redeemed by the District, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates and in the principal amounts shown in the following schedule:

<u>Term Bonds Due August 15, 2028</u>		<u>Term Bonds Due August 15, 2030</u>		<u>Term Bonds Due August 15, 2033</u>		<u>Term Bonds Due August 15, 2036</u>	
<u>Date (8/15)</u>	<u>Amount</u>	<u>Date (8/15)</u>	<u>Amount</u>	<u>Date (8/15)</u>	<u>Amount</u>	<u>Date (8/15)</u>	<u>Amount</u>
2027	\$55,000	2029	\$60,000	2031	\$65,000	2034	\$70,000
2028*	60,000	2030*	65,000	2032	65,000	2035	75,000
				2033*	70,000	2036*	80,000

*Stated Maturity

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

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the Bonds, 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 Bond 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 Bonds shall cease to accrue from and after such redemption date notwithstanding that a Bond has not been presented for payment.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds 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 Bonds, 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 Bonds, 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 Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice 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 Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds 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 Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapter 49 and Chapter 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and Bond Resolution adopted by the Board.

Payment Record

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

Authorized but Unissued Debt

Following the issuance of the Bonds, the District will not have any authorized but unissued unlimited ad valorem tax bonds for water, wastewater and drainage purposes from the election held on January 21, 1995. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Additional Bonds" herein.

Paying Agent/Registrar

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Water Code, bonds, notes or other obligations issued by a district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Water Code provides that bonds, notes or other obligations issued by a district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Resolution and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available

remedy at law to compel performance of the Bonds or the Resolution and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. 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. The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Resolution covenants. Even if a judgment against the District could be obtained, it 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 to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, 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. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

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 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 the rate of interest thereon, reduce the redemption price of the Bonds, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the registered owners of any or all of the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue such Bonds to maturity or redemption and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a district, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be. If any of the Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Bond Resolution.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the District to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such Bonds for redemption is not extinguished if the

District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Pledge of Ad Valorem Taxes and System Revenues

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, to date, paid debt service on all of its ad valorem tax-supported debt with funds collected from the levy and collection of ad valorem taxes for such purpose. No System revenues have been available to be used to pay debt service on the District's combination ad valorem tax and water and wastewater system revenue supported debt, including the Bonds, nor does the District expect for any such revenues to be available in the foreseeable future. Accordingly, holders of Bonds should look to the sufficiency of the ad valorem tax collections of the District available to pay debt service on combination ad valorem tax and water and wastewater system revenue supported District debt, including the Bonds, and not Net Revenues of the System when making an investment decision relative to the Bonds. See "DISTRICT TAX RATES" in Appendix A hereto.

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.
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 120 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.

USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to provide improvements to the water system, wastewater system, and drainage and storm sewer system, including an upgrade, expansion and rehabilitation of the existing wastewater treatment plant and to pay costs of issuance of the Bonds as set forth below.

CONSTRUCTION COSTS

	<u>Amount</u> ⁽¹⁾
A. Developer Contribution Items	
None	\$ 0
B. District Items	
1. Wastewater Treatment Plant Expansion	\$ 1,045,750
2. Engineering, Surveying and Review Fees	\$ 50,000
3. Contingency (5.26% of Item Nos. 1 and 2)	<u>\$ 57,650</u>
Total District Items	<u>\$ 1,153,400</u>
TOTAL CONSTRUCTION COSTS	\$ 1,153,400
Surplus Operations and Maintenance	<u>\$ (200,000)</u> ⁽²⁾
Net Construction Costs	\$ 953,400
 Nonconstruction Costs	
A. Legal Fees (2.0%)	\$ 22,100 ⁽³⁾
B. Fiscal Agent Fees (2.0%)	\$ 22,100 ⁽⁴⁾
C. Bond Discount (3%)	\$ 33,140
D. Bond Issuance Expenses and Contingency	\$ 35,391
E. Bond Application Report Costs	\$ 35,000
F. Attorney General Fee (0.10% or \$9,500 max.)	\$ 1,105
G. TCEQ Bond Issuance Fee (0.25%)	<u>\$ 2,763</u>
TOTAL NONCONSTRUCTION COSTS	\$ 151,600
 TOTAL BOND ISSUE REQUIREMENT	 \$ 1,105,000

Notes:

- ⁽¹⁾ The District has requested a waiver of the 30% developer contribution requirement pursuant to 30 TAC Section 293.47.
- ⁽²⁾ Recommended for approval as discussed in special consideration No.3.
- ⁽³⁾ According to contract provided, legal fees are based on 2% of the bonds issued.
- ⁽⁴⁾ According to contract provided, fiscal fees are based on 2% of the bonds issued.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.9 million, \$61.0 million and \$432.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the c, whether at the initial offering or otherwise.

BOND INSURANCE GENERAL RISKS

As a result of the purchase of the Policy by the Purchaser, the following risk factors are applicable to the Policy and the Bonds.

General

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 applicable Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will 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 District which is recovered by the District from the note owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Bonds and the Insurer's consent may be required in connection with amendments to the Ordinance.

In the event the 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 moneys received by the Paying Agent/Registrar pursuant to the Ordinance. In the event the 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 Insurer and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the 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. See "BOND INSURANCE" herein.

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

Neither the District, the Financial Advisor nor the Purchaser have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investors Service Inc., S&P (defined herein) and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Bonds and the claims paying ability of the 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 Purchaser 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 Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption price 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 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 S&P Global Ratings 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 Bonds 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 Purchaser 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 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 \$288,615,438 (see "Appendix A - FINANCIAL INFORMATION OF THE DISTRICT"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$1,044,931 (2021) and the Projected Average Annual Debt Service Requirement will be \$809,793 (2017 through 2036, 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 \$0.3706 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 \$0.2861 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 Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

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

Future Debt

Following the issuance of the Bonds, the District has no authorized but unissued bonds for water, wastewater and drainage purposes from an election held in 1995. See "SECURITY AND SOURCE OF PAYMENT OF THE BONDS – Additional Bonds" herein.

DISTRICT AND AREA MAPS

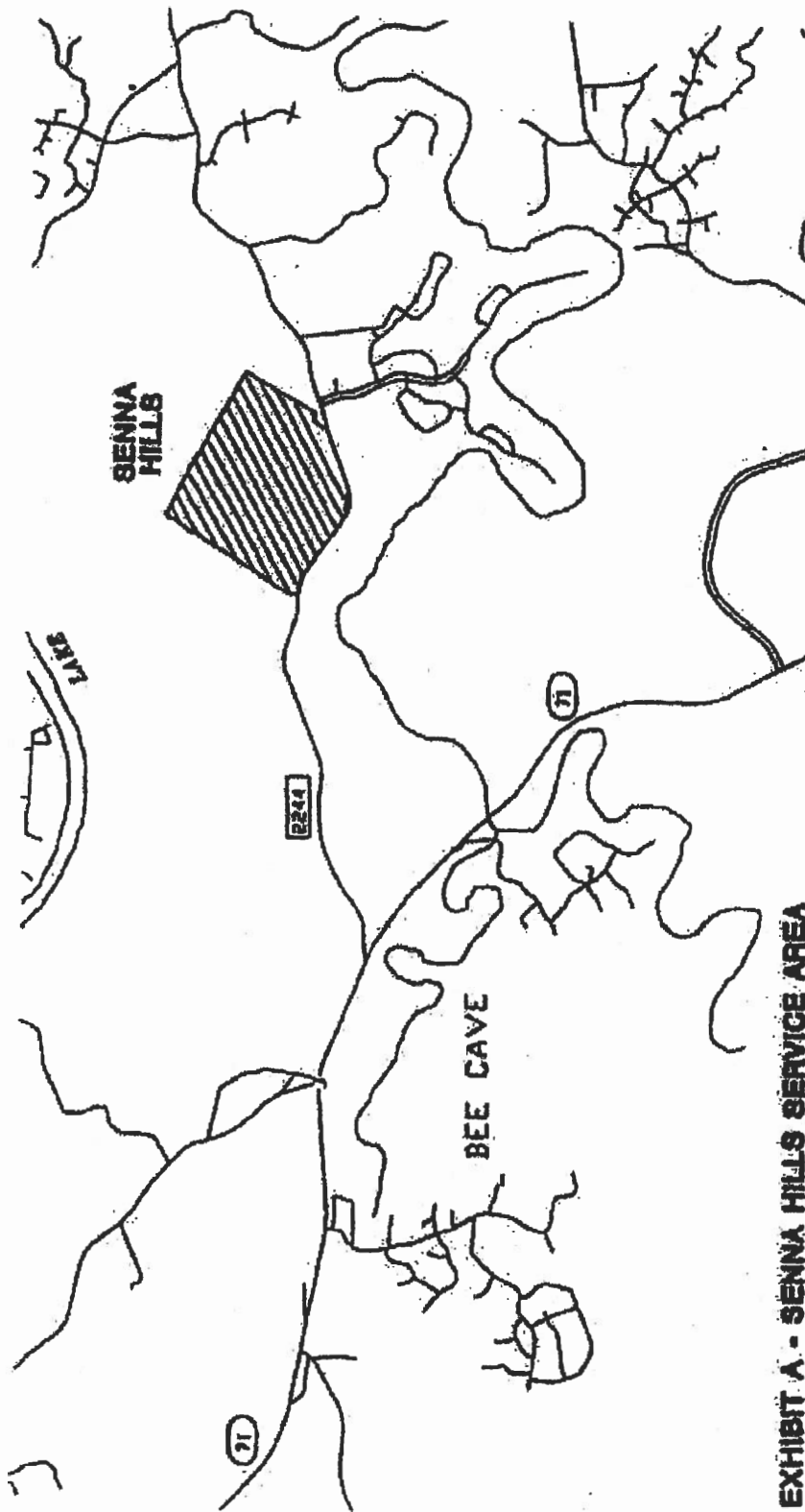


EXHIBIT A - SENNA HILLS SERVICE AREA

SENNA HILLS
MUNICIPAL UTILITY
DISTRICT



DISTRICT BOUNDARY LINE (322.68 ac.)

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 323 acres to be developed as single family homes. On April 1, 2010, the District annexed 0.708 acres of the Evans Weaver Tract. Approximately 413 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 has entered into a potable and non-potable water sales contract to service its residents. See "THE SYSTEM – Water Supply" herein.

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 November of each even numbered year.

<u>Name</u>	<u>Position</u>	<u>Term Expires (Nov)</u>
Chet Palesko	President	2018
David Perl	Vice President	2018
Lisa McKenzie	Secretary	2020
Corey Newhouse	Assistant Secretary	2020
Joseph Szoo	Assistant Secretary	2020

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 McCall Gibson Swedlund Barfoot PLLC.

Financial Advisor/Disclosure Counsel

SAMCO Capital Markets, Inc. 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 / Disclosure Counsel

The District employs Andrews Kurth Kenyon LLP, Austin, Texas, as Bond Counsel and Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel

The District employs Willatt & Flickinger, PLLC, Austin, Texas, as general counsel.

Operations Manager

The District employs Severn Trent 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 approximately 323 acres. The District has approximately 413 developed lots allowed under current land development and water quality regulations. There are currently 401 homes on the 413 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.

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 a water sales agreement dated September 2, 1994. Under this 40-year contract, the District is obligated to pay \$1.950 per living unit equivalent (LUE), a monthly charge of \$3.00, and a volume rate of \$1.80 per 1,000 gallons. The District continues to have a raw water sales contract with the LCRA for a maximum annual quantity of 404 acre feet. This contract was renewed as of June 22, 2012 for an additional 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 the water distribution portion of the 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.

The wastewater treatment plant has, since its installation, experienced a number of operational setbacks requiring a higher than expected level of maintenance and attention throughout its life. The District has recently replaced its engineer, hiring an engineer experienced in the operation and maintenance of facilities such as the wastewater treatment plant and, as a result of this change, has seen plant operations stabilize and necessary ongoing maintenance decrease. Although these improvements of the wastewater treatment plant have come over a relatively short duration, the District is confident that these results are sustainable. The District makes no guarantees however, that it will not return to past episodes of wastewater treatment plant malfunctions, but it remains committed to addressing such events should they arise.

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	\$ 150.00
Sewer Residential	150.00
Builder Deposit	1,000.00

Security Deposit:

Residential (5/8")	\$ 200.00
Residential (3/4")	200.00
Residential (1")	200.00
Residential (1 1/2")	250.00
Residential (2")	350.00
Residential (Over 2")	3 times estimated usage, not to exceed \$1,000.00
Fire Hydrant Meter	750.00

Water Consumption Rates:

Base Rate (5/8") including zero gallons	\$28.12
3/4" Meter	37.20
1" Meter	63.60
1 1/2" Meter	129.60
2" Meter	208.80
Per 1,000:	
0-20,000 gallons	\$ 5.05
20,001-30,000 gallons	7.00
30,001-45,000 gallons	9.00
45,001-60,000 gallons	10.00
60,001-75,000 gallons	12.00
Over 75,000 gallons	14.00

Sewer Consumption Rates:

0-10,000 gallons (flat charge)	\$ 70.00
Over 10,000 (per 1,000 gallons)	2.85

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 (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in the State, and 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 (6) or in any other manner and amount provided by law for District deposits or (ii) where (a) the funds are invested by the District through (1) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (2) a depository institution that has its main office or branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3(17 C.F.R. Section 240.15c3-3); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to

the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in the State; (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, maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. 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, 2016, the District had approximately \$314,898 (unaudited) in money market type investments and approximately \$1,197,545 (unaudited) invested in LOGIC (which is a government investment pool that generally has the characteristics of a money-market mutual fund). The remaining balance was in checking/clearing accounts. 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. As shown in Appendix A, the District levied a 2016/17 debt service tax of \$0.3500/\$100 assessed valuation.

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 2016/17 maintenance and operations tax of \$0.1911/\$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. 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; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

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.

Freeport Goods: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit

during the following tax year. A taxpayer may obtain only one of a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are exempted from taxation by the District.

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. 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

It is expected that S&P Global Ratings ("S&P") will assign its municipal bond rating of "AA" to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest of the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY. The outstanding combination tax and revenue bond debt of the District is currently rated "A" by S&P. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

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.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Andrews Kurth Kenyon LLP ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the

condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

Litigation

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

No-Litigation Certificate

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

TAX MATTERS

Tax Exemption

Delivery of the Bonds is subject to the opinions of Andrews Kurth Kenyon LLP, Austin, Texas, Bond Counsel, that interest on the Bonds will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

Interest on the Bonds owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the District with certain covenants contained in the Bond Resolution and has relied on representations by the District with respect to matters solely within the knowledge of the District, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities finance therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the District file an information report with the Internal Revenue Service. If the District should fail to comply with the covenants in the Bond Resolution or if its representations relating to the Bonds that are contained in the Bond Resolution should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome. Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount Bonds

Some of the Bonds may be offered at an initial offering price which is less than the stated redemption price payable at maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Bonds of that maturity (the "Discount Bond") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bond under the caption "TAX MATTERS – Tax Exemption" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase a Discount Bond must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX MATTERS – Tax Exemption" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the District. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such 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 Discount Bonds.

Tax Accounting Treatment of Original Issue Premium Bonds

Some of the Bonds may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Bonds of such maturity (the "Premium Bond") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable

disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium with respect to the Premium Bonds. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at a price other than the initial offering price for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations" which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt obligations (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2016 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2016.

Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

CONTINUING DISCLOSURE OF INFORMATION

The District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, not in excess of 10 business days after the event's occurrence, to the Municipal Securities Rulemaking Board (the "MSRB"), through its Electronic Municipal Markets Access ("EMMA") system, where said information will be available to the general public, without charge, at www.emma.msrb.org.

Annual Reports

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

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended (the "Rule").

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

Notice of Certain Events

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

consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a 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; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

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

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

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Material Event Notices” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB Board. The address of the MSRB is 1900 Duke Street Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby 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 to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next 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 financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with its continuing disclosure requirements made by it in accordance with the Rule.

OTHER INFORMATION

Financial Advisor

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the

affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

OFFICIAL STATEMENT

Experts

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

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

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

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

Updating the Official Statement During Underwriting Period

If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser, provided, however, that the obligation of the District to the Initial Purchaser to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification as to Official Statement

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

Official Statement "Deemed Final"

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

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 approved the form and content of this Official Statement, and any addendum, supplement or amendment thereto, and authorized its further use in the offering of the Bonds by the Purchaser.

/s/ Chet Palesko

President, Board of Directors
Senna Hills Municipal Utility District

/s/ Lisa McKenzie

Secretary, Board of Directors
Senna Hills Municipal Utility District

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2016/17 Actual Market Value of Taxable Property	\$ 289,889,484
Less Exemptions:	<u>(1,274,046)</u>
2016/17 Net Taxable Assessed Valuation (100% of Actual) ^(a)	<u>\$ 288,615,438</u>

(a) Source: July 18, 2016 report entitled 2016 Certified Totals by the Travis Central Appraisal District.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Outstanding:	
Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010	4,740,000
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2014	<u>5,980,000</u>
Total Gross General Obligation Debt Outstanding:	<u><u>10,720,000</u></u>
Plus: Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2016	1,105,000
Total Gross General Obligation Debt:	<u><u>\$ 11,825,000</u></u>
Less: Estimated Self-Supporting Gross Debt	\$ -
Less: I&S Fund Balance as of September 30, 2015	(512,211)
Total Net General Obligation Debt Outstanding:	<u><u>\$ 11,312,789</u></u>
Ratio of Gross General Obligation Debt to Net Assessed Valuation	4.10%
Ratio of Net General Obligation Debt to Net Assessed Valuation	3.92%

Gross Area of the District in acres -	323.41
Gross Bonded Debt Per Acre	\$36,563
Net Bonded Debt Per Acre	\$34,980
Estimated Assessed Value Per Acre	\$892,413
2016 Population Estimate ^(a)	1,410
Per Capita Net Appraised Taxable Valuation	\$204,692
Per Capita Gross Bonded Debt	\$8,387
Per Capita Net Bonded Debt	\$8,023

(a) Based on 3.5 residents per 401 completed single-family connections.

\$1,105,000
Senna Hills Municipal Utility District
(Travis County, Texas)
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2016

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Fiscal Year <u>30-Sep</u>	Outstanding Debt Service <u>Requirements</u>	The Bonds			Combined Debt Service
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2017	962,031.26	-	27,106.57	27,106.57	989,137.83
2018	961,443.76	45,000.00	38,418.76	83,418.76	1,044,862.52
2019	960,593.76	45,000.00	37,068.76	82,068.76	1,042,662.52
2020	959,293.76	45,000.00	35,718.76	80,718.76	1,040,012.52
2021	965,562.52	45,000.00	34,368.76	79,368.76	1,044,931.28
2022	959,650.02	50,000.00	33,018.76	83,018.76	1,042,668.78
2023	962,381.26	50,000.00	31,518.76	81,518.76	1,043,900.02
2024	878,156.26	50,000.00	30,018.76	80,018.76	958,175.02
2025	884,925.00	55,000.00	28,393.76	83,393.76	968,318.76
2026	882,387.50	55,000.00	26,537.50	81,537.50	963,925.00
2027	879,275.00	55,000.00	24,612.50	79,612.50	958,887.50
2028	883,962.50	60,000.00	22,825.00	82,825.00	966,787.50
2029	696,900.00	60,000.00	20,875.00	80,875.00	777,775.00
2030	698,662.50	65,000.00	18,775.00	83,775.00	782,437.50
2031	694,425.00	65,000.00	16,500.00	81,500.00	775,925.00
2032	699,000.00	65,000.00	14,062.50	79,062.50	778,062.50
2033	692,375.00	70,000.00	11,625.00	81,625.00	774,000.00
2034		70,000.00	9,000.00	79,000.00	79,000.00
2035		75,000.00	6,200.00	81,200.00	81,200.00
2036		80,000.00	3,200.00	83,200.00	83,200.00
	<u>14,621,025.10</u>	<u>1,105,000.00</u>	<u>469,844.15</u>	<u>1,574,844.15</u>	<u>16,195,869.25</u>

TAX ADEQUACY

TABLE 4

2016/17 Net Taxable Valuation	\$ 288,615,438
Maximum Annual Debt Service Requirement	1,044,931
Indicated Maximum Interest and Sinking Fund Tax Rate	0.3733
Indicated Maximum Interest and Sinking Fund Tax Levy at 97% Collections	1,045,079

DEBT SERVICE FUND MANAGEMENT INDEX

TABLE 5

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2015	\$ 512,211
Estimated 2016/17 Interest and Sinking Fund Tax Levy at 99% Collections Assuming \$0.35 Produces	<u>1,000,052</u>
Total Available for Debt Service	\$ 1,512,263
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-17	<u>(989,138)</u>
Estimated Surplus at Fiscal Year End 9-30-17	<u>\$ 523,126</u>

Fiscal Year Ending 9/30	Principal Payment Schedule			Percent of Unpaid at End of Year	Principal Retired
	Outstanding Bonds	Plus: The Bonds	Total		
2017	395,000.00	-	395,000.00	11,430,000.00	3.34%
2018	595,000.00	45,000.00	640,000.00	10,790,000.00	8.75%
2019	610,000.00	45,000.00	655,000.00	10,135,000.00	14.29%
2020	625,000.00	45,000.00	670,000.00	9,465,000.00	19.96%
2021	650,000.00	45,000.00	695,000.00	8,770,000.00	25.84%
2022	665,000.00	50,000.00	715,000.00	8,055,000.00	31.88%
2023	690,000.00	50,000.00	740,000.00	7,315,000.00	38.14%
2024	630,000.00	50,000.00	680,000.00	6,635,000.00	43.89%
2025	660,000.00	55,000.00	715,000.00	5,920,000.00	49.94%
2026	680,000.00	55,000.00	735,000.00	5,185,000.00	56.15%
2027	700,000.00	55,000.00	755,000.00	4,430,000.00	62.54%
2028	730,000.00	60,000.00	790,000.00	3,640,000.00	69.22%
2029	570,000.00	60,000.00	630,000.00	3,010,000.00	74.55%
2030	595,000.00	65,000.00	660,000.00	2,350,000.00	80.13%
2031	615,000.00	65,000.00	680,000.00	1,670,000.00	85.88%
2032	645,000.00	65,000.00	710,000.00	960,000.00	91.88%
2033	665,000.00	70,000.00	735,000.00	225,000.00	98.10%
2034		70,000.00	70,000.00	155,000.00	98.69%
2035		75,000.00	75,000.00	80,000.00	99.32%
2036		80,000.00	80,000.00	-	100.00%
	<u>10,720,000.00</u>	<u>1,105,000.00</u>	<u>11,825,000.00</u>		

PROPERTY TAX RATES AND COLLECTIONS

TABLE 7

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

Fiscal Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections	
				Current	Total
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	99.84%	99.84%
2013/14	232,901,335	0.5490	1,278,628	99.53%	99.66%
2014/15	254,376,163	0.5411	1,376,429	99.67%	99.89%
2015/16	278,704,138	0.5411	1,508,068	99.00%	100.00%
2016/17	288,615,438	0.5411	1,561,698		

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

(a) Estimated as of September 2016.

PRINCIPAL TAXPAYERS

TABLE 8

<u>Name</u>	<u>Type of Property</u>	<u>2016/17 Net Taxable Assessed Valuation</u>	<u>% of Total 2016/17 Assessed Valuation</u>
Cook, Angus & Tina D.	Residence	\$ 1,021,758	0.35%
Wang, Rongshan & Fang Yin	Residence	1,006,896	0.35%
Young, Daniel J. & Meredith H.	Residence	999,455	0.35%
Doggett, Eric & Lisa	Residence	986,802	0.34%
Nazareth, Mathew B. & Cardoza, Rekha C.	Residence	985,352	0.34%
Tara Trust	Residence	983,619	0.34%
O'Connell, Conleth S. Jr.	Residence	982,588	0.34%
Kozlowski, Jarek & Beata	Residence	967,130	0.34%
Stumm, Petra & Michael Malkdei	Residence	961,492	0.33%
Sorrell, J Sean & Stephanie T	Residence	960,053	0.33%
	Total	\$ 9,855,145	3.41%

Source: Travis Central Appraisal District.

HISTORICAL ASSESSED VALUATION AND EXEMPTIONS

TABLE 9

<u>Property Use Category</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Real Property	\$ 217,607,019	\$ 234,764,840	\$ 262,877,706	\$ 281,820,065	\$ 289,723,811
Personal Property	160,714	150,314	145,195	162,768	165,673
Total Appraised Value	\$ 217,767,733	\$ 234,915,154	\$ 263,022,901	\$ 281,982,833	\$ 289,889,484
Less: Exemptions					
Loss to Agriculture	\$ -	\$ -	\$ -	\$ -	\$ -
Exempt	119,000	119,000	119,000	119,000	180,222
Homestead Cap	172,072	1,545,335	7,524,664	2,863,394	785,997
Disabled/Deceased Veterans	17,500	17,500	17,500	17,500	22,500
Solar	-	331,984	398,210	278,801	285,327
Total Exemptions	\$ 308,572	\$ 2,013,819	\$ 8,059,374	\$ 3,278,695	\$ 1,274,046
Net Taxable Assessed Valuation	\$ 217,459,161	\$ 232,901,335	\$ 254,963,527	\$ 278,704,138	\$ 288,615,438

Source: Travis Central Appraisal District.

PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY

TABLE 10

<u>Property Use Category</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Real Property	99.93%	99.94%	99.94%	99.94%	99.94%
Personal Property	0.07%	0.06%	0.06%	0.06%	0.06%
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	\$ 922,629
Debt Service Fund	512,211
Capital Projects Fund	-
	\$ 1,434,840

Source: Audited Financial Statement for the period ending September 30, 2015.

DISTRICT TAX RATES ⁽¹⁾

TABLE 12

<u>Fund</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Maintenance & Operations Fund	\$0.2390	\$0.2411	\$0.1911	\$0.1911
Interest & Sinking Fund	<u>0.3100</u>	<u>0.3000</u>	<u>0.3500</u>	<u>0.3500</u>
TOTAL	\$0.5490	\$0.5411	\$0.5411	\$0.5411

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 13

(As of September 2016)

<u>Taxing Body</u>	<u>Gross Debt</u>	<u>Estimated Percentage Overlapping</u>	<u>Amount Overlapping</u>
Austin CCD	\$ 304,153,659	0.00%	\$ -
Eanes Independent School District	143,025,000	2.04%	2,917,710
Travis County	707,826,497	0.16%	1,132,522
Travis Co Healthcare District	11,355,000	0.16%	18,168
Total Gross Overlapping Debt			\$ 4,068,400
Senna Hills Municipal Utility District	\$ 11,312,789 ⁽¹⁾	100.00%	<u>11,312,789</u>
Total Direct and Overlapping Debt			<u>\$ 15,381,189</u>
Ratio of Direct and Overlapping Debt to Assessed Valuation			5.33%
Ratio of Direct and Overlapping Debt to Actual Value			5.31%
Direct and Overlapping Debt per Acre			\$47,559

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

(1) Includes the Bonds.

OVERLAPPING TAXES

TABLE 14

<u>Governmental Entity</u>	<u>2016/17 Tax Rate Per \$100 Assessed Valuation</u>	<u>Average Tax Bill (a)</u>
Austin CCD	\$ 0.1020	\$ 594.61
Eanes Independent School District	1.2125	7,068.23
Travis County	0.3838	2,237.35
Travis Co Healthcare District	<u>0.1105</u>	<u>644.40</u>
Total	\$ 1.8088	\$ 10,544.58

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

(a) Based on an average home value of \$582,947.

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

	Fiscal Year Ended September 30				
	2011	2012	2013	2014	2015
REVENUES:					
Service Revenue	\$ 663,265	\$ 682,060	\$ 719,096	\$ 799,711	\$ 904,279
Property Taxes, Including Penalties	171,485	187,348	497,934	554,471	616,196
Interest	719	36	181	200	701
Settlement Proceeds	-	-	-	-	85,280
Other	5,065	1,438	-	918	976
Total Revenues	\$ 840,534	\$ 870,882	\$ 1,217,211	\$ 1,355,300	\$ 1,607,432
EXPENDITURES:					
Current					
Water/Wastewater Purchases	\$ 609,399	\$ 437,229	\$ 421,764	\$ 329,435	\$ 315,408
Repairs and Maintenance	-	165,873	524,857	471,815	458,126
Operations/Management Fees	-	74,683	92,682	76,027	75,015
Utilities/Telephone	-	48,460	58,711	61,322	62,411
Director Fees	-	-	-	-	9,527
Legal Fees	-	71,364	55,693	83,817	76,185
Engineering Fees	-	54,339	44,116	104,915	85,900
Accounting Fees	-	12,600	22,350	22,350	22,350
Audit Fees	-	11,000	8,900	9,000	9,300
Insurance	-	2,170	2,587	3,062	3,228
Tax Appraisal/Collection	-	1,062	3,977	4,190	3,734
Contracted Services	45,455	-	-	-	-
Professional Fees	107,481	-	-	-	-
Other	61,687	19,842	1,149	1,550	1,998
Capital Outlay	-	153,635	5,000	-	93,629
Debt Service	-	-	2,157	-	-
Total Expenditures	\$ 824,022	\$ 1,052,257	\$ 1,243,943	\$ 1,167,483	\$ 1,216,811
Excess Revenues Over (Under)					
Expenditures	\$ 16,512	\$ (181,375)	\$ (26,732)	\$ 187,817	\$ 390,621
OTHER FINANCING SOURCES (USES):					
Developer Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Voided Checks for Prior Expenditures	-	-	-	-	-
Operating Transfers In	-	-	349,714	-	110,188
Operating Transfers Out	-	-	-	-	-
Refund of Prior Years Taxes	-	-	-	-	-
Total Other Financing Sources (Uses):	\$ -	\$ -	\$ 349,714	\$ -	\$ 110,188
Excess of Revenues & Other Sources					
Over (Under) Expenditures and Other Uses	\$ 16,512	\$ (181,375)	\$ 322,982	\$ 187,817	\$ 500,809
Fund Balance - Beginning of Year	\$ 75,884	\$ 92,396	\$ (88,979)	\$ 234,003	\$ 421,820
Fund Balance - End of Year	<u>\$ 92,396</u>	<u>\$ (88,979)</u>	<u>\$ 234,003</u>	<u>\$ 421,820</u>	<u>\$ 922,629</u>

APPENDIX B

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

December 29, 2016

WE HAVE ACTED as Bond Counsel for Senna Hills Municipal Utility District (the “District”) in connection with an issue of bonds (the “Bonds”) described as follows:

SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016, dated December 1, 2016, in the aggregate principal amount of \$1,105,000 maturing on August 15 in each year from 2018 through and including 2026, and in the years 2028, 2030, 2033 and 2036. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, may be transferred and exchanged and are subject to redemption as set out in the Bonds and in the resolution (the “Resolution”) adopted by the Board of Directors of the District (the “Board”) authorizing their issuance. Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Resolution

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the District; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners

of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) The Bonds, together with the District's Previously Issued Bonds, are additionally payable from and secured by a first lien on and pledge of the Net Revenues, if any, derived from ownership and operation of the District's waterworks and sewer system.

THE DISTRICT HAS RESERVED THE RIGHT in the Resolution to issue from time to time Additional Bonds which are equally and ratably secured on parity with the Bonds and the Previously Issued Bonds by a first lien on and pledge of the Net Revenues.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes. If the District fails to comply with the foregoing provisions of the Resolution, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusions occurs.

INTEREST ON the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC), or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

December 29, 2016

Page 3

Purchasers of Bonds are directed to the discussion entitled "TAX MATTERS" set forth in the Official Statement.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

(this page intentionally left blank)

APPENDIX C

**THE DISTRICT'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

(this page intentionally left blank)

**SENNA HILLS
MUNICIPAL UTILITY DISTRICT
YEAR ENDED SEPTEMBER 30, 2015**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**SENNA HILLS
MUNICIPAL UTILITY DISTRICT**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2015**

SENNA HILLS MUNICIPAL UTILITY DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
<i>Annual Filing Affidavit</i>	1
<i>Independent Auditor's Report</i>	2
<i>Management's Discussion and Analysis</i>	MDA-1
 <i>Financial Statements</i>	
Statement of Net Position and Governmental Funds Balance Sheet	FS-1
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	FS-2
<i>Notes to the Financial Statements</i>	FS-3
 <i>Required Supplementary Information</i>	
Budgetary Comparison Schedule - General Fund	FS-17
 <i>Texas Supplementary Information (TSI)</i>	
Services and Rates	TSI-1
General Fund Expenditures	TSI-2
Temporary Investments	TSI-3
Taxes Levied and Receivable	TSI-4
Long-Term Debt Service Requirements - By Years	TSI-5
Changes in Long-Term Bonded Debt	TSI-6
Comparative Schedule of Revenues and Expenditures General Fund and Debt Service Fund - Five Years	TSI-7
Board Members, Key Personnel and Consultants	TSI-8
 <i>Other Supplementary Information (OSI)</i>	
Principal Taxpayers	OSI-1
Assessed Value by Classification	OSI-2

ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF TRAVIS

I, Chet A. Palesko of the
(Name of Duly Authorized District Representative)

SENNA HILLS MUNICIPAL UTILITY DISTRICT
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **5th day of February, 2016**, its annual audit report for the fiscal period ended **September 30, 2015** and that copies of the annual audit report have been filed in the District's office, located at:

2001 North Lamar Blvd.
Austin, Texas 78705
(Address of District's Office)

This filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: Feb. 5, 2016 By: [Signature]
(Signature of District Representative)
Chet A. Palesko, President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 5th day of February, 2016.



[Signature]
(Signature of Notary)

My Commission Expires On: 9.21, 2018.
Notary Public in the State of Texas

INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

111 Congress Avenue
Suite 400
Austin, Texas 78701
(512) 610-2209
www.mgsbpllc.com

Board of Directors
Senna Hills Municipal Utility District
Travis County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Senna Hills Municipal Utility District (the "District"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors
Senna Hills Municipal Utility District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Budgetary Comparison Schedule – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Texas Supplementary Information and the Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 5, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

SENNA HILLS MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015

In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Senna Hills Municipal Utility District (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2015. Since this information is designed to focus on current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the unassigned fund balance was \$922,629, an increase of \$500,809 from the previous fiscal year. General Fund revenues increased from \$1,355,300 in the previous fiscal year to \$1,607,432 in the current fiscal year due to an increase in the District's assessed valuation and an increase in the service rates.
- *Debt Service Fund:* Fund balance restricted for debt service decreased from \$712,877 in the previous fiscal year to \$512,211 in the current fiscal year. Debt Service Fund revenues increased from \$720,437 in the previous fiscal year to \$768,283 in the current fiscal year due to an increase in the District's assessed valuation.
- *Capital Projects Fund:* Fund balance restricted for capital projects decreased from \$110,141 in the previous fiscal year to \$-0- in the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$588,750. Net position increased from a deficit balance of \$2,191,739 to a deficit balance of \$1,602,989.

OVERVIEW OF THE DISTRICT

The District was created by an order of the Commissioner's Court of Travis County, Texas on April 6, 1988, and confirmed by the electorate of the District at a confirmation election held on January 21, 1995. The District operates and maintains a water distribution system and a sewer treatment facility and collection system in Travis County, Texas under Chapter 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the GASB, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statements No. 14 and No. 39 which are included in the District's reporting entity.

SENNA HILLS MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015

USING THIS ANNUAL REPORT

This annual report consists of five parts:

1. *Management's Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Required Supplementary Information*
4. *Texas Supplementary Information* (required by the Texas Commission on Environmental Quality (the TSI section))
5. *Other Supplementary Information* (the OSI section)

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances* includes a column (titled "Governmental Funds Total") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*.

The *Required Supplementary Information* presents a comparison statement between the District's adopted budget and its actual results.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	<u>Activities</u>		<u>Increase</u>
	<u>2015</u>	<u>2014</u>	<u>(Decrease)</u>
Current and other assets	\$ 1,644,104	\$ 1,426,225	\$ 217,879
Capital and non-current assets	8,545,237	8,699,079	(153,842)
Total Assets	10,189,341	10,125,304	64,037
Current Liabilities	1,011,705	651,269	360,436
Long-term Liabilities	10,780,625	11,665,774	(885,149)
Total Liabilities	11,792,330	12,317,043	(524,713)
Net Investment in Capital Assets	(2,630,388)	(3,281,554)	651,166
Restricted	104,319	666,372	(562,053)
Unrestricted	923,080	423,443	499,637
Total Net Position	\$ (1,602,989)	\$ (2,191,739)	\$ 588,750

The District's combined net position increased by \$588,750 to a deficit balance of \$1,602,989 from the previous year deficit amount of \$2,191,739. Some of the District's assets are accounted for by capital assets or restricted for debt service. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$923,080.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

Revenues and Expenses:

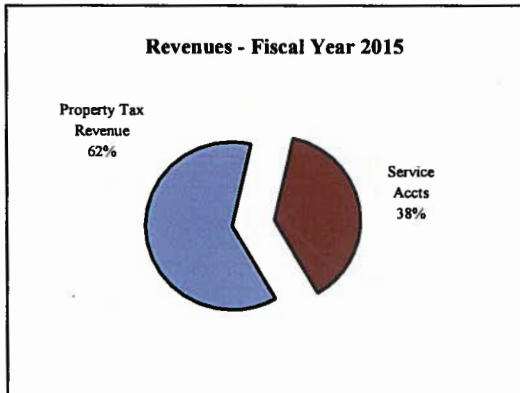
Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2015	2014	
Service accounts	\$ 904,279	\$ 800,211	\$ 104,068
Property taxes	1,380,307	1,272,937	107,370
Other	88,477	4,134	84,343
Total Revenues	2,373,063	2,077,282	295,781
Water/sewer service	315,408	329,435	(14,027)
Repairs/maintenance	458,126	471,815	(13,689)
Contracted services	75,015	76,027	(1,012)
Professional fees	193,735	220,082	(26,347)
Other	85,559	73,011	12,548
Debt Service	402,376	676,924	(274,548)
Depreciation/Amortization	254,094	500,302	(246,208)
Total Expenses	1,784,313	2,347,596	(563,283)
Change in Net Position	588,750	(270,314)	859,064
Beginning Net Position	(2,191,739)	(1,921,425)	(270,314)
Ending Net Position	\$ (1,602,989)	\$ (2,191,739)	\$ 588,750

Revenues were \$2,373,063 for the fiscal year ended September 30, 2015 while expenses were \$1,784,313. Net position increased \$588,750.

Property taxes totaled \$1,380,307. Included in these taxes are real and personal property taxes which are assessed October 1 and payable before the following January 31.

SENNA HILLS MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015



The District's assessed value in fiscal year 2015 was approximately \$255 million compared to approximately \$232 million in fiscal year 2014. The tax rate is set after reviewing the operating and debt service requirements and appraised values determined by Travis County. The ad valorem tax rate for fiscal year 2015 and 2014 was \$0.5411 and \$0.549 respectively per \$100 assessed valuation. The District's primary revenue sources are service account fees and property taxes.

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2015	2014
Cash and investments	\$ 1,479,839	\$ 1,301,493
Receivables	172,820	138,302
Total Assets	\$ 1,652,659	\$ 1,439,795
Accounts payable	130,074	100,298
Other payables	86,159	90,374
Total Liabilities	216,233	190,672
Deferred Inflows of Resources	1,586	4,285
Restricted	512,211	823,018
Unassigned	922,629	421,820
Total Fund Balance	1,434,840	1,244,838
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,652,659	\$ 1,439,795

For the fiscal year ended September 30, 2015, the District's governmental funds reflect a combined fund balance of \$1,434,840.

This fund balance includes a \$500,809 increase in the General Fund balance.

The Debt Service Fund reflects a decrease of \$200,666 in fiscal year 2015. The Debt Service Fund remitted bond principal of \$425,000 and interest of \$538,338. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had a \$110,141 decrease in fund balance for fiscal year 2015. The Capital Projects Fund transferred \$110,188 to the General Fund to reimburse for repair and maintenance work on the District's drip field irrigation system.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

BUDGETARY HIGHLIGHTS

The *General Operating Fund* pays for daily operating expenses. On August 29, 2014, the Board of Directors approved a budget for the fiscal year ending September 30, 2015. The budget included revenues of \$1,435,115 as compared to expenses of \$1,027,593. When comparing actual to budget, the District had a positive variance of \$93,287. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities had invested \$8,545,237 in land and infrastructure. The detail is reflected in the following schedule:

<u>Summary of Capital Assets, net</u>		<u>9/30/2015</u>	<u>9/30/2014</u>
Capital Assets:			
Land and Easements	\$	50,000	\$ 50,000
Construction in progress		-	-
Water/Wastewater/Drainage Facilities		10,835,131	10,741,502
Less: Accumulated Depreciation		(2,339,894)	(2,092,423)
Total Net Capital Assets	\$	<u>8,545,237</u>	<u>\$ 8,699,079</u>

More detailed information about the District's capital assets is presented in the *Notes to the Financial Statements*.

LONG TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

	<u>Bonds Payable</u>
Series 2010	\$ 5,115,000
Series 2014	6,000,000
Total	<u>\$ 11,115,000</u>

The District owes approximately \$11 million to bond holders. During the year, the principal balance was reduced by \$425,000. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements*.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The total assessed value for the 2015 tax year is approximately \$280 million and the net taxable assessed value is approximately \$277 million. The fiscal year 2016 tax rate is \$0.5411 on each \$100 of taxable value. Approximately 35% of the property tax will fund general operating expenses, and approximately 65% of the property tax will be set aside for debt service on the District's bonded debt.

The adopted budget for fiscal year 2016 projects an operating fund balance increase of \$57,541.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Willatt & Flickinger, 2001 North Lamar, Austin, Texas, 78705.

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL STATEMENTS

SENNA HILLS MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
ASSETS						
Cash and cash equivalents:						
Cash	\$ 205,394	\$ -	\$ -	\$ 205,394	\$ -	\$ 205,394
Cash equivalents	753,679	520,766	-	1,274,445	-	1,274,445
Receivables:						
Service accounts, no provision for uncollectible accounts	148,031	-	-	148,031	-	148,031
Taxes, no provision for uncollectible accounts	451	1,135	-	1,586	-	1,586
Interfund receivables	8,555	-	-	8,555	(8,555)	-
Other	14,648	-	-	14,648	-	14,648
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	50,000	50,000
Water/wastewater/drainage facilities	-	-	-	-	8,495,237	8,495,237
TOTAL ASSETS	\$ 1,130,758	\$ 521,901	\$ -	\$ 1,652,659	8,536,682	10,189,341
LIABILITIES						
Accounts payable	\$ 130,074	\$ -	\$ -	\$ 130,074	-	130,074
Refundable deposits	77,604	-	-	77,604	-	77,604
Accrued interest payable	-	-	-	-	409,027	409,027
Interfund payables	-	8,555	-	8,555	(8,555)	-
Bonds payable:						
Due within one year	-	-	-	-	395,000	395,000
Due after one year	-	-	-	-	10,780,625	10,780,625
TOTAL LIABILITIES	207,678	8,555	-	216,233	11,576,097	11,792,330
DEFERRED INFLOWS OF RESOURCES						
Property taxes	451	1,135	-	1,586	(1,586)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	451	1,135	-	1,586	(1,586)	-
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for debt service	-	512,211	-	512,211	(512,211)	-
Restricted for capital projects	-	-	-	-	-	-
Unassigned	922,629	-	-	922,629	(922,629)	-
TOTAL FUND BALANCES	922,629	512,211	-	1,434,840	(1,434,840)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,130,758	\$ 521,901	\$ -	\$ 1,652,659		
NET POSITION:						
Net investment in capital assets					(2,630,388)	(2,630,388)
Restricted for debt service					104,319	104,319
Unrestricted					923,080	923,080
TOTAL NET POSITION					\$ (1,602,989)	\$ (1,602,989)

The accompanying notes are an integral part of this statement.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
REVENUES:						
Service revenues, including penalties	\$ 904,279	\$ -	\$ -	\$ 904,279	\$ -	\$ 904,279
Property taxes, including penalties and interest	616,196	766,810	-	1,383,006	(2,699)	1,380,307
System connection/inspection fees	150	-	-	150	-	150
Interest	701	1,238	47	1,986	-	1,986
Settlement proceeds	85,280	-	-	85,280	-	85,280
Other	826	235	-	1,061	-	1,061
TOTAL REVENUES	1,607,432	768,283	47	2,375,762	(2,699)	2,373,063
EXPENDITURES / EXPENSES:						
Current:						
Water/wastewater purchases	315,408	-	-	315,408	-	315,408
Repairs/maintenance	458,126	-	-	458,126	-	458,126
Operations/management fee	75,015	-	-	75,015	-	75,015
Utilities/telephone	62,411	-	-	62,411	-	62,411
Director fees, including payroll taxes	9,527	-	-	9,527	-	9,527
Legal fees	76,185	-	-	76,185	-	76,185
Engineering fees	85,900	-	-	85,900	-	85,900
Accounting fees	22,350	-	-	22,350	-	22,350
Audit fees	9,300	-	-	9,300	-	9,300
Insurance	3,228	-	-	3,228	-	3,228
Tax appraisal/collection	3,734	4,646	-	8,380	-	8,380
Other	1,998	15	-	2,013	-	2,013
Debt service:						
Principal	-	425,000	-	425,000	(425,000)	-
Interest	-	538,338	-	538,338	(136,912)	401,426
Fiscal agent fees	-	950	-	950	-	950
Capital outlay	93,629	-	-	93,629	(93,629)	-
Depreciation	-	-	-	-	247,471	247,471
Amortization	-	-	-	-	6,623	6,623
TOTAL EXPENDITURES / EXPENSES	1,216,811	968,949	-	2,185,760	(401,447)	1,784,313
Excess / (deficiency) of revenues over / (under) expenditures / expenses	390,621	(200,666)	47	190,002	398,748	588,750
OTHER FINANCING SOURCES / (USES)						
Operating transfer	110,188	-	(110,188)	-	-	-
TOTAL OTHER FINANCING SOURCES / (USES)	110,188	-	(110,188)	-	-	-
Change in fund balances / net position	500,809	(200,666)	(110,141)	190,002	398,748	588,750
FUND BALANCES / NET POSITION:						
Beginning of the year	421,820	712,877	110,141	1,244,838	(3,436,577)	(2,191,739)
End of the year	\$ 922,629	\$ 512,211	\$ -	\$ 1,434,840	\$ (3,037,829)	\$ (1,602,989)

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Senna Hills Municipal Utility District (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created by an order of the Commissioner's Court of Travis County, Texas on April 6, 1988, and confirmed by the electorate of the District at a confirmation election held on January 21, 1995. The District operates and maintains a water distribution system and a sewer treatment facility and collection system in Travis County, Texas under Chapter 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by GASB standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB standards which are included in the District's reporting entity.

Basis of Presentation - Government-wide and Fund Financial Statements - These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position - This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

The financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition a budgetary comparison statement is presented that compares the adopted and amended General Fund budget with actual results.

- **Government-wide Statements:** The District's statement of net position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities column reflects depreciation expense on the District's capital assets, including infrastructure.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

- **Fund Financial Statements:**

Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** – The Debt Service Fund is used to account for the resources restricted, committed or assigned for the payment of debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Non-current Governmental Assets and Liabilities - GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Position.

SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Accounting

Government-wide Statements - The government-wide financial statement column is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available).

"Measurable" means that the amount of the transaction can be determined and "available" means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred revenue. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting – A budget was adopted on August 29, 2014, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year-end.

Pensions - The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that Directors are considered to be “employees” for federal payroll tax purposes only.

Cash and Cash Equivalents – Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of common trust funds, money market funds, and obligations in the State Treasurer’s Investment Pool, are recorded at cost, which approximates fair market value.

Capital Assets – Capital assets, which include Administrative Facilities and Equipment, Common and Recreation Areas, Water Production/Distribution System, Wastewater Collection System, Water Quality Ponds and Organizational Costs are reported in the government-wide column in the Statement of Net Position. Public domain (“infrastructure”) capital assets including water, wastewater and drainage systems, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Common and Recreation Areas	5 - 30
Water Production/Distribution System	10 - 50
Wastewater Collection System	5 - 50
Organizational Costs	5

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Long-Term Debt - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Long-Term Debt (continued) -

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Balance – Fund balances in governmental funds are classified using the following hierarchy:

- *Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District did not have any nonspendable fund balances.
- *Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- *Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- *Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District does not have any assigned fund balances.
- *Unassigned*: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS -

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Position are as follows:

Fund Balances - Total Governmental Funds		\$ 1,434,840
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds-		
Capital assets	\$ 10,885,131	
Less: Accumulated depreciation	<u>(2,339,894)</u>	8,545,237
Revenue is recognized when earned in the government statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available		1,586
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Bonds payable, net of deferred charge	\$ (11,115,000)	
Bond discounts, net	62,405	
Bond premiums, net	(123,030)	
Accrued interest	<u>(409,027)</u>	<u>(11,584,652)</u>
Net Position - Governmental Activities		<u><u>\$ (1,602,989)</u></u>

Adjustments to convert the Governmental Funds Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows :

Changes in Fund Balances - Governmental Funds		\$ 190,002
Amounts reported for governmental activities in the Statement of activities are different because:		
Governmental funds report:		
Bond principal payments as expenditures	\$ 425,000	
Interest expenditures in year paid	136,912	
Tax revenue when collected	(2,699)	
Capital outlay	<u>93,629</u>	652,842
Governmental funds do not report:		
Depreciation	\$ (247,471)	
Amortization	<u>(6,623)</u>	<u>(254,094)</u>
Change in Net Position - Governmental Activities		<u><u>\$ 588,750</u></u>

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

3. CASH AND INVESTMENTS

The investment policies of the District are governed by State statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2015, the carrying amount of the District's deposits was \$205,394 and the bank balance was \$212,388. The bank balance was covered by federal depository insurance.

Investments -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

Credit risk. The District's investment policy requires the application of the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy requires that District funds be invested in:

- Obligations of the United States Government and or its agencies and instrumentalities;
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share;
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency; and
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and
- Public funds investment pools rated AAA or AAA-m by a nationally recognized rating agency.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

3. CASH AND INVESTMENTS (continued) –

At September 30, 2015, the District held the following investments:

Investment	Fair Market Value at 9/30/2015	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
LOGIC	\$ 1,050,477	\$ 753,679	\$ 296,798	\$ -	AAAm	Standard & Poors
Money Market	223,968	-	223,968	-	Various	Various
	<u>\$ 1,274,445</u>	<u>\$ 753,679</u>	<u>\$ 520,766</u>	<u>\$ -</u>		

(1) Restricted for Payment of Debt Service and Cost of Assessing and Collecting Taxes.

(2) Restricted for Purchase of Capital Assets.

The District invests in LOGIC Liquid Asset Investment Pool (LOGIC), a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to LOGIC as custodian and to make investment purchases with the District's funds.

LOGIC is a member-owed, member-governed public funds investment pool. The Board of Trustees, who have governance responsibilities, is comprised of participants in LOGIC and members of the Texas Association of School Business Officials (TASBO).

The District has investments in the Liquidity Asset Fund. The Liquidity Asset Fund operates in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The Liquidity Asset Fund uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position of the Liquidity Asset Fund is the same as the value of the Liquidity Asset Fund shares.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2015, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with Obligations of the United States or its agencies and instrumentalities. As of September 30, 2015, the District's bank deposits were covered by FDIC insurance and other pledged collateral.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set tax rates for the 2014 tax year on September 26, 2014.

The property tax rates, established in accordance with State law, were based on 100% of the net assessed valuation of real property within the District on the 2014 tax roll. The tax rate, based on total taxable assessed valuation of \$254,710,681 was \$0.5411 on each \$100 valuation and was allocated as follows:

	<u>Tax Rate</u>
General Fund	\$ 0.2411
Debt Service Fund	<u>0.3000</u>
	<u>\$ 0.5411</u>

The maximum allowable maintenance tax of \$1.00 was established by the voters on January 21, 1995.

Property taxes receivable at September 30, 2015, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 112	\$ 139	\$ 251
Prior years' levies	339	996	1,335
	<u>\$ 451</u>	<u>\$ 1,135</u>	<u>\$ 1,586</u>

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

5. INTERFUND ACCOUNTS

A summary of interfund accounts at September 30, 2015, is as follows:

	Interfund	
	Receivables	Payables
General Fund -		
Debt Service Fund	\$ 8,555	\$ -
Debt Service Fund -		
General Fund	-	8,555
	\$ 8,555	\$ 8,555

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2014	Additions	Deletions	Balance 9/30/2015
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in Progress	-	-	-	-
Total Capital assets not being depreciated	50,000	-	-	50,000
Capital assets being depreciated:				
Water/Wastewater/Drainage System	10,741,502	93,629	-	10,835,131
Total capital assets being depreciated	10,741,502	93,629	-	10,835,131
Less accumulated depreciation for:				
Water/Wastewater/Drainage System	(2,092,423)	(247,471)	-	(2,339,894)
Total accumulated depreciation	(2,092,423)	(247,471)	-	(2,339,894)
Total capital assets being depreciated, net of accumulated depreciation	8,649,079	(153,842)	-	8,495,237
Total capital assets, net	\$ 8,699,079	\$ (153,842)	\$ -	\$ 8,545,237

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

7. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2015:

	Combination Unlimited Tax Bonds
Bonds payable at October 1, 2014	\$ 11,540,000
Bonds issued	-
Bonds refunded	-
Bonds retired	(425,000)
Bond discount, net of accumulated amortization	(62,405)
Bond premium, net of accumulated amortization	123,030
Bonds payable at September 30, 2015	\$ 11,175,625

Bonds payable at September 30, 2015, were comprised of the following individual issues:

Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds:

\$5,115,000 - 2010 Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds paid serially through the year 2033 at interest rates which range from 2.00% to 4.50%. Bonds maturing on August 15th of each of the years on or after 2021 are redeemable on August 15, 2020 or on any date thereafter. Bonds maturing on August 15, 2026, 2028, 2030 and 2033 are subject to mandatory redemption.

\$6,000,000 - 2014 Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds paid serially through the year 2033 at interest rates which range from 2.00% to 4.00%. Current interest bonds maturing on or after August 15, 2024 are subject to optional redemption on February 15, 2024 or on any date thereafter. Capital appreciation bonds are not subject to redemption prior to stated maturity.

The annual requirement to amortize all bonded debt at September 30, 2015, including interest, is as follows:

Year Ended September 30,	Principal	Interest	Total
2016	\$ 395,000	\$ 565,937	\$ 960,937
2017	395,000	567,032	962,032
2018	595,000	366,444	961,444
2019	610,000	350,593	960,593
2020	625,000	334,295	959,295
2021 - 2025	3,295,000	1,355,675	4,650,675
2026 - 2030	3,275,000	766,187	4,041,187
2031 - 2033	1,925,000	160,801	2,085,801
	\$ 11,115,000	\$ 4,466,964	\$ 15,581,964

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

7. BONDED DEBT (continued) -

\$512,211 is available in the Debt Service Fund to service the bonded debt. Bonds authorized but not issued amounted to \$1,105,000 at September 30, 2015.

8. LINE OF CREDIT

On April 25, 2014, the District secured a line of credit of \$200,000. Collateral for the line of credit includes all tax receipts, tax receivables, tax payments, tax obligations, receivables and other such rights to payments of any nature. Interest on the line of credit currently accrues at the greater interest rate of prime plus 1% or 4.25%. All principal and accrued unpaid interest is due and payable in full on or before April 15, 2016.

As of September 30, 2015, principal due was \$-0- and accrued interest due was \$-0-.

9. COMMITMENTS AND CONTINGENCIES

On June 22, 2012, the District entered into an agreement with the Lower Colorado River Authority ("LCRA") that replaced an earlier agreement dated January 11, 1993 and amended March 25, 1999. Under this agreement, the District is entitled to a maximum quantity of 404 acre feet of raw water. The District is charged \$151 per acre-foot for water usage and \$75.50 per acre-foot for reserved capacity.

On September 2, 1994, the District entered into a water supply agreement with the Lower Colorado River Authority ("LCRA"). The term of the agreement is for 40 years. Under this agreement, the LCRA agrees to provide certain water services to the District for raw water which the District purchases pursuant to the District's Raw Water Contract. The District is obligated to pay the LCRA a connection fee for each new retail water connection. Additionally, the District pays a monthly charge each month and a volume rate for the amount of water delivered to the District. During the prior fiscal year, this agreement was assigned by the LCRA to the West Travis County Public Utility Agency.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

10. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (the "TML Pool") to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established Claims Reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

11. DEFICIT IN NET POSITION

Total net position had a deficit balance of \$1,602,989 at September 30, 2015. This is primarily attributed to capitalized interest, bond proceeds transferred to the General Fund and depreciation/amortization expense associated with the District's bond issues.

12. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through February 5, 2016.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

13. PENDING LITIGATION

Cause No. D-1-GN-12-000602; Senna Hills, Ltd., Plaintiff v. Senna Hills Municipal Utility District, Defendant in the District Court of Travis County, Texas; 250th Judicial District. In this case, Senna Hills, Ltd. complains that Senna Hills MUD installed a wastewater line in a public utility easement. A Motion for Partial Summary Judgment filed by Senna Hills, Ltd. was denied. The possibility of an outcome adverse to the MUD in this litigation is remote.

Cause No. D-1-GN-14-004993; Senna Hills, Ltd., Plaintiff v. Senna Hills Municipal Utility District, Defendant in the District Court of Travis County, Texas; 200th Judicial District. In this case the Plaintiff seeks to build an office building on a tract of land of approximately 11.73 acres. The land is addressed in the Conceptual Plan attached to the First Amended and Restated Agreement Concerning Creation and Operation of Senna Hills Municipal Utility District, by and between the Plaintiff's, the City of Austin and the District, dated effective as of October 1, 1992. The 11.73 acres is identified on the Conceptual Plan attached to the Consent Agreement as "Lot 3" and "Lot 4". Lot 3 is a 10 acre tract on which is written "School (irrigation ESMT)." Lot 4 is a 1.73 acre tract on which is written "Irrigation." The Plaintiff contends that the requirement that the 11.73 acre tract be dedicated or set aside as land available to the MUD for irrigation purposes can be eliminated by the City of Austin Director of Planning and Development without the consent of the MUD. Plaintiff's petition has been amended to add a claim against the District for inverse condemnation of the 11.73 acre tract, with no amount of damages specified and to request a declaratory judgment finding and declaring that the TCEQ permit held jointly by the Plaintiff and the District should be amended to allow irrigation on tracts of less than 15% slope. The report prepared by the District's engineer shows that the District requires a part of the 11.73 acre tract for irrigation. The District's engineer has been deposed and limited written discovery has been conducted. The City of Austin has been made a party to this case. Mediation of this case was held jointly with Cause No. D-1-GN-12-000602 on January 21, 2016. The outcome of this case cannot be predicted at this time.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2015**

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Service revenues, including penalties	\$ 904,279	\$ 821,814	\$ 82,465
Property taxes, including penalties	616,196	613,301	2,895
Interest	701	-	701
Settlement proceeds	85,280	-	85,280
Other	826	-	826
TOTAL REVENUES	<u>1,607,432</u>	<u>1,435,115</u>	<u>172,317</u>
EXPENDITURES:			
Current:			
Water/wastewater purchases	315,408	348,623	33,215
Repairs/maintenance	458,126	400,800	(57,326)
Operations/management fees	75,015	74,400	(615)
Utilities/telephone	62,411	61,200	(1,211)
Director fees, including payroll taxes	9,527	9,720	193
Legal fees	76,185	48,000	(28,185)
Engineering fees	85,900	42,000	(43,900)
Accounting fees	22,350	22,350	-
Audit fees	9,300	10,000	700
Insurance	3,228	3,200	(28)
Tax appraisal/collection	3,734	4,300	566
Other	1,998	3,000	1,002
Capital outlay	93,629	-	(93,629)
TOTAL EXPENDITURES	<u>1,216,811</u>	<u>1,027,593</u>	<u>(189,218)</u>
Excess of revenues over expenditures	<u>390,621</u>	<u>407,522</u>	<u>(16,901)</u>
OTHER FINANCING USES			
Operating transfer	110,188	-	110,188
TOTAL OTHER FINANCING USES	<u>110,188</u>	<u>-</u>	<u>110,188</u>
Change in fund balances / net position	500,809	<u>\$ 407,522</u>	<u>\$ 93,287</u>
FUND BALANCE:			
Beginning of the year	<u>421,820</u>		
End of the year	<u>\$ 922,629</u>		

**TEXAS SUPPLEMENTARY
INFORMATION**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2015**

1. Services Provided by the District during the Fiscal Year:

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$ 28.12	-	N	\$ 5.05	0,001-20,000
				\$ 7.00	20,001-30,000
				\$ 9.00	30,001-45,000
				\$ 10.00	45,001-60,000
				\$ 12.00	60,001-75,000
				\$ 14.00	Over 75,000
WASTEWATER:	\$ 70.00	10,000	N	\$ 2.85	10,001 and over
SURCHARGE:	\$ -	-	-	\$ -	

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 78.62 Wastewater \$ 70.00

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC's</u>
Unmetered	0.0	0.0	1.0	0.0
≤ 3/4"	405.0	405.0	1.0	405.0
1"	5.0	5.0	2.5	12.5
1 1/2"	1.0	1.0	5.0	5.0
2"	1.0	1.0	8.0	8.0
3"	0.0	0.0	15.0	0.0
4"	0.0	0.0	25.0	0.0
6"	0.0	0.0	50.0	0.0
8"	0.0	0.0	80.0	0.0
10"	0.0	0.0	115.0	0.0
Total Water	412.0	412.0		430.5
Total Wastewater	405.0	405.0	1.0	405.0

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2015**

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: 91,757

Gallons billed to customers: 75,599

Water Accountability Ratio (Gallons billed / Gallons Pumped) 82.4%
--

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District assess standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: Travis

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City(ies) in which district is located: N/A

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all

ETJ's in which district is located: Austin, Texas

Are Board members appointed by an office outside the district?
Yes No

If Yes, by whom? _____

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2015**

Professional Fees:	
Auditing	\$ 9,300
Legal	76,185
Engineering	85,900
Purchased Services For Resale-	
Bulk Water and Wastewater Purchases	315,408
Contracted Services:	
General Manager / Bookkeeping	97,365
Appraisal District/Tax Collector	3,734
Utilities	62,411
Repairs and Maintenance	458,126
Administrative Expenditures:	
Insurance	3,228
Other Administrative Expenditures	1,998
Capital Outlay:	
Capitalized Assets	<u>93,629</u>
TOTAL EXPENDITURES	<u><u>\$ 1,216,811</u></u>

Number of persons employed by the District:

Full-Time

Part-Time

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2015**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
Logic Investment Pool	XXX8010	Varies	N/A	\$ 753,679	\$ -
Total				<u>753,679</u>	<u>-</u>
Debt Service Fund:					
Logic Investment Pool	XXX8020	Varies	N/A	6,317	-
Logic Investment Pool	XXX8050	Varies	N/A	290,481	
Money Market Account	XXX5991	Varies	N/A	14,920	
Money Market Account	XXX6068	Varies	N/A	<u>209,048</u>	<u>-</u>
Total				<u>520,766</u>	<u>-</u>
Total - All Funds				<u>\$ 1,274,445</u>	<u>\$ -</u>

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2015**

	Maintenance Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year	\$ 1,623	\$ 2,662
2014 Original Tax Levy, less abatements	614,564	764,701
Adjustments	(291)	(362)
Total to be accounted for	615,896	767,001
Tax collections:		
Current year	614,161	764,200
Prior years	1,284	1,666
Total collections	615,445	765,866
Taxes Receivable, End of Year	\$ 451	\$ 1,135
Taxes Receivable, By Years		
2013 and before	\$ 339	\$ 996
2014	112	139
Taxes Receivable, End of Year	\$ 451	\$ 1,135

	2014	2013	2012	2011
Property Valuations-				
Land and improvements	\$ 254,710,681	\$ 232,108,431	\$ 217,425,434	\$ 201,778,579
Total Property Valuations	\$ 254,710,681	\$ 232,108,431	\$ 217,425,434	\$ 201,778,579
Tax Rates per \$100 Valuation:				
Debt Service tax rates	\$ 0.3000	\$ 0.3100	\$ 0.3200	\$ 0.4400
Maintenance tax rates	0.2411	0.2390	0.2290	0.0926
Total Tax Rates per \$100 Valuation:	\$ 0.5411	\$ 0.5490	\$ 0.5490	\$ 0.5326
Original Tax Levy	\$ 1,378,612	\$ 1,274,671	\$ 1,193,666	\$ 1,074,673
Percent of Taxes Collected to Taxes Levied **	99.9%	99.9%	99.9%	99.9%
Maximum Maintenance Tax Rate Approved by Voters:	\$ 1.00 on 1/21/1995.			

**Calculated as taxes collected in current and previous years divided by tax levy.

SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2015

Fiscal Year Ending	Unlimited Tax Bonds Series 2010			Unlimited Tax Refunding Bonds Series 2014			Total - All Issues		
	Principal Due 8/15	Interest Due 2/15, 8/15	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 8/15	Interest Due 2/15, 8/15	Total
2016	\$ 375,000	\$ 181,581	\$ 556,581	\$ 20,000	\$ 384,356	\$ 404,356	\$ 395,000	\$ 565,937	\$ 960,937
2017	385,000	172,675	557,675	10,000	394,357	404,357	395,000	567,032	962,032
2018	395,000	162,088	557,088	200,000	204,356	404,356	595,000	366,444	961,444
2019	410,000	150,237	560,237	200,000	200,356	400,356	610,000	350,593	960,593
2020	415,000	137,938	552,938	210,000	196,357	406,357	625,000	334,295	959,295
2021	440,000	123,931	563,931	210,000	191,631	401,631	650,000	315,562	965,562
2022	455,000	108,531	563,531	210,000	186,119	396,119	665,000	294,650	959,650
2023	470,000	92,038	562,038	220,000	180,344	400,344	690,000	272,382	962,382
2024	405,000	74,413	479,413	225,000	173,744	398,744	630,000	248,157	878,157
2025	145,000	58,212	203,212	515,000	166,712	681,712	660,000	224,924	884,924
2026	135,000	52,412	187,412	545,000	149,975	694,975	680,000	202,387	882,387
2027	130,000	47,013	177,013	570,000	132,262	702,262	700,000	179,275	879,275
2028	120,000	41,650	161,650	610,000	112,313	722,313	730,000	153,963	883,963
2029	175,000	36,700	211,700	395,000	90,200	485,200	570,000	126,900	696,900
2030	175,000	29,262	204,262	420,000	74,400	494,400	595,000	103,662	698,662
2031	165,000	21,826	186,826	450,000	57,600	507,600	615,000	79,426	694,426
2032	165,000	14,400	179,400	480,000	39,600	519,600	645,000	54,000	699,000
2033	155,000	6,975	161,975	510,000	20,400	530,400	665,000	27,375	692,375
	\$ 5,115,000	\$ 1,511,882	\$ 6,626,882	\$ 6,000,000	\$ 2,955,082	\$ 8,955,082	\$ 11,115,000	\$ 4,466,964	\$ 15,581,964

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2015**

	Bond Issues		
	<u>Series 2010</u>	<u>Series 2014</u>	<u>Total</u>
Interest Rate	2.00% - 4.50%	2.00% to 4.00%	
Dates Interest Payable	2/15, 8/15	2/15, 8/15	
Maturity Dates	8/15/2033	8/15/2033	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 5,485,000	\$ 6,055,000	\$ 11,540,000
Bonds Sold During the Current Fiscal Year	-	-	-
Retirements During the Current Fiscal Year:			
Principal	(370,000)	(55,000)	(425,000)
Refunded	-	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 5,115,000</u>	<u>\$ 6,000,000</u>	<u>\$ 11,115,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 188,982</u>	<u>\$ 349,356</u>	<u>\$ 538,338</u>
Paying Agent's Name & Address:	<u>Wells Fargo Bank</u> <u>Austin, TX</u>	<u>Bank of Texas</u> <u>Austin, TX</u>	
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>	
Amount Authorized by Voters	\$ 16,000,000	N/A	
Amount Issued	<u>(14,895,000)</u>	<u>\$ 12,505,000</u>	
Remaining To Be Issued	<u>\$ 1,105,000</u>	<u>N/A</u>	

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2015: \$ 520,766

Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 865,665

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL AND DEBT SERVICE FUNDS - FIVE YEARS
SEPTEMBER 30, 2015**

	Amounts					Percent of Fund Total Revenues				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
GENERAL FUND REVENUES:										
Property taxes, including penalties and interest	\$ 616,196	\$ 554,471	\$ 497,934	\$ 187,348	\$ 164,985	35.9%	40.9%	31.8%	21.5%	19.7%
Service revenues, including penalties	904,279	799,711	719,096	682,060	666,051	52.6%	59.0%	45.9%	78.3%	79.2%
Tap fees	150	500	-	-	3,714	0.1%	0.1%	-	-	0.4%
Settlement proceeds	85,280	-	-	-	-	5.0%	-	-	-	-
Interest	701	200	181	36	719	0.0%	-	-	-	0.1%
Transfers In	110,188	-	349,714	-	-	6.4%	-	22.3%	-	-
Other	826	418	-	1,438	5,065	-	-	-	0.2%	0.6%
TOTAL GENERAL FUND REVENUES AND OTHER SOURCES	1,717,620	1,355,300	1,566,925	870,882	840,534	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES:										
Current										
Water/wastewater purchases	315,408	329,435	421,764	437,229	463,477	18.4%	24.4%	26.9%	50.3%	55.1%
Repairs/maintenance	458,126	471,815	524,857	165,873	77,234	26.7%	34.8%	33.5%	19.0%	9.2%
Operations/Management fees	75,015	76,027	92,682	74,683	44,622	4.4%	5.6%	5.9%	8.6%	5.3%
Utilities/telephone	62,411	61,322	58,711	48,460	39,235	3.6%	4.5%	3.7%	5.6%	4.7%
Director fees, including payroll taxes	9,527	484	-	-	-	0.6%	-	-	-	-
Legal fees	76,185	83,817	55,693	71,364	39,565	4.4%	6.2%	3.6%	8.2%	4.7%
Engineering fees	85,900	104,915	44,116	54,339	53,416	5.0%	7.7%	2.8%	6.2%	6.4%
Accounting fees	22,350	22,350	22,350	12,600	-	1.3%	1.6%	1.4%	0	-
Audit fees	9,300	9,000	8,900	11,000	14,500	0.5%	0.7%	0.6%	1.3%	1.7%
Insurance	3,228	3,062	2,587	2,170	2,594	0.2%	0.2%	0.2%	0.2%	0.3%
Tax appraisal/collection	3,734	4,190	3,977	1,062	833	0.2%	0.3%	0.3%	0.1%	0.1%
Other	1,998	1,066	3,306	19,842	88,546	0.1%	0.1%	0.2%	2.3%	10.5%
Capital Outlay	93,629	-	5,000	153,635	-	5.5%	-	0.3%	17.6%	-
TOTAL GENERAL FUND EXPENDITURES AND OTHER USES	1,216,811	1,167,483	1,243,943	1,052,257	824,022	70.7%	86.1%	79.4%	120.8%	98.0%
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES										
	\$ 500,809	\$ 187,817	\$ 322,982	\$ (181,375)	\$ 16,512	29.3%	13.9%	20.6%	-20.8%	2.0%
DEBT SERVICE FUND REVENUES:										
Property taxes, including penalties and interest	\$ 766,810	\$ 717,034	\$ 695,206	\$ 890,208	\$ 890,453	99.8%	99.5%	99.2%	99.5%	99.7%
Interest and other	1,473	3,403	5,958	4,729	3,053	0.2%	0.5%	0.8%	0.5%	0.3%
TOTAL DEBT SERVICE FUND REVENUES AND OTHER SOURCES	768,283	720,437	701,164	894,937	893,506	100.0%	100.0%	100.0%	100.0%	100.0%
DEBT SERVICE FUND EXPENDITURES:										
Tax appraisal/collection	4,646	2,802	2,659	5,046	4,659	0.6%	0.4%	0.4%	0.6%	0.5%
Financial advisor fees	950	1,377	1,587	1,323	-	0.1%	0.2%	0.2%	0	-
Bond principal	425,000	550,000	435,000	170,000	245,000	55.4%	76.4%	62.1%	19.0%	27.4%
Bond interest	538,338	400,894	516,916	761,466	680,046	70.1%	55.6%	73.7%	85.1%	76.1%
Bond issue costs	-	288,741	-	-	-	-	40.1%	-	-	-
Fiscal agent fees and other	15	85	1,463	60	(8,667)	-	-	0.2%	-	-1.0%
Operating Transfers out	-	-	216,792	-	-	-	-	30.9%	-	-
Payment to escrow agent net of proceeds	-	(290,726)	-	-	-	-	-40.4%	-	-	-
TOTAL DEBT SERVICE FUND EXPENDITURES AND OTHER USES	968,949	953,173	1,174,417	937,895	921,038	126.2%	132.3%	167.5%	104.8%	103.0%
EXCESS (DEFICIENCY) OF DEBT SERVICE FUND REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES										
	\$ (200,666)	\$ (232,736)	\$ (473,253)	\$ (42,958)	\$ (27,532)	-26.2%	-32.3%	-67.5%	-4.8%	-3.0%
TOTAL ACTIVE RETAIL WATER CONNECTIONS										
	412	410	403	402	398					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS										
	405	404	397	397	398					

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2015**

Complete District Mailing Address:	c/o Willatt & Flickinger, 2001 N Lamar, Austin TX 78705
District Business Telephone Number:	(512) 476-6604
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054:	January 20, 2015
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 9/30/2015	Expense Reimbursements 9/30/2015	Title at Year End
Board Members:				
CHET PALESKO	(Elected) 11/14 - 11/18	\$ 1,950	\$ -	President
DAVID I. PERL	(Elected) 11/14 - 11/18	\$ 1,950	\$ -	Vice-President
LISA S. MCKENZIE	(Appointed) 9/13 - 11/16	\$ 1,800	\$ -	Secretary
COREY NEWHOUSE	(Appointed) 6/14 - 11/16	\$ 1,650	\$ -	Assistant Secretary
JOSEPH MATTHEW SZOO	(Appointed) 3/13 - 11/16	\$ 1,500	\$ -	Assistant Secretary

* Fees of Office are the amounts actually paid to a director during the district's fiscal year.

Consultants:

Severn Trent Environmental Services Inc.	9/1/2012	\$ 348,188	\$ -	District Manager
Willatt & Flickinger	9/8/2005	\$ 75,241	\$ -	Attorney
McCall Gibson Swedlund Barfoot PLLC	9/26/2014	\$ 9,300	\$ -	Auditor
Murfee Engineering	7/13/2011	\$ 94,500	\$ -	Engineer
Southwest Securities, Inc.	10/15/1997	\$ -	\$ -	Financial Advisor
Bott & Douthitt, PLLC	3/1/2012	\$ 22,350	\$ 114	Bookkeeper/
Travis County Tax Collector	2/27/95	\$ 549	\$ -	Tax Collector

**OTHER SUPPLEMENTARY
INFORMATION**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2015**

Taxpayer	Type of Property	Tax Roll Year		
		2015	2014	2013
Homeowner	N/A	\$ 1,002,705	\$ 936,755	\$ 873,445
Homeowner	N/A	991,632	923,540	846,747
Homeowner	N/A	968,298	903,732	833,546
Homeowner	N/A	960,058	901,484	823,372
Homeowner	N/A	959,864	883,554	807,460
Homeowner	N/A	936,047	872,604	807,111
Homeowner	N/A	933,272	867,843	793,276
Homeowner	N/A	932,188	862,729	788,948
Homeowner	N/A	924,774	857,140	786,382
Homeowner	N/A	920,517	848,429	770,404
Total		\$ 9,529,355	\$ 8,857,810	\$ 8,130,691
Percent of Assessed Valuation		3.4%	3.5%	3.5%

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2015**

Type of Property	Tax Roll Year					
	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 279,711,249	101.0%	\$ 261,959,488	102.8%	\$ 232,453,730	100.1%
Vacant Lot	146,000	0.1%	356,000	0.1%	156,000	0.1%
Non-Qualified Land	11,730	-	11,730	-	11,730	-
Industrial and Manufacturing Personal	45,399	-	45,399	-	45,399	-
Commercial Real Property	104,380	-	112,922	0.1%	119,517	0.1%
Commercial Personal Property	117,369	-	99,796	-	105,902	-
Residential Inventory	-	-	-	-	725,000	0.3%
Totally Exempt Property	119,000	0.1%	119,000	0.1%	119,000	0.1%
Less: Adjustments	<u>(3,192,693)</u>	<u>-1.2%</u>	<u>(7,993,654)</u>	<u>-3.1%</u>	<u>(1,627,847)</u>	<u>-0.7%</u>
Total Taxable	<u>\$ 277,062,434</u>	<u>100.0%</u>	<u>\$ 254,710,681</u>	<u>100.0%</u>	<u>\$ 232,108,431</u>	<u>100.0%</u>

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(this page intentionally left blank)



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

(this page intentionally left blank)

Financial Advisory Services
Provided By:

SAMCO CAPITAL MARKETS, INC.

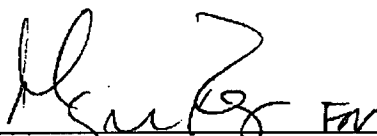
RESOLUTION NO. 20161020-007

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

The Council authorizes the Senna Hills Municipal Utility District (District) to issue, in one or more series, its Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016, in a principal amount not to exceed \$1,105,000, and acknowledges receipt of the District's Bond Resolution (Exhibit 1).

ADOPTED: October 20, 2016

ATTEST:



Jannette S. Goodall
City Clerk

EXHIBIT 1

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

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

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

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

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

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

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

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

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

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

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

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The Board of Directors of the District hereby incorporates the recitals set forth in the preamble hereto as if set forth in full at this place and further finds and determines that the recitals are true and correct. The Bonds of the District are hereby authorized to be issued and delivered in the aggregate principal amount of \$1,105,000 for the purpose or purposes authorized by the Confirmation Election and the Commission Order including (a) construction and acquisition of water, wastewater, drainage and water quality facilities and interests in land and to expand the Issuer's wastewater treatment plant (the "Projects"); (b) engineering and permitting; and (c) certain costs associated with the issuance of the Bonds.

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

"Bonds" shall mean and include collectively the bonds initially issued and delivered pursuant to this Resolution and all substitute bonds and bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

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

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

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

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

“Defeasance Securities” means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

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

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

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

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

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

Section 4. INTEREST. The Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BOND set forth in this Resolution to their respective dates of maturity or earlier redemption at the following rates per annum:

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

2027
2028
2029
2030
2031
2032
2033
2034
2035
2036

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

Section 5. CHARACTERISTICS OF THE BONDS.

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

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

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

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

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

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

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

(c) Book-Entry-Only System. The Bonds issued in exchange for the Bonds initially issued as provided in Section 3 shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC") and except as provided in subsection (f) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants (the "DTC Participant") or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any person, other than a Registered Owner, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, but to the extent permitted by law, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal of and interest, with respect to such Bond, for the purposes of registering transfers with respect to such Bonds, and for all other purposes of registering transfers with respect to such Bonds, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the respective Registered Owners, as shown in the Registration Books as provided in this Resolution, or their

respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the District to make payments of principal, and interest pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks being mailed to the Registered Owner at the close of business on the Record Date the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(f) Successor Securities Depository; Transfer Outside-Book-Entry-Only System. In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the Registered Owner transferring or exchanging Bond shall designate, in accordance with the provisions of this Resolution.

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

(h) Initial Bond. The Bonds herein authorized shall be initially issued as a fully registered Bond, being on Bond, and the initial Bond shall be registered in the name of the initial purchaser or the designees thereof. The Initial Bond shall be the Bond submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser. Immediately after the delivery of the Initial Bond on the closing date, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor Bonds in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC and except as provided in Section 5, all of the outstanding Bonds shall be registered in the name of Cede & Co., and nominee of DTC.

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

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

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

Section 8. TAX LEVY AND INTEREST AND SINKING FUND.

(a) A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Bonds, and the Interest and Sinking Fund shall be established and maintained by the District at an official depository bank of the District. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the District, and shall be used only for paying the interest on and principal of the Bonds, the expenses of assessing and collecting such tax, and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds. All ad valorem taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Bonds or interest thereon, are outstanding and unpaid, the governing body of the District shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest comes due, to provide and maintain a sinking fund adequate to pay the principal of its Bonds as such principal matures, and to pay the expenses of assessing and collecting the tax and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds; and said tax shall be based on the latest approved tax rolls of the District, with full allowance being made for tax delinquencies. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the District for each year while any of the Bonds or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures, and to pay the expenses of assessing and collecting the tax and the fees and expenses of the Paying Agent/Registrar with respect to the Bonds, and are hereby pledged for such payment, without limit as to rate or amount.

(b) At such time as the Net Revenues from the operation of the System (herein pledged) together with money derived from taxes shall have accumulated a surplus in the Interest and Sinking Fund in an amount at least equal to the principal of and interest on the Bonds scheduled to mature and accrue in the year next succeeding, then the annual tax levy may be reduced to such rate as will produce not less than twenty five per cent (25%) of the principal and

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

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

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

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

Section 11. DEFEASANCE OF BONDS.

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

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

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

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

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

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

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

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

Section 13. APPLICATION OF BOND PROCEEDS.

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

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

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

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

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

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

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

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

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

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

- (1) **Stock:** a share of stock in a corporation or a right to subscribe for or to receive such a share;
- (2) **Debt:** any indebtedness or evidence thereof, including without limitation United States Treasury bonds, notes, and bills (whether or not of the State and Local Government Series) and bank deposits (whether or not certificated or interest bearing or made pursuant to a depository contract);
- (3) **Annuities and Deferred Payments:** any annuity contract, or any other deferred payment contract acquired to fund an obligation of the District; or
- (4) **Other Property:** any other investment-type property.

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

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

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

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

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

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

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

“Taxable Investment” means any Investment other than:

- (1) Non-AMT Tax Exempt Obligations: an obligation the interest on which is excluded from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes (or, when such obligation was issued, was purported by the evidence of such obligation to be so excluded) and which is not a preference item, as defined in section 57 of the Code;
- (2) Tax Exempt Mutual Funds: an interest in a regulated investment company to the extent that at least 95% of the income to the holders of such interest is interest that is excludable from gross income under section 103(a) of the Code;
- (3) Demand SLGS: one-day certificates of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program described in 31 C.F.R. part 344, if the District in good faith attempts to comply with all the requirements of such program relating to the investment of Gross Proceeds; and
- (4) Exempt Temporary Investments: Taxable Investments which are held for the credit of the 2015 Debt Service Fund.

“Yield” of:

- (1) Taxable Investments: Taxable Investments to any date means the actuarial “yield” of all such Taxable Investments on or before such date as “yield” is defined in section 1.148-5(b) of the Regulations; and
 - (2) Bonds: Any series of bonds means the actuarial “yield” of such Bonds, as defined in section 1.148-4 of the Regulations, and for the Bonds shall be specified in a certificate executed by an officer of the Board on the Issue Date.
- (b) Not to Cause Interest to Become Taxable. The District shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property acquired, constructed, or improved with Gross Proceeds) in a manner which, if made or omitted, respectively, (or take or omit to take any other action which if taken or omitted, respectively), would cause interest on any Bond to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes. The District shall adopt and comply with the provisions of such amendments hereof and supplements hereto as may, in the opinion of nationally recognized bond counsel, be necessary to preserve or perfect such exclusion. Without limiting the generality of the foregoing, the District shall comply with each of the specific covenants in this Section at all times prior to the last maturity of the Bonds, unless and until the District shall have received a written opinion of nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the excludability of interest on any Bond from the gross income of the owner thereof for federal income tax purposes, and thereafter such covenant shall no longer be binding upon the District to the extent described in such opinion, anything in any other Subsection of this Section to the contrary notwithstanding.

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

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

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

- (u) Sale or Lease: it is sold or otherwise disposed of, or leased, to such Person;
- (v) Management Contract: it is operated, managed, or otherwise physically employed, utilized, or consumed by such Person, excluding operation or management pursuant to an agreement which meets the conditions described in I.R.S. Rev. Proc. 97-13, as modified by Notice 2014-67;
- (w) Capacity, Output, or Service Commitment: capacity in or output or service from such property is reserved or committed to such Person under a take-or-pay, output, incentive payment, or similar contract or arrangement;
- (x) Preferential Service: such property is used to provide service to (or such service is committed to or reserved for) such Person on a basis or terms which (except possibly for the amount of use and any corresponding rate adjustment) are different from the basis or terms on which such service is provided (or committed or reserved) to members of the public generally;
- (y) Developer: such Person is a developer and a significant amount of property acquired, constructed, or improved with proceeds from the sale of a series of bonds of which the Bonds are a part serves only a limited area substantially all of which is owned by such Person, or a limited group of developers, unless such property carries out an essential governmental function, use by such Person is during an initial development period, and such property is developed and sold to (and occupied by) members of the general public in accordance with the Regulations; or

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

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

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

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

- (1) Three-year Period for Certain Sale Proceeds: Taxable Investments acquired with (or representing an investment of) Net Sale Proceeds of the Bonds or earnings from the investment thereof;
- (2) 2016 Debt Service Fund Deposits: Taxable Investments acquired with (or representing an investment of) amounts held for the credit of the Debt Service Fund for the payment of the debt service on the Bonds during the then current bond year (the "2016 Debt Service Fund"), but only during the first 13 months after the date of deposit of such amounts to the Debt Service Fund;
- (3) Debt Service Fund Deposits: Taxable Investments acquired with (or representing an investment of) amounts held for the credit of the Debt Service Fund in excess of the amounts held for the credit of the 2016 Debt Service Fund to the extent such Taxable Investments are held during the first 30 days after the date of deposit of such amounts to the Debt Service Fund or, if held more than 30 days after deposit, do not exceed 10% of the stated principal amount of the Bonds; and
- (4) Other Investments: any other Taxable Investments acquired with (or representing an investment of) Gross Proceeds described in Clause (3) of the definition thereof, to the extent the aggregate amount of Gross Proceeds invested in such Taxable

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

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

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

- (1) Certain Temporary Investments: Investments described in Subsections (e)(1), (e)(2), and (e)(3) of this Section, whether or not federally-guaranteed or federally-insured, to the extent such Investments are held during the period described in such Subsection;
- (2) Treasury Investments: Investments issued by the United States Treasury; and
- (3) Investments Permitted by Regulations: Any other Investments permitted by regulations of the United States Department of Treasury issued under section 149(b)(3)(B)(v) of the Code.

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

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

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

- (1) the District reasonably expects that at least 85% of the Net Sale Proceeds of the Bonds will be used to carry out the governmental purposes of the Bonds within three years from the date each series of the Bonds was issued, and
 - (2) not more than 50% of the Proceeds of the Bonds will be invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed Yield for four years or more.
- (j) Payment of Rebate Amount. Except to the extent otherwise provided in section 148(f) of the Code and the regulations and rulings thereunder:
- (1) The District shall account for all Gross Proceeds (including all receipts and expenditures thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and shall maintain all records of such accounting with the transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of the Bonds with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - (2) Not less frequently than each Computation Date, the District shall either (i) cause to be calculated by a nationally recognized accounting or financial advisory firm or (ii) calculate and cause its calculations to be verified by a nationally recognized accounting or financial advisory firm, in either case in accordance with rules set forth in section 148(f) of the Code and section 1.148-3 of the Regulations and rulings thereunder, the Rebate Amount with respect to the Bonds. The District shall maintain such calculations with the official transcript of the proceedings relating to the issuance of the Bonds until four years after the final Computation Date;
 - (3) As additional consideration for the purchase of the Bonds by the Purchaser and the loan of money represented thereby, and in order to induce such purchase by measures designed to preserve the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the District shall remit to the United States the amount described in paragraph (2) above and the amount described in paragraph (4) below, at the times, in the installments, to the place, in the manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder; and
 - (4) The District shall exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (2) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by section 1.148-3(h) of the Regulations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 26. AMENDMENTS.

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

- (i) change debt service requirements, interest payment dates or the maturity or maturities of the outstanding Bonds;
- (ii) reduce the rate of interest borne by any of the outstanding Bonds;
- (iii) reduce the amount of the principal of, redemption premium, if any, or interest on the outstanding Bonds or impose any conditions with respect to such payments;
- (iv) modify the terms of payment of principal of, redemption premium, if any, or interest on the outstanding Bonds, or impose any conditions with respect to such payments;

- (v) affect the right of the Registered Owners of less than all of the Bonds then outstanding; or
- (vi) decrease the minimum percentage of the principal amount of Bonds necessary for consent to any such amendment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Execution page follows.]

ADOPTED this _____ day of _____, 2016

By: _____
President, Board of Directors

ATTEST:

Secretary, Board of Directors

[SEAL]

EXHIBIT "A"

FORM OF BOND

**UNITED STATES OF AMERICA
STATE OF TEXAS**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS, SERIES 2016**

NO. R

**PRINCIPAL
AMOUNT**

\$ _____

**INTEREST
RATE**

DATED DATE

**MATURITY
DATE**

**CUSIP
NO.**

_____, 2016

REGISTERED OWNER:

PRINCIPAL AMOUNT:

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

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

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

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

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

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

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

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

Term Bond Maturing on August 15, 20

<u>Redemption Date</u>	<u>Principal Amount</u>

Term Bond Maturing on August 15, 20

<u>Redemption Date</u>	<u>Principal Amount</u>

Term Bond Maturing on August 15, 20

<u>Redemption Date</u>	<u>Principal Amount</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**SENNA HILLS MUNICIPAL UTILITY
DISTRICT**

Secretary,
Board of Directors
[DISTRICT SEAL]

President,
Board of Directors

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

**(To be executed if this Bond is not accompanied by an
executed Registration Certificate of the Comptroller
of Public Accounts of the State of Texas)**

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

BOKF, NA
Paying Agent/Registrar

Dated:

By: _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Bond in every particular, without alteration of enlargements or any change whatsoever.

**FORM OF REGISTRATION CERTIFICATE OF
THE COMPTROLLER OF PUBLIC ACCOUNTS**

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO.

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

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

The date of initial delivery of this Bond was _____, 2016.

INSERTIONS FOR THE INITIAL BOND

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

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

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

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

<u>Maturity</u>	<u>Principal Amount</u>	<u>Rate</u>
-----------------	-------------------------	-------------

(Information from Sections 3 and 4 to be inserted)

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

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

Anderson, Shari

From: Balady, Mac A. <mbalady@dtcc.com> on behalf of UW-MUNILOR/DTCC <UWMUNILOR@dtcc.com>
Sent: Tuesday, December 13, 2016 9:13 AM
To: Anderson, Shari
Subject: RE: Senna Hills Municipal Utility District

Hi Shari, I hope all is well.

We do have a BLOR for Senna Hills Municipal Utility District, TX, issued in 1999 and is valid.

Thanks

Best Regards
Mac

Mac Balady
BEO Group & MMI Specialist
Global Operations & Client Services
DTCC Tampa
Email: uwmunilor@dtcc.com
Hot line 1-(866) 724-4402 Option # 3

DTCC

Securing Today. Shaping Tomorrow™

Visit us at www.dtcc.com or connect with us on [LinkedIn](#), [Twitter](#), [YouTube](#) and [Facebook](#).
To learn about career opportunities at DTCC, please visit dtcc.com/careers.

From: Anderson, Shari [<mailto:ShariAnderson@andrewskurth.com>]
Sent: Monday, December 12, 2016 12:20 PM
To: UW-MUNILOR/DTCC
Subject: Senna Hills Municipal Utility District

Please confirm that the referenced entity has a DTC Blanket Letter of Representation on file. Thank you.

Shari Anderson
Practice Support Manager
Public Finance Section - Austin

ANDREWS KURTH KENYON LLP
111 Congress Avenue, Suite 1700 | Austin, Texas 78701
+1.512.320.9243 Phone | +1.512.320.9292 Fax | +1.512.751.2661 Cell
+1.512.320.9291 Assistant - Lauren Mathews
[email | andrewskurthkenyon.com](http://email|andrewskurthkenyon.com) | [Twitter](#)

Confidentiality Notice: The information contained in this email and any attachments to it may be legally privileged and include confidential information intended only for the recipient(s) identified above. If you are not one of those intended recipients, you are hereby notified that any dissemination, distribution or copying of this email or its attachments is strictly prohibited. If you have received this email in error, please notify the sender of that fact by return email and permanently delete the email and any attachments to it immediately. Please do not retain, copy or use this email or its attachments for any purpose, nor disclose all or any part of its contents to any other person. Andrews Kurth Kenyon LLP operates as a Texas limited liability partnership. Andrews Kurth (Middle East) DMCC is registered and licensed as a Free Zone company under the rules and regulations of DMCCA. Andrews Kurth Kenyon (UK) LLP is authorized and regulated by the Solicitors Regulation Authority of England and Wales (SRA Registration No.598542). Thank you.

DTCC DISCLAIMER: This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error, please notify us immediately and delete the email and any attachments from your system. The recipient should check this email and any attachments for the presence of viruses. The company accepts no liability for any damage caused by any virus transmitted by this email.

GENERAL AND NO-LITIGATION CERTIFICATE

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

We, the undersigned President and Secretary, respectively, of the Board of Directors of Senna Hills Municipal Utility District (the "District"), hereby certify as follows:

GENERAL

1. This certificate is executed for and on behalf of the District, for the benefit of the Attorney General of the State of Texas and for the benefit of the Initial Purchaser in connection with the issuance of the Bonds. The words and terms used herein shall have the meanings whenever they are used given in **Exhibit "A"** attached hereto.

2. Any certificate signed by an official of the District delivered to the Initial Purchasers or the Attorney General of the State of Texas shall be deemed a representation and warranty by the District as to the statements made therein. The Public Finance Division of the Office of the Attorney General of the State of Texas is hereby authorized to date this certificate as of the date of approval of the Bonds and is entitled to rely upon the accuracy of the information contained herein unless notified by telephone or fax to the contrary. The Comptroller of Public Accounts is further authorized to register the Bonds upon receipt of the Attorney General approval. After registration, the Bonds, opinions and registration papers shall be delivered as instructed by the District's Bond Counsel, Greg Shields, Andrews Kurth Kenyon LLP, 111 Congress Avenue, Suite 1700, Austin, Texas 78701.

3. A true and correct copy of the bid for the Bonds submitted to and accepted by the Board of Directors of the District is attached hereto as **Exhibit "B"**.

MATTERS RELATING TO THE DISTRICT

4. We officially executed and signed the Bonds with our manual signatures or by causing facsimiles of our manual signatures to be imprinted or copied on each of the Bonds, and, if appropriate, we hereby adopt said facsimile signatures as our own, respectively, and declare that the facsimile signatures constitute our signatures the same as if we had manually signed each of the Bonds.

5. The Bonds are substantially in the form, and have been duly executed and signed in the manner prescribed in the Order.

6. At the time we so executed and signed the Bonds we were, and at the time of executing this certificate we are, the duly chosen, qualified and acting officers indicated therein, and authorized to execute the same.

7. No litigation of any nature has been filed or is now pending to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provision made for their

payment or security, or in any manner questioning the proceedings or authority concerning the issuance of the Bonds, and that so far as we know and believe no such litigation is threatened.

8. Neither the corporate existence nor boundaries of District is being contested, no litigation has been filed or is now pending which would affect the authority of the officers of the District to issue, execute, sign and deliver the Bonds, and no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded.

9. We have caused the official seal of the District to be impressed, or printed, or copied on the Bonds and said seal on the Bonds has been duly adopted as, and is hereby declared to be, the official seal of the District.

10. The District is a conservation and reclamation district operating and existing under provisions of Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54, Texas Water Code, as amended.

11. The following individuals are presently the duly elected or appointed and qualified directors and officers of the District holding offices opposite their names as indicated below.

<u>Name</u>	<u>Office</u>	<u>Term of Office Expires</u>
Chet Palesko	President	November 2018
David Perl	Vice President	November 2018
Lisa McKenzie	Secretary	November 2020
Corey Newhouse	Assistant Secretary	November 2020
Joseph Szoo	Assistant Secretary	November 2020

The directors and officers of the District since the issuance of the District's Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2014 are attached hereto as **Exhibit "C"**.

12. Each member of the Board of Directors of the District has duly qualified as a member of the Board of Directors by executing the sworn statement (when required), by executing the bond required by law, and by taking the official oath of office prescribed by the Constitution for public officers, each such bond was duly approved by the Board of Directors of the District, and each such bond, sworn statement and oath are filed and retained in the District's records and with the Secretary of State. All directors taking or who have taken any action in connection with the authorization, sale, and delivery of the Bonds are or were at the time of such action, duly qualified and acting directors of the District, and all directors executing any documents in connection therewith were duly authorized to execute such documents.

13. Other than the Bonds in the process of issuance and the District's Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2014 and District's Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2010, the District has outstanding no indebtedness payable from or secured by the pledge of ad valorem taxes levied by the District.

14. The currently effective ad valorem tax appraisal roll of the District (“Tax Roll”) is the Tax Roll prepared and approved during the calendar year 2016, being the most recently approved Tax Roll of the District; the taxable property in the District has been appraised, assessed, and valued as required and provided by the Texas Constitution and Property Tax Code (collectively, “Texas law”); and according to the Tax Roll for 2016 the net aggregate taxable value of taxable property in the District (after deducting the amount of all applicable exemptions required or authorized under Texas law), is \$288,615,438.

15. No petitions for the exclusion of land from the District have been presented to the Board and there have been no changes in the area or boundary of the District since the issuance of the District’s Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2014.

16. The District lies within the extraterritorial jurisdiction of the City of Austin, Texas (the “City”). The District received the consent of the City pursuant to an Agreement Concerning Creation and Operation of Senna Hills Municipal Utility District and Lands within the District, as subsequently amended. The District is in compliance with all consent resolutions of the City.

17. A District Information Form and amendments thereto have been filed as required by Section 49.455, Texas Water Code. In addition, as of the date of this Certificate, all information required by law to be filed by the District with the TCEQ has been filed. Based upon our actual knowledge, the District is currently in compliance with all regulations of the TCEQ.

18. All meetings of the Board have been open to the public and notice of the time, place, and subject of each such meeting was given as required by Chapter 551, Government Code, as amended, and Chapter 49, Texas Water Code, as amended.

19. The District has complied with the provisions of the Texas Election Code and the Federal Voting Rights Act in all its elections.

20. The District has not limited the taxing powers granted to it by the Constitution and laws of the State of Texas, and no procedure for such action has been taken.

21. The District has not at any time entered into any contract of any nature with the United States or any branch or agency thereof.

22. No motion to overturn the actions of the TCEQ’s Executive Director approving the issuance of the Bonds has been filed pursuant to TCEQ Rule 50.139. Additionally, the District has not been notified that the TCEQ or its general counsel has extended the period of time to file such a motion to overturn.

23. That with respect to the contracts executed in connection with the authorization and issuance of the Bonds, all disclosure filings and acknowledgments required by Section 2252.908, Texas Government Code, and the rules of the Texas Ethics Commission related to said provision, have been made.

CLOSING MATTERS

24. To our best knowledge and belief in reliance upon the experts and sources as set forth in the Official Statement hereby certifies the following:

(a) the descriptions and statements of or pertaining to the District contained in its Official Notice of Sale, Bid Form and Official Statement dated November 18, 2016 and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, or the date of sale of the Bonds, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects;

(b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(c) insofar as the descriptions and statements, including financial data, of or pertaining to entities other than the District and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable but the District has made no independent investigation or verification of such matters; however, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein made in light of the circumstances under which they are made not misleading; and

(d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statement of the District for the fiscal year ended September 30, 2015.

[Execution page follows.]

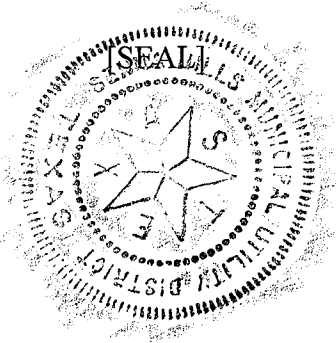
SIGNED this the 1st day of December, 2016.

Lois Keye

Secretary, Board of Directors

Clint A. Paul

President, Board of Directors



NOTARY ACKNOWLEDGMENT

BEFORE ME, on this day personally appeared the foregoing individuals, known to me to be the officers whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this 1st day of December, 2016.



Jeniffer Conciene

Notary Public

EXHIBIT A

Definitions

<i>Bonds</i>	Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2016, in the aggregate principal amount of \$1,105,000.
<i>District</i>	Senna Hills Municipal Utility District
<i>Initial Purchaser</i>	The winning bidder is shown on the bid form attached to this General and No-Litigation Certificate as <u>Exhibit "B"</u> .
<i>Order</i>	The order adopted by the Board of Directors of the District on December 1, 2016 authorizing the issuance of the Bonds.
<i>TCEQ</i>	Texas Commission on Environmental Quality.

EXHIBIT B

Bid for Bonds & Texas Ethics Commission Form 1295

OFFICIAL BID FORM

December 1, 2016

President and Board of Directors
 Senna Hills Municipal Utility District
 c/o Willatt & Flickinger, PLLC
 12912 Hill Country Blvd., Suite F-232
 Austin, Texas 78738

Ladies & Gentlemen:

Reference is made to your Official Notice of Sale and Official Statement dated November 18, 2016 of \$1,105,000 Senna Hills Municipal Utility District, Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016, both of which constitute a part hereof.

For your legally issued Bonds, as described in said Official Notice of Sale and Official Statement, we will pay you a price of \$1,071,859.45 (which represents 97.000855% of the principal amount thereof), plus accrued interest from their date to the date of delivery to us.

Maturity (8/15)	Principal Amount	Interest Rate	Maturity (8/15)	Principal Amount	Interest Rate
2018	\$45,000	3.000%	2028	\$60,000	3.250%
2019	45,000	3.000	2029	60,000	3.500
2020	45,000	3.000	2030	65,000	3.500
2021	45,000	3.000	2031	65,000	3.750
2022	50,000	3.000	2032	65,000	3.750
2023	50,000	3.000	2033	70,000	3.750
2024	50,000	3.250	2034	70,000	4.000
2025	55,000	3.375	2035	75,000	4.000
2026	55,000	3.500	2036	80,000	4.000
2027	55,000	3.250			

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

Term Bond Maturity Date August 15	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate
2028	2027	\$115,000	3.25%
2030	2029	125,000	3.50
2033	2031	200,000	3.75
2036	2034	225,000	4.00

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

TOTAL INTEREST COST FROM DATED DATE	\$ <u>469,844.15</u>
PLUS DOLLAR AMOUNT OF PREMIUM/DISCOUNT	\$ <u>33,140.55</u>
NET INTEREST COST	\$ <u>502,984.70</u>
NET EFFECTIVE INTEREST RATE	<u>3.897705</u> %

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

The Bonds will be insured by Build America Mutual at a premium of \$ 4,800.00, said premium to be paid by the Purchaser.

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

Cashier's Check of the Frost National Bank (bank), Austin, Texas (location), in the amount of \$22,100 which represents our Good Faith Deposit is attached hereto or has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms as set forth in the Official Notice of Sale and the Official Statement. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of delivery.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at BOKF, NA, Austin, Texas, no later than 12:00 P.M., Central time, on December 29, 2016 or thereafter on the date the Initial Bond(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

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

Upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the District's financial advisor at dwhitt@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

Respectfully submitted,

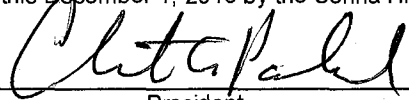
Purchaser

(Signature - Title)

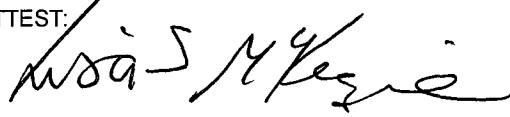
(Telephone)

ACCEPTANCE CLAUSE

THE FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this December 1, 2016 by the Senna Hills Municipal Utility District.



President

ATTEST:


Secretary



CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

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

**OFFICE USE ONLY
 CERTIFICATION OF FILING**

Certificate Number:
 2016-141801

Date Filed:
 12/01/2016

Date Acknowledged:
 12/06/2016

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

Northland Securities, Inc
 Minneapolis, MN United States

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

Senna Hills Mud, TX

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

2016 Senna Hills Mud
 underwriting

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary
	Northland Capital Holdings	Minneapolis, MN United States	X	

5 Check only if there is NO Interested Party.

6 AFFIDAVIT

I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.

 Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said _____, this the _____ day of _____, 20_____, to certify which, witness my hand and seal of office.

 Signature of officer administering oath Printed name of officer administering oath Title of officer administering oath

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

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

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.
Northland Securities, Inc
Minneapolis, MN United States

Certificate Number:
2016-141801

Date Filed:
12/01/2016

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

Date Acknowledged:

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.
2016 Senna Hills Mud
underwriting

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary
	Northland Capital Holdings	Minneapolis, MN United States	X	

5 Check only if there is NO Interested Party.

6 AFFIDAVIT I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.



Michael Anderson
Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said _____, this the 1st day of December, 20 16, to certify which, witness my hand and seal of office.

Kristine Marie Gates Kristine M Gates Notary
Signature of officer administering oath Printed name of officer administering oath Title of officer/administering oath

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

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

OFFICE USE ONLY CERTIFICATION OF FILING

Certificate Number:
2016-143334

Date Filed:
12/06/2016

Date Acknowledged:
12/06/2016

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

BOKF, NA (Bank of Texas)
Austin, TX United States

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

Senna Hills Municipal Utility District

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

2016 UTB PAR
Series 2016 Bonds

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary
	BOKF, NA	Austin, TX United States		X
	Gaytan, Jose	Austin, TX United States		X
	Hansen, Anne-Marie	Austin, TX United States		X

5 Check only if there is NO Interested Party.

6 AFFIDAVIT

I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.

Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said _____, this the _____ day of _____, 20_____, to certify which, witness my hand and seal of office.

Signature of officer administering oath

Printed name of officer administering oath

Title of officer administering oath

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties. Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.	OFFICE USE ONLY CERTIFICATION OF FILING
1 Name of business entity filing form, and the city, state and country of the business entity's place of business. BOKF, NA (Bank of Texas) Austin, TX United States	Certificate Number: 2016-143334
2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed. Senna Hills Municipal Utility District	Date Filed: 12/06/2016
	Date Acknowledged:

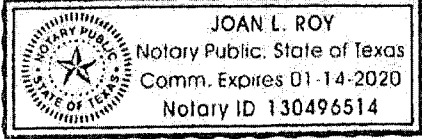
3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

2016 UTB PAR
Series 2016 Bonds

4 Name of Interested Party	City, State, Country (place of business)	Nature of Interest (check applicable)	
		Controlling	Intermediary
BOKF, NA	Austin, TX United States		X
Gaytan, Jose	Austin, TX United States		X
Hansen, Anne-Marie	Austin, TX United States		X

5 Check only if there is NO interested party.

6 AFFIDAVIT I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.



Anne-Marie Hansen
Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said Anne-Marie Hansen, this the 6th day of December, 2016, to certify which, witness my hand and seal of office.

Joan L. Roy Signature of officer administering oath
 Joan L. Roy Printed name of officer administering oath
 Notary Public Title of officer administering oath

EXHIBIT C

BOARD OF DIRECTORS

From September 20, 2013 to June 27, 2014:

Chet Palesko - President
David I. Perl - Vice President
Lisa S. McKenzie - Secretary
Gregg Kronenberger -Assistant
Secretary
Joseph M. Szoo - Assistant Secretary

From June 27, 2014 to present:

Chet Palesko - President
David I. Perl - Vice President
Lisa S. McKenzie - Secretary
Joseph M. Szoo -Assistant Secretary
Corey Newhouse - Assistant Secretary

TAX EXEMPTION CERTIFICATE

The undersigned, being the duly chosen and qualified Board President of the Senna Hills Municipal Utility District (the “**District**”), hereby certifies with respect to the District’s \$1,105,000 Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (the “**Bonds**”), as follows:

A. General.

1. I, along with other officers of the District, am charged with the responsibility for issuing the Bonds.

2. This certificate is made pursuant to Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended to the date hereof (the “**Code**”), and the final and temporary Treasury Regulations promulgated thereunder and applicable to the Bonds (the “**Regulations**”).

3. This certificate is based on the facts and estimates described herein in existence on the date hereof; and, on the basis of such facts and estimates, the District expects that the future events described herein will occur. To the best of the knowledge and belief of the undersigned, the expectations set forth herein are reasonable.

4. A capitalized term used and not otherwise defined herein has the meaning ascribed to such term in the Resolution authorizing the issuance of the Bonds, adopted by the Board of Directors on December 1, 2016 (the “**Resolution**”).

5. The District will cause a Form 8038-G Information Return respecting the Bonds to be timely filed with the Internal Revenue Service. See **Exhibit A** - Form 8038-G.

B. Purpose and Size.

1. The Bonds are being issued pursuant to the Resolution to finance (i) improvements to the water system, wastewater system, and drainage and storm sewer system, including an upgrade, expansion, and rehabilitation of the existing wastewater treatment plant and (ii) the costs of issuing the Bonds, including an insurance premium (the “**Insurance Premium**”) for a policy of municipal bond insurance on the Bonds (the “**Policy**”).

2. The Projects will be owned, operated and maintained by the District. The District has not contracted in any manner with any company, firm or other person or entity to operate and/or maintain the Projects or all or part of the Projects, for and on behalf of the District. The District does not expect to enter into any contract for the operation, maintenance or management of the Projects or all or part of the Projects, except for contracts complying with Rev. Proc. 2016-44.

3. There is not, and as of the date hereof the District does not anticipate entering into, any lease, contract or other understanding or arrangement having a term of more than 100 days, such as a take-or-pay contract or output contract, with any person other than a state or local governmental unit (including a municipal utility district), pursuant to which the District expects that proceeds of the Bonds, or the Projects financed therewith, will be used in the trade or business of such person (including all activities of such persons who are not individuals).

4. The amount received from the sale of the Bonds, when added to the amounts expected to be received from the investment thereof, is not expected to exceed the amounts required to pay costs of the Projects and costs of issuing the Bonds.

5. No receipts from the sale of the Bonds or amounts received from the investment thereof will be used to pay the principal of or interest on any presently outstanding issue of bonds or other similar obligations of the District other than the Bonds.

6. SAMCO Capital Markets, Inc., as financial advisor to the District (the “**Financial Advisor**”), has calculated that the weighted average maturity of the Bonds is 11.5623 years. See **Exhibit B** - Certificate of Financial Advisor. The weighted average maturity of the Bonds is not more than 120% of the expected useful life of the Projects.

C. Source and Disbursement of Funds.

1. The District has sold the Bonds to Northland Securities (the “**Underwriter**”) in a competitive public sale for a purchase price of \$1,074,610.58, which is the issue price of the Bonds to the public of \$1,102,219.45 (consisting of the par amount of the Bonds less original issue discount of \$2,780.55), plus accrued interest of \$2,988.13, less underwriter’s discount of \$30,360.00 from which the Underwriter paid \$4,800.00 to pay the premium (the “**Insurance Premium**”) for a policy of municipal bond insurance for the Bonds (the “**Policy**”). See **Exhibit C** - Issue Price Certificate.

2. The District has caused the closing agent to disburse such amount this day as follows:

<u>Disposition</u>	<u>Amount</u>
Deposit to Construction Fund	\$968,780.95
Deposit to Interest and Sinking Fund	2,988.13
Disbursed to pay other costs of issuance	<u>103,078.50</u>
Total	\$1,074,847.58

D. Temporary Periods and Time for Expenditures.

1. The amount deposited in the Interest and Sinking Fund represents accrued interest on the Bonds from December 1, 2016, to the date hereof. Such amount will be used to pay the first payment of debt service due on the Bonds on February 15, 2017, and may be invested without restriction as to Yield until so used.

2. The amount disbursed or set aside to pay costs of issuance on the Bonds will be so used within one year from the date hereof and may be invested without restriction as to Yield until so used.

3. Within six months from the date hereof, the District reasonably expects to enter into binding obligations for the acquisition and construction of the Projects which require the District to expend at least \$55,110.97, which is 5% of the Net Sale Proceeds of the Bonds.

4. The District will pursue acquisition and construction of the Projects with due diligence until completion.

5. The District reasonably expects to expend at least 85% of the Net Sale Proceeds of the Bonds within three years from the date hereof.

6. The District will not use the amount received from the sale of the Bonds to reimburse itself for expenditures made by the District prior to the date that is 60 days before the date of this Tax Exemption Certificate, unless the reimbursed expenditures are preliminary expenditures and the total amount of any such preliminary expenditures reimbursed does not exceed \$220,444, which is 20% of the issue price of the Bonds. For this purpose, preliminary expenditures include architectural, engineering, surveying, soil testing, costs of issuing the Bonds, and similar costs incurred prior to the commencement of acquisition, construction, or rehabilitation of the Projects, but do not include land acquisition, site preparation, and similar costs incident to the commencement of construction.

E. Yield and Nonpurpose Investments.

1. The Financial Advisor has calculated that a discount factor of at least 3.693953% (the “Yield”) is required to reduce the principal and interest to be paid on the Bonds to a present value on the date hereof, compounding semiannually, equal to the issue price of the Bonds, plus accrued interest of \$2,988.13, less the Insurance Premium of \$4,800.00.

2. Other than the Bonds, no obligations of the District have been sold or delivered pursuant to the same plan of financing and payable from the same source of funds within 15 days before or after December 1, 2016, the date on which the District entered into a binding contract to sell the Bonds (the “Sale Date”).

3. The District has covenanted in the Resolution that it will account for the Gross Proceeds of the Bonds separately and apart from all other funds of the District from the date hereof, that it will calculate the earnings on all Nonpurpose Investments made with Gross Proceeds of the Bonds and that it will make payments to the United States Treasury of any Rebate Amount or yield reduction payment necessary as a result of such investments at least every five years and at the maturity of the Bonds, together with any such reports as the Secretary of the Treasury shall prescribe, as may be required by Section 148(f) of the Code.

F. Qualified Guarantee.

1. The Underwriter has advised the District that the present value of the Insurance Premium for the Policy is less than the present value of the interest saved as a result of

insuring the Bonds, using the Yield as the discount factor; that the Policy was negotiated in an arm's length transaction; that the Insurance Premium does not include any payment for any direct or indirect services other than the transfer of credit risk; and that the Insurance Premium represents a reasonable charge for the transfer of credit risk.

2. Under the Policy, the issuer of the Policy (the "Guarantor") is unconditionally and with full recourse obligated to pay all or a portion of the principal of or interest on the Bonds. Neither the Guarantor nor any person related to the Guarantor within the meaning of Section 144(a)(3) of the Code will use more than 10% of the proceeds of the Bonds.

3. The District reasonably expects that the Guarantor will not be called upon to make a payment of principal of or interest on the Bonds. The Guarantor is entitled to be immediately and fully reimbursed for any payment of principal of or interest on the Bonds.

4. The Insurance Premium has been allocated among each of the Bonds in a manner that properly reflects the proportionate credit risk for which the Guarantor has been compensated.

G. Interest and Sinking Fund.

1. Pursuant to the Resolution, the District has levied an ad valorem tax on all taxable property within its boundaries and has pledged such tax to pay debt service on the Bonds. Such amounts will be deposited to the credit of the Interest and Sinking Fund maintained in the books of the District. The District has also pledged the Net Revenues of the System to pay debt service on the Bonds. The Gross Revenues of the System will be deposited to the credit of the Revenue Fund maintained in the books of the District and disbursed in the order set forth in the Resolution.

2. The Interest and Sinking Fund will be maintained to achieve a proper matching of revenues and debt service within each bond year. The District expects that the following will occur with respect to the Interest and Sinking Fund (other than that portion of the Interest and Sinking Fund, if any, consisting of deposits made to defease in whole or in part the contractual obligations of the District to make deposits thereto):

(a) the Interest and Sinking Fund will be depleted at least once a year except possibly for a carry-over amount not greater than the larger of one year's income from the investment of such portion or one-twelfth (1/12) of annual debt service requirements on the Bonds;

(b) all deposits to the Interest and Sinking Fund will be spent within 13 months of deposit; and

(c) all amounts received from investment of money in the Interest and Sinking Fund will be deposited in the Interest and Sinking Fund and within twelve months of receipt will be expended to pay principal or interest on the Bonds.

3. Except as described herein, no funds of the District have been pledged to pay principal of or interest on the Bonds or otherwise restricted so as to give reasonable assurance of the availability of such funds for such purpose.

H. Bonds Not Hedge Bonds.

1. The District reasonably expects that at least 85% of the Net Sale Proceeds of the Bonds will be used to carry out the governmental purpose of the Bonds within three years after the date hereof.

2. Not more than 50% of the Net Sale Proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more.

I. No Abusive Arbitrage Device.

1. In connection with the issuance of the Bonds, the District has not employed any action which has the effect of overburdening the market for tax-exempt obligations by issuing more bonds, issuing bonds earlier, or allowing bonds to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Bonds.

2. In connection with the issuance of the Bonds, the District has not taken or omitted to take any action which has the effect of enabling the District to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage.

EXECUTED this 29th day of December, 2016.

SENNA HILLS MUNICIPAL UTILITY
DISTRICT

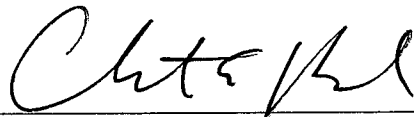
By: 
Chet Palesko
Board President

Exhibit A: Form 8038-G
Exhibit B: Certificate of Financial Advisor
Exhibit C: Issue Price Certificate

EXHIBIT A

**ANDREWS
KURTH**

600 Travis, Suite 4200
Houston, Texas 77002
+1.713.220.4200 Phone
+1.713.220.4285 Fax
andrewskurth.com

Gregg H. Jones
+1.713.220.4479 Phone
gjones@andrewskurth.com

Certified Article Number

9414 7266 9904 2049 2912 60

SENDERS RECORD

January 11, 2017

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Internal Revenue Service
Ogden, Utah 84201-0020

Re: Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer
System Revenue Bonds, Series 2016

Ladies and Gentlemen:

Enclosed for filing is an original of Form 8038-G with respect to the referenced bonds.

Very truly yours,



Gregg H. Jones

GHJ:klc

Enclosure

ANDREWS KURTH KENYON LLP

Austin Beijing Dallas Dubai Houston London New York Research Triangle Park Silicon Valley The Woodlands Washington, DC
HOU:3752231.1

Form **8038-G**

(Rev. September 2011)

Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here

1 Issuer's name Senna Hills Municipal Utility District		2 Issuer's employer identification number (EIN) 74-2722338	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a	
4 Number and street (or P.O. box if mail is not delivered to street address) 10409 Peonia Court	Room/suite	5 Report number (For IRS Use Only) 3	
6 City, town, or post office, state, and ZIP code Austin, Texas 78733		7 Date of issue 12/29/2016	
8 Name of issue Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016		9 CUSIP number 817227 GL9	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Chet Palesko, Board President		10b Telephone number of officer or other employee shown on 10a (512) 402-9943	

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11	Education	11		
12	Health and hospital	12		
13	Transportation	13		
14	Public safety	14		
15	Environment (including sewage bonds)	15		
16	Housing	16		
17	Utilities	17	1,102,219	45
18	Other. Describe ►	18		
19	If obligations are TANs or RANs, check only box 19a			
	If obligations are BANs, check only box 19b			
20	If obligations are in the form of a lease or installment sale, check box			

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	08/15/2036	\$ 1,102,219.45	\$ 1,105,000.00	11.5623 years	3.6940 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest	22	2,988	13
23	Issue price of entire issue (enter amount from line 21, column (b))	23	1,102,219	45
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	120,875 00	
25	Proceeds used for credit enhancement	25	4,800 00	
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0 00	
27	Proceeds used to currently refund prior issues	27	0 00	
28	Proceeds used to advance refund prior issues	28	0 00	
29	Total (add lines 24 through 28)	29	125,675	00
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	976,544	45

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31	Enter the remaining weighted average maturity of the bonds to be currently refunded	_____ years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	_____ years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	_____
34	Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	_____

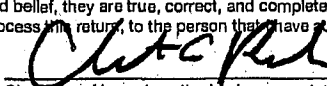
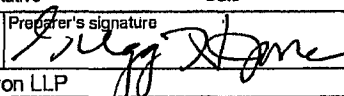
For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

Form **8038-G** (Rev. 9-2011)

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	0	00
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a	0	00
b	Enter the final maturity date of the GIC ▶ _____			
c	Enter the name of the GIC provider ▶ _____			
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37	0	00
38a	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information:			
b	Enter the date of the master pool obligation ▶ _____			
c	Enter the EIN of the issuer of the master pool obligation ▶ _____			
d	Enter the name of the issuer of the master pool obligation ▶ _____			
39	If the issuer has designated the issue under section 265(b)(3)(B)(i)(II) (small issuer exception), check box			<input checked="" type="checkbox"/>
40	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box			<input type="checkbox"/>
41a	If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:			
b	Name of hedge provider ▶ _____			
c	Type of hedge ▶ _____			
d	Term of hedge ▶ _____			
42	If the issuer has superintegrated the hedge, check box			<input type="checkbox"/>
43	If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box			<input checked="" type="checkbox"/>
44	If the issuer has established written procedures to monitor the requirements of section 148, check box			<input checked="" type="checkbox"/>
45a	If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement ▶ _____			
b	Enter the date the official intent was adopted ▶ _____			

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
		12/29/2016	Chet Palesko, Board President		
	Signature of issuer's authorized representative	Date	Type or print name and title		
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Gregg H. Jones		12/29/2016		P00969069
	Firm's name ▶ Andrews Kurth Kenyon LLP	Firm's EIN ▶ 74-1027138			
Firm's address ▶ 600 Travis Street, Suite 4200, Houston, TX 77002	Phone no. 713-220-4479				

9414 7266 9904 2049 2912 60

TO: Internal Revenue Service
Ogden, Utah 84201-0020

SENDER: Gregg H. Jones

Matter No. 231690

REFERENCE: Senna Hills MUD/2016 Bds

PS Form 3800, January 2005

RETURN RECEIPT SERVICE	Postage	
	Certified Fee	3.10
	Return Receipt Fee	2.55
	Restricted Delivery	0.00
	Total Postage & Fees	

USPS®

**Receipt for
Certified Mail®**

No Insurance Coverage Provided
Do Not Use for International Mail



EXHIBIT B

CERTIFICATE OF FINANCIAL ADVISOR

The undersigned hereby certifies as follows with respect to the sale and delivery by Senna Hills Municipal Utility District (the "District") of its \$1,105,000 Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (the "Bonds"):

1. The discount factor required to reduce the principal and interest to be paid on the Bonds to a present value on the date hereof equal to the issue price of the Bonds of \$1,102,219.45, plus accrued interest of \$2,988.13, less the Insurance Premium of \$4,800.00, compounding semiannually, is 3.693953%.

2. The undersigned has advised the District that the present value of the insurance premium of \$4,800.00 (the "Insurance Premium") for the policy of municipal bond insurance for the Bonds (the "Policy") is less than the present value of the interest saved as a result of insuring such Bonds, using the yield on the Bonds of 3.693953% as the discount factor; that the Policy was negotiated in an arm's length transaction; that the Insurance Premium does not include any payment for any direct or indirect services other than the transfer of credit risk; and that the Insurance Premium represents a reasonable charge for the transfer of credit risk.

3. The weighted average maturity of the Bonds is 11.5623 years. The weighted average maturity of an issue of obligations is the sum of the products of the issue price of each maturity of the obligations and the number of years to maturity (determined separately for each maturity and taking into account mandatory redemptions), divided by the aggregate sales proceeds of the issue of obligations.

4. The undersigned has advised the District that, based on the scheduled debt service on the Bonds, the amount on deposit in the District's Interest and Sinking Fund for the Bonds and other outstanding debt of the District should be maintained at this time as a balance in the Interest and Sinking Fund consistent with accepted standards of prudent fiscal management for similar governmental districts and in order to provide a reserve against periodic fluctuations in the amount and timing of ad valorem tax collections by the District for payment of debt service.

EXECUTED and DELIVERED this 29th day of December, 2016.

SAMCO CAPITAL MARKETS, INC.


By: 
Name: Robert White
Title: Managing Director

EXHIBIT C

CERTIFICATE OF MANAGING UNDERWRITER

The undersigned hereby certifies as follows with respect to the sale of \$1,105,000 Senna Hills Municipal Utility District, Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016 (the "Bonds").

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

Maturity (8/15)	Principal Amount	Initial Offering Price (% Yield)	Maturity (8/15)	Principal Amount	Initial Offering Price (% Yield)
2018	\$45,000	2.00%	2028	\$60,000	3.50%
2019	45,000	2.25	2029	60,000	3.65
2020	45,000	2.50	2030	65,000	3.65
2021	45,000	2.70	2031	65,000	3.85
2022	50,000	2.85	2032	65,000	3.85
2023	50,000	3.00	2033	70,000	3.85
2024	50,000	3.15	2034	70,000	4.00
2025	55,000	3.30	2035	75,000	4.00
2026	55,000	3.40	2036	80,000	4.00
2027	55,000	3.50			

4. On the date the Issuer entered into a binding written obligation to sell the Bonds, the Underwriters reasonably expected to sell at least 10% of each of the Excepted Maturities to the public at the respective price set forth above.
5. The term "public" as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organization acting in the capacity of underwriters or wholesalers.
6. The offering prices described above reflect current market prices at the tie of such sales.
7. The undersigned and/or one or more other members of the underwriting syndicate, as the case may be, ~~(have)~~ (have not) purchased bond insurance for the Bonds. The bond insurance, if any, has been purchased from Build America Mutual Assurance Company (the "Insurer") for a premium cost of \$4,800.00 (net of any nonguarantee cost, e.g., rating agency fees). The amount of such cost is set forth in the Insurer's commitment and is separately stated from all other fees or charges payable to the Insurer. The premium does not exceed a reasonable charge for the transfer of credit risk taking into account payments charged by guarantors in comparable transactions (including transactions in which a guarantor has no involvement other than as a guarantor). The present value of the debt service savings expected to be realized as a result of such insurance, discounted at a rate equal to the yield on the Bonds which results after recovery of the insurance premium, exceeds the present value of the bond insurance premium.
8. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the excludability of interest on the Bonds from the gross income of their owners.

Executed and delivered the 20th day of December 2016.

 Northland Securities
 (Name of Underwriter or Manager)

 (Signature)

 (Title)

December 29, 2016

WE HAVE ACTED as Bond Counsel for Senna Hills Municipal Utility District (the “District”) in connection with an issue of bonds (the “Bonds”) described as follows:

SENNA HILLS MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2016, dated December 1, 2016, in the aggregate principal amount of \$1,105,000 maturing on August 15 in each year from 2018 through and including 2026, and in the years 2028, 2030, 2033 and 2036. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, may be transferred and exchanged and are subject to redemption as set out in the Bonds and in the resolution (the “Resolution”) adopted by the Board of Directors of the District (the “Board”) authorizing their issuance. Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Resolution

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the District; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners

of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) The Bonds, together with the District's Previously Issued Bonds, are additionally payable from and secured by a first lien on and pledge of the Net Revenues, if any, derived from ownership and operation of the District's waterworks and sewer system.

THE DISTRICT HAS RESERVED THE RIGHT in the Resolution to issue from time to time Additional Bonds which are equally and ratably secured on parity with the Bonds and the Previously Issued Bonds by a first lien on and pledge of the Net Revenues.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes. If the District fails to comply with the foregoing provisions of the Resolution, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusions occurs.

INTEREST ON the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC), or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

December 29, 2016

Page 3

Purchasers of Bonds are directed to the discussion entitled "TAX MATTERS" set forth in the Official Statement.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

7874/7868

Andrew Keith Kenyon LLP

ANDREWS
KURTH

111 Congress Avenue, Suite 1700
Austin, Texas 78701
+1.512.320.9200 Phone
+1.512.320.9292 Fax
andrewskurth.com

December 29, 2016

Board of Directors
Senna Hills Municipal Utility District
c/o Willatt & Flickinger, PLLC
12912 Hill Country Blvd., Suite F-232
Austin, Texas 78738

Re: \$1,105,000 Senna Hills Municipal Utility District Unlimited Tax and Waterworks
and Sewer System Revenue Bonds, Series 2016 (the "Bonds")

Ladies and Gentlemen:

We have acted as special disclosure counsel to Senna Hills Municipal Utility District (the "District") in connection with the issuance of the referenced Bonds pursuant to that certain order of the Board of Directors of the District, dated December 1, 2016 authorizing the issuance of the Bonds (the "Order").

With regard to the above, we have reviewed (i) the Preliminary Official Statement of the District dated November 18, 2016 (the "Preliminary Official Statement"), (ii) the Official Statement of the District dated December 1, 2016 (the "Official Statement") and (iii) Letters of Representation provided to the District by certain of its agents (the "Letters of Representation"). We have also discussed the Official Statement with the District's general counsel and its bond counsel and certain other representatives and agents of the District and reviewed such records of the District as we deem relevant to our review of the Official Statement.

Based on (1) our review of the documents described above, (2) our discussions with the District's general counsel and its bond counsel and other representatives and agents of the District and (3) such other matters as we deem relevant, we are of the opinion that the offering and sale of the Bonds are not required to be registered under the Securities Act of 1933, as amended; and the Order is not required to be qualified under the Trust Indenture Act of 1939, as amended.

In addition, based upon our limited review of the Preliminary Official Statement and the Official Statement, which does not include our independent inquiry or investigation into the accuracy, completeness or fairness of the statements contained therein, and in reliance upon the

ANDREWS KURTH KENYON LLP

Austin Beijing Dallas Dubai Houston London New York Research Triangle Park Silicon Valley The Woodlands Washington, DC

accuracy of the representations contained in the Letters of Representation, nothing has come to our attention to lead us to believe that the Preliminary Official Statement or the Official Statement (except for financial, forecast, technical and statistical statements and data therein and the information regarding The Depository Trust Company and its book-entry only system and information regarding the municipal bond insurance policy, in each case as to which we are not called upon to comment), as of their dates or as of the date hereof, contained or contains any untrue statement of a material fact, or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion may be relied upon only by you.

Very truly yours,

A handwritten signature in black ink, appearing to read "Andrew H. Kenyon, CP". The signature is written in a cursive, flowing style.

7874/7866

WILLATT & FLICKINGER, PLLC
ATTORNEYS AT LAW

12912 HILL COUNTRY BLVD., SUITE F-232 • AUSTIN, TEXAS 78738 • (512) 476-6604 • FAX (512) 469-9148

December 1, 2016

Senna Hills Municipal Utility District
c/o Willatt & Flickinger PLLC
12912 Hill County Blvd., Suite F-232
Austin, Texas 78738

Andrews Kurth Kenyon LLP
111 Congress Avenue, Suite 1700
Austin, Texas 78701

SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024

Re: Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue
Bonds, Series 2016

Ladies and Gentlemen:

Willatt & Flickinger PLLC, acting in the capacity of General Counsel for Senna Hills Municipal Utility District (the "District"), does hereby represent the following:

1. We have generally reviewed the information contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. Nothing has come to our attention that would lead us to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

2. We agree to the use of our name in the Official Statement for the Bonds.

3. We agree that to the best of our ability, we will inform you immediately should we learn of any event(s) or information of which you are not aware subsequent to the date of this certificate and prior to the actual time of delivery of the Bonds which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.

4. The undersigned hereby represents that he/she has been duly authorized to execute this letter of representations.

Sincerely yours,

WILLATT & FLICKINGER PLLC

By:  _____

WILLATT & FLICKINGER, PLLC
ATTORNEYS AT LAW

12912 HILL COUNTRY BLVD., SUITE F-232 • AUSTIN, TEXAS 78738 • (512) 476-6604 • FAX (512) 469-9148

December 1, 2016

Senna Hills Municipal Utility District
c/o Willatt & Flickinger PLLC
12912 Hill County Blvd., Suite F-232
Austin, Texas 78738

Andrews Kurth Kenyon LLP
111 Congress Avenue, Suite 1700
Austin, Texas 78701

SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024

Re: Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue
Bonds, Series 2016

Ladies and Gentlemen:

Willatt & Flickinger PLLC, acting in the capacity of General Counsel for Senna Hills Municipal Utility District (the "District"), does hereby represent the following:

1. We have generally reviewed the information contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. Nothing has come to our attention that would lead us to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

2. We agree to the use of our name in the Official Statement for the Bonds.

3. We agree that to the best of our ability, we will inform you immediately should we learn of any event(s) or information of which you are not aware subsequent to the date of this certificate and prior to the actual time of delivery of the Bonds which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.

4. The undersigned hereby represents that he/she has been duly authorized to execute this letter of representations.

Sincerely yours,

WILLATT & FLICKINGER PLLC

By: _____



McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

December 1, 2016

Senna Hills Municipal Utility District
c/o Willatt & Flickinger PLLC
12912 Hill County Blvd., Suite F-232
Austin, Texas 78738

Andrews Kurth Kenyon LLP
111 Congress Avenue, Suite 1700
Austin, Texas 78701

SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024

RE: Senna Hills Municipal Utility District
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016

Ladies and Gentlemen:

The undersigned, Chris Swedlund, of McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants ("McCall"), acting in the capacity of auditor for Senna Hills Municipal Utility District (the "District"), does hereby represent the following:

1. On behalf of McCall, I have supplied certain information contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. The information I have provided are the audited financial statements of the District for the fiscal year ending September 30, 2015, located in Appendix C to the Official Statement.

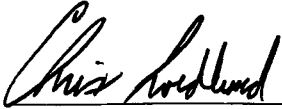
2. To the best of my professional knowledge and belief, as of the date of my reports, the section of the Official Statement described above does not contain an untrue statement of a material fact as to the information and data set forth therein, and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

3. I agree to the use of the name of my firm in the Official Statement for the Bonds.

4. I agree that, to the best of my ability, I will inform you immediately should I learn of any event(s) or information of which you are not aware subsequent to the date of this certificate and prior to the actual time of delivery of the Bonds which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.

5. The undersigned hereby represents that he has been duly authorized to execute this letter of representation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chris Swedlund".

For the Firm
McCall Gibson Swedlund Barfoot PLLC

CS:cb



Murfee Engineering Company

December 1, 2016

Senna Hills Municipal Utility District
c/o Willatt & Flickinger PLLC
12912 Hill County Blvd., Suite F-232
Austin, Texas 78738

Andrews Kurth Kenyon LLP
111 Congress Avenue, Suite 1700
Austin, Texas 78701

SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024

Re: Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016

Ladies and Gentlemen:

The undersigned, Robert Ferguson, P.E. of Murfee Engineering Company, Inc. acting in the capacity of Engineer for Senna Hills Municipal Utility District (the "District"), does hereby represent the following:

1. On behalf of Murfee Engineering Company, Inc., I have supplied certain information relating to engineering and to the description of the system contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. The information I have provided relating to the relating to engineering and to the description of the system in the District is located in the Official Statement under the captions "THE SYSTEM" and the "THE DISTRICT." Capitalized terms used herein and not otherwise defined have the meaning assigned in the Official Statement.

2. To the best of my knowledge and belief, as of the date hereof, the section of the Official Statement described above does not contain an untrue statement of a material fact as to the information and data set forth therein, and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

3. I have also generally reviewed the other information in the Official Statement. I cannot, of course, make any representation to you as to the accuracy or completeness of statements of fact contained in such other information, nor have I made any investigation as to the accuracy or completeness of such other information. Nothing, however, has come to my

S-1

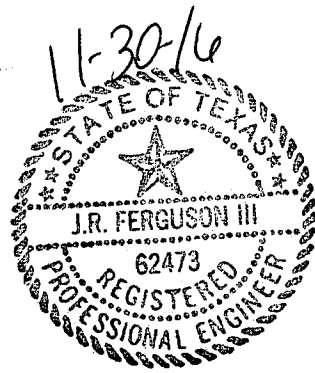
Letter of Representation – Engineer

attention that would lead me to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. I agree to the use of the name of Murfee Engineering Company, Inc., in the Official Statement for the Bonds, and in particular to the description of the firm and its professional employees as experts.

5. I agree that, to the best of my ability, I will inform you immediately should I learn of any event(s) or information of which you are not aware subsequent to the date of this letter and prior to the actual time of delivery of the Bonds which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.

6. The undersigned hereby represents that he/she has been duly authorized to execute this letter of representation.



Sincerely yours,

MURFEE ENGINEERING COMPANY, INC.,

By: Robert Ferguson, P.E.
Name: Robert Ferguson, P.E.
Title: Senior Project Engineer



BRUCE ELFANT

TAX ASSESSOR - COLLECTOR
VOTER REGISTRAR

December 1, 2016

Senna Hills Municipal Utility District
c/o Willatt & Flickinger PLLC
12912 Hill County Blvd., Suite F-232
Austin, Texas 78738

Andrews Kurth Kenyon LLP
111 Congress Avenue, Suite 1700
Austin, Texas 78701

SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024

Re: Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016

Ladies and Gentlemen:

The undersigned, Bruce Elfant, tax assessor-collector for Senna Hills Municipal Utility District (the "District"), does hereby represent the following:

1. We have supplied certain information contained in the Preliminary Official Statement and the Official Statement (collectively, the "Official Statement"), relating to the District's issuance of Bonds as described above. The information we have provided relating to the collection rates and appraisals is located in the Official Statement in Table 7 of Appendix A.

2. To the best of our knowledge and belief, as of the date hereof, the sections of the Official Statement described above do not contain an untrue statement of a material fact as to information and data set forth therein, and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

3. We have also generally reviewed the information in the Official Statement. We cannot, of course, make any representation to you as to the accuracy or completeness of statements of fact contained in such other information, nor have we made any investigation as to the accuracy or completeness of such other information. Nothing, however, has come to our attention that would lead us to believe that the Official Statement contains an untrue statement of

December 1, 2016

Page 2

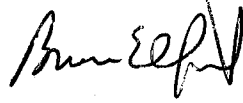
a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. We agree to the use of the name of my office in the Official Statement for the Bonds, and in particular to the description of me as an expert.

5. We agree that, to the best of our ability, we will inform you immediately should we learn of any event(s) or information of which you are not aware subsequent to the date of this certificate and prior to the actual time of delivery of the Bonds which would render any such information in the Official Statement untrue, incomplete, or incorrect, in any material fact or render any statement in such document materially misleading.

[The remainder of this page is intentionally left blank.]

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Bruce Elfant".

Bruce Elfant
Travis County Tax Assessor-Collector

WR



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

December 27, 2016

THIS IS TO CERTIFY that the the Senna Hills Municipal Utility District (the "Issuer") has submitted the Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bond, Series 2016 (the "Bond") in the principal amount of \$1,105,000 for approval. The Bond is dated December 1, 2016, numbered T-1, and was authorized by a Resolution of the Issuer passed on December 1, 2016 (the "Resolution").

The Office of the Attorney General has examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

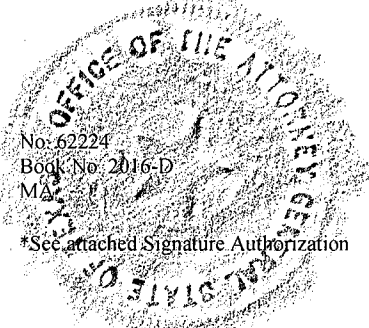
As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.


We express no opinion relating to the official statement or any other offering material relating to the Bond.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows (capitalized terms, except as herein defined, have the meanings given to them in the Resolution):

- (1) The Bond has been issued in accordance with law and is a valid and binding special obligation of the Issuer.
- (2) The Bond is payable from proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the Issuer and by a pledge of and lien on the Net Revenues of the Issuer's System, as provided in the Resolution.

Therefore, the Bond is approved.




Attorney General of the State of Texas

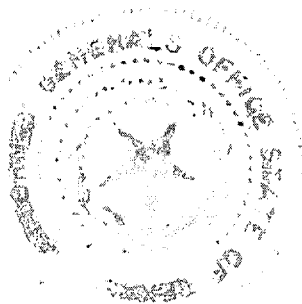
OFFICE OF THE ATTORNEY GENERAL
OF THE STATE OF TEXAS

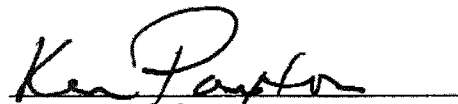
§
§
§

I, KEN PAXTON, Attorney General for the State of Texas, do hereby authorize the employees of the Public Finance Division of the Office of the Attorney General to affix a digital image of my signature, in my capacity as Attorney General, to the opinions issued by this office approving the issuance of public securities by the various public agencies, non-profit corporations, district, entities, bodies politic or corporate, or political subdivisions of this State as required by law, the opinions approving those contracts designated by the Legislature as requiring the approval of the Attorney General, and the obligations, proceedings and credit agreements required by law to be approved by the Attorney General. The authorized digital image of my signature is attached as Exhibit A and is hereby adopted as my own for the purposes set forth herein. This supersedes any prior signature authorizations for the same purpose.

The authority granted herein is to be exercised on those occasions when I am unavailable to personally sign said opinions, and upon the condition that the opinions to which the digital image signature is affixed have been approved by an authorized Assistant Attorney General following the completion of the Public Finance Division's review of the transcripts of proceedings to which the opinions relate.

Given under my hand and seal of office at Austin, Texas, this the 5th day of January, 2015.




KEN PAXTON
Attorney General of the State of Texas

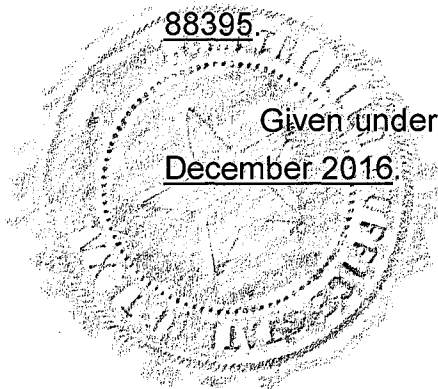
OFFICE OF COMPTROLLER
OF THE STATE OF TEXAS

I, GLENN HEGAR, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

Senna Hills Municipal Utility District Unlimited and Waterworks and Sewer System Revenue Bond, Series 2016

numbered T-1, of the denomination of \$ 1,105,000, dated December 1, 2016, as authorized by issuer, interest various percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 27th day of December 2016, under Registration Number 88395.

Given under my hand and seal of office, at Austin, Texas, the 27th day of December 2016.



A handwritten signature in black ink, appearing to read "Glenn Hegar", is written over the printed name and title.


GLENN HEGAR
Comptroller of Public Accounts
of the State of Texas

OFFICE OF COMPTROLLER
OF THE STATE OF TEXAS

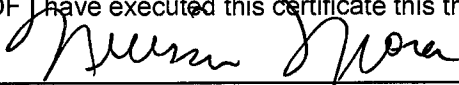
I, Melissa Mora, Bond Clerk Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 27th day of December 2016, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Senna Hills Municipal Utility District Unlimited and Waterworks and Sewer System Revenue Bond, Series 2016,

numbered T-1, dated December 1, 2016, and that in signing the certificate of registration I used the following signature:



IN WITNESS WHEREOF, I have executed this certificate this the 27th day of December 2016.



I, Glenn Hegar, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 88395.

GIVEN under my hand and seal of office at Austin, Texas, this the 27th day of December 2016.





GLENN HEGAR
Comptroller of Public Accounts
of the State of Texas

RatingsDirect®

Summary:

Senna Hills Municipal Utility District, Texas; General Obligation

Primary Credit Analyst:

Calix Sholander, Centennial (1) 303.721.4255; calix.sholander@spglobal.com

Secondary Contact:

Jennifer K Garza (Mann), Dallas (1) 214-871-1422; jennifer.garza@spglobal.com

Table Of Contents

Rationale

Outlook

Related Criteria Research

Summary:

Senna Hills Municipal Utility District, Texas; General Obligation

Credit Profile

US\$1.105 mil unlted tax and wtrwks and swr sys rev bnds ser 2016 dtd 12/01/2016 due 08/15/2036

<i>Long Term Rating</i>	A/Stable	New
Senna Hills Mun Util Dist GO		
<i>Long Term Rating</i>	A/Stable	Upgraded
Senna Hills Mun Util Dist GO (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

S&P Global Ratings raised its underlying and long-term ratings on Senna Hills Municipal Utility District (MUD), Texas' general obligation debt to 'A' from 'A-'. At the same time, S&P Global Ratings assigned its 'A' long-term rating to the district's series 2016 unlimited tax and waterworks and sewer system revenue bonds. The outlook on all ratings is stable.

The upgrade reflects our view of the district's continued property tax base growth, resulting in a declining debt-to-assessed value (AV) ratio, and the maintenance of its strong financial position.

An unlimited ad valorem tax levied on all taxable property in the MUD and net revenue from the MUD's water and sewer system secure the bonds. We understand the bond proceeds will fund improvements to the water system, wastewater system, and drainage and storm sewer system.

The rating reflects our view of the district's:

- Access to Austin, Texas' rapidly expanding economy, resulting in recent property tax base growth;
- Mature development, limiting any significant debt-supported capital needs; and
- Very low property tax rate that provides a high degree of revenue-raising flexibility.

Partly offsetting the above credit strengths, in our opinion, are the district's moderate overall net debt burden with an average amortization rate.

Senna Hills MUD is about 10 miles from downtown Austin in an affluent and desirable area near Lake Austin and Lake Travis. The 323-acre MUD is essentially built-out with roughly 97% of developable land containing utility infrastructure, and with only 11 undeveloped acres. MUD development currently consists of 413 developed lots that contain 401 completed homes. Assessed value (AV) grew 3.6% to \$288.6 million in fiscal 2017, and averaged 7.4% growth over the past five fiscal years. The tax base is very diverse, with the top 10 taxpayers accounting for 3.4% of fiscal 2017 AV. The district levies a direct property tax rate of 54 cents per \$100 of AV, which we consider very low. Of

that, 35 cents is for debt service and 19 cents is for maintenance purposes. Including all overlapping jurisdictions, district residents are subject to a total property tax rate of \$2.35 per \$100 of AV, which we consider very low.

The district's finances have been improving, with general fund surpluses in each of the past three audited fiscal years, including a \$500,809 surplus, or 41% of expenditures, in fiscal 2015. As a result of the operating surplus, the general fund balance increased to \$922,629, or 76% of expenditures, which we consider good. Additional liquidity is provided by the district's debt service fund, which totaled \$512,211 at the end of fiscal 2015, providing adequate coverage equal to 49.4% of maximum annual debt service, scheduled to occur in 2021. Unaudited results for fiscal 2016 show a \$390,000 general fund surplus, which would bring the fund balance to \$1.3 million, or 133% of expenditures, which we consider very strong. The district attributes the surplus in fiscal 2016 to conservative budgeting, as well as delaying about \$200,000 of capital expenditures until fiscal 2017. For fiscal 2017, the district expects the fund balance to decline to about \$1.1 million, as a result of pushing the aforementioned \$200,000 of capital expenditures to fiscal 2017.

Including all overlapping jurisdictions, overall net debt equals what we consider a moderate 5.5% of fiscal 2017 AV, down from about 7.0% in fiscal 2014. Management attributes most overlapping debt to Eanes Independent School District. We consider principal amortization average, with officials planning to retire 56% over the next 10 years and 100% by 2036. After this issuance, the district will not have any authorized but unissued unlimited tax bonds, and does not plan on issuing additional debt in the near future.

Outlook

The stable outlook reflects our view of the district's mature development status, which should limit future capital needs, as well as the MUD's tax rate flexibility and our expectation that the district's financial position will remain stable. As such, we do not expect to change the rating during the two-year outlook horizon.

Upside scenario

If the district's AV were to increase and the MUD's financial position continue to improve to levels commensurate with higher rated peers, we could consider raising the rating.

Downside scenario

If the district's tax base were to significantly decline, or the MUD's financial position were to significantly deteriorate, we could consider lowering the rating.

Related Criteria Research

Texas' Property Tax Infrastructure Districts: Ongoing Growth Contributes To Credit Stability Despite Concerns Over Low Oil Prices, July 14, 2015

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is

Summary: Senna Hills Municipal Utility District, Texas; General Obligation

available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2016 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.



MUNICIPAL BOND INSURANCE COMMITMENT

ISSUER: Senna Hills Municipal Utility District, Texas

MEMBER: Senna Hills Municipal Utility District, Texas

Effective Date: December 01, 2016

Expiration Date: January 29, 2017

BONDS: Unlimited Tax and Waterworks and Sewer System Revenue Bonds,
Series 2016
in aggregate principal amount not to exceed \$1,105,000

Insurance Payment: \$4,800.00

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") hereby commits, subject to the terms and conditions contained herein or added hereto, to issue its Municipal Bond Insurance Policy (the "Policy") relating to the Bonds referenced above (the "Bonds") issued by or on behalf of the Member. To keep this Commitment in effect after the Expiration Date set forth above, a written request for renewal must be submitted to BAM prior to such Expiration Date. BAM reserves the right to grant or deny a renewal in its sole discretion.

THE MUNICIPAL BOND INSURANCE POLICY SHALL BE ISSUED IF THE FOLLOWING CONDITIONS ARE SATISFIED:

1. The documents to be executed and delivered in connection with the issuance and sale of the Bonds (collectively, the "Security Documents"), shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.
2. No event shall occur which would permit any underwriter or purchaser of the Bonds, otherwise required, not to be required to underwrite or purchase the Bonds on the date scheduled for the issuance and delivery thereof (the "Closing Date").
3. As of the Closing Date, there shall have been no material adverse change in, as to or affecting (i) the Member or the Bonds, including, without limitation, the security for the Bonds or (ii) any disclosure document relating to the Bonds (including any financial statements and other information included or incorporated by reference therein) (the "Official Statement"), the Security Documents to be executed and delivered with respect to the Bonds, any project to be financed with the proceeds of the Bonds (if applicable), the legal opinions to be delivered in connection with the issuance and sale of the Bonds, or any other information submitted to BAM with respect to the issuance and sale of the Bonds, including the proposed debt service schedule of the Bonds, from information previously provided to BAM in writing.

4. The Bonds shall contain no reference to BAM, the Policy or the insurance evidenced thereby except as may be approved in writing by BAM. BOND PROOFS SHALL BE APPROVED IN WRITING BY BAM PRIOR TO PRINTING. The Bonds shall bear a Statement of Insurance in the form found on BAM's website (www.buildamerica.com) and in Exhibit A hereto entitled "DOCUMENT, PRINTING AND DISCLOSURE INFORMATION FOR PUBLIC FINANCE TRANSACTIONS".

5. The Official Statement shall contain the language provided by BAM and only such other references to BAM as BAM shall supply or approve in writing, and BAM shall be provided with final drafts of any preliminary and final Official Statement at least two business days prior to printing/electronic posting. BAM SHALL BE PROVIDED WITH AN ELECTRONIC COPY OF THE OFFICIAL STATEMENT SEVEN (7) DAYS PRIOR TO CLOSING, unless BAM shall agree in writing to a shorter period.

6. BAM shall be provided with:

(a) Copies of all Security Document drafts prepared subsequent to the date of this Commitment (blacklined to reflect all revisions from previously reviewed drafts) for review and approval. Final drafts of such documents shall be provided at least three (3) business days prior to the issuance of the Policy, unless BAM shall agree in writing to a shorter period. Copies of all drafts of the Security Documents shall be delivered to the BAM contacts specified in Exhibit 1.

(b) Copies of any consulting reports, feasibility studies, rate reports, engineer's reports or similar expert reports for review and approval, along with any revisions thereto (blacklined to reflect all revisions from previously reviewed drafts). Final drafts of such documents shall be provided at least three (3) business days prior to the issuance of the Policy, unless BAM shall agree in writing to a shorter period.

(c) The amortization schedule for, and final maturity date of, the Bonds, which schedule shall be acceptable to BAM. Please be aware that BAM will only insure fixed rate Bonds.

(d) A No-Litigation Certificate or a description of any material pending litigation relating to the Member or the Bonds and any opinions BAM shall request in connection therewith.

(e) A description of any material change in the Member's financial position from and after the date of the financial statements provided to BAM.

(f) Executed copies of all Security Documents, the Official Statement and the various legal opinions delivered in connection with the issuance and sale of the Bonds (which shall be dated the Closing Date and which, except for the opinions of counsel relating to the adequacy of disclosure, shall be addressed to BAM or accompanied by a letter of such counsel permitting BAM to rely on such opinion as if such opinion were addressed to BAM), including, without

limitation, the unqualified approving opinion of bond counsel, in form and substance satisfactory to BAM. The foregoing shall be in form and substance acceptable to BAM. (For your information, the form of legal opinion, primary market disclosure certificate and officer's certificate to be delivered by BAM at Closing is attached hereto as Exhibit B.)

(g) Evidence of wire transfer in federal funds of an amount equal to the Insurance Payment, unless alternative arrangements for the payment of such amount acceptable to BAM have been made prior to the Closing Date.

7. Bonds must have an underlying, long-term rating of at least:

A	Standard and Poor's
NR	Moody's Investors Service
NR	Fitch Ratings

8. Promptly, but in no event more than thirty (30) days after the Closing Date, BAM shall receive two (2) CD-ROMs, which contain the final closing transcript of proceedings or if CD-ROMs are not available, such other electronic form as BAM shall accept.

9. To maintain this commitment until the Expiration Date set forth above, BAM must receive a copy of the signature page of this Commitment fully executed by an authorized officer of the undersigned by the earlier of the date on which the Official Statement containing disclosure language regarding BAM is circulated and ten (10) days after the date of this Commitment.

10. Standard & Poor's Ratings Services will separately present a bill for its fees relating to the Bonds. There is no incremental Standard & Poor's fee for the BAM-Insured rating. Payment of such bill by the Member should be made directly to such rating agency. Payment of the rating fee is not a condition to the release of the Policy by BAM.

REPRESENTATION AND AGREEMENT BY BAM

(a) BAM is a mutual insurance corporation organized under the laws of, and domiciled in, the State of New York.

(b) BAM covenants that it will only insure obligations of states, political subdivisions, an integral part of states or political subdivisions or entities otherwise eligible for the exclusion of income under Section 115 of the Internal Revenue Code of 1986, as amended, or any successor thereto.

(c) BAM covenants that it will not seek to convert to a stock insurance corporation.

(d) The issuance of the Policy qualifies the Member as a member of BAM until the Bonds are no longer outstanding. As a member of BAM, the Member is entitled to certain rights and privileges as provided in BAM's charter and by-laws and as may otherwise be provided

under New York law, including the right to receive dividends if and when declared by BAM's Board of Directors. No dividends have been paid to date, and BAM has no current expectation that any dividends will be paid.

- (e) The Policy is non-assessable and creates no contingent mutual liability.
- (f) Refundings.

If (1) the Security Documents relating to the Bonds permit a legal defeasance (such that the bonds are no longer treated as outstanding under the Security Documents), (2) refunding bonds ("Refunding Bonds") will be issued for the purpose of legally defeasing such then outstanding BAM-insured Bonds (in this context, the "Refunded Bonds") and (3) upon their issuance (A) such Refunding Bonds have a final maturity date that is not later than the final Maturity Date of the Refunded Bonds, (B) the average annual debt service on the Refunding Bonds does not exceed the average annual debt service on the Refunded Bonds, and (C) the net proceeds of such Refunding Bonds are applied solely towards the legal defeasance of the Refunded Bonds and related costs of issuance, then, if BAM is requested to, and in its sole discretion determines to, offer a municipal bond insurance policy covering the Refunding Bonds (the "Refunding Policy") BAM will credit the then available Member Surplus Contribution for the Refunded Bonds against the insurance payment then charged with respect to the Refunding Bonds. If the Security Documents are silent on the matter of a legal defeasance, BAM may, in its sole and absolute discretion, accept such certificates, opinions and reports from or on behalf of the Member in connection with the issuance of such Refunding Bonds in order to establish to its satisfaction that the Refunding Bonds will be issued to retire the outstanding Refunded Bonds and that the Refunding Bonds comply with the criteria set forth in clause (3) of the preceding sentence for the purpose of determining whether a supplemental Member Surplus Contribution is or is not required to be made at that time.

(g) BAM covenants that it will provide notice to the Member (as soon as reasonably possible) of a change in the rating of BAM's financial strength by Standard & Poor's Rating Services.

**BUILD AMERICA MUTUAL
ASSURANCE COMPANY**



Authorized Officer

December 01, 2016

Date

AGREED AND ACCEPTED

The undersigned agrees and accepts the conditions set forth above and further agrees that (i) if the Bonds (and any of the Bonds to be issued on the same date and for which BAM has issued a commitment) are insured by a policy of municipal bond insurance, such insurance shall be provided by BAM in accordance with the terms of this Commitment; (ii) it has made an independent investigation and decision as to whether to insure the payment when due of the principal of and interest on the Bonds and whether the Policy is appropriate or proper for it based upon its judgment and upon advice from such legal and financial advisers as it has deemed necessary; (iii) BAM has not made, and therefore it is not relying on, any recommendation from BAM that the Bonds be insured or that a Policy be obtained, it being understood and agreed that any communications from BAM (whether written or oral) referring to, containing information about or negotiating the terms and conditions of the Policy, and any related insurance document or the documentation governing the Bonds, do not constitute a recommendation to insure the Bonds or obtain the Policy; (iv) the undersigned acknowledges that BAM has not made any representation, warranty or undertaking, and has not given any assurance or guaranty, in each case, expressed or implied, as to its future financial strength or the rating of BAM's financial strength by the rating agency; (v) the undersigned acknowledges that a credit or claims-paying rating of BAM assigned by a Rating Agency reflects only the views of, and an explanation of the significance of any such rating may be obtained only from, the assigning Rating Agency, any such rating may change or be suspended, placed under review or withdrawn by such Rating Agency if circumstances so warrant, and BAM compensates a Rating Agency to maintain a credit or claims-paying ability rating thereon, but such payment is not in exchange for any specific rating or for a rating within any particular range; (vi) the undersigned acknowledges that BAM may in its sole and absolute discretion at any time request that a Rating Agency withdraw any rating maintained in respect of BAM; and (vii) BAM has made no representation that any dividend will be declared or paid while the Bonds are outstanding, the undersigned has no reason for expecting that any dividend will be declared or paid and the potential receipt of any dividend was not a reason for acquiring the Policy. Notwithstanding anything to the contrary set forth herein, upon issuance of the Policy, the provisions set forth under subparagraphs (ii) through (vii) above and the representations and agreements of BAM shall survive the expiration or termination of this Commitment.

Issuer: Senna Hills Municipal Utility District, Texas
Bonds: Unlimited Tax and Waterworks and Sewer System
Revenue Bonds, Series 2016
Insurance Payment: \$4,800.00

NORTHLAND SECURITIES, INC.

By: _____
Authorized Officer

Date

EXHIBIT A

**DOCUMENT, PRINTING AND DISCLOSURE
INFORMATION FOR
PUBLIC FINANCE TRANSACTIONS**



BUILD AMERICA MUTUAL ASSURANCE COMPANY

DOCUMENT, PRINTING AND DISCLOSURE

INFORMATION FOR

PUBLIC FINANCE TRANSACTIONS

This information is intended for use by bond counsel, the underwriters, financial advisors, printers and preparers of municipal bond offerings that will be insured in whole or in part by Build America Mutual Assurance Company ("BAM").

Prior to any reference to BAM in your marketing efforts, including, but not limited to any preliminary or final Official Statement and any rating agency presentation, in respect of a BAM-insured issue, BAM must receive an executed copy of its Commitment Letter. Blacklined copies of each draft of each transaction document, preliminary and final official statements with Appendices, and bond form(s) should be delivered to BAM for review and comment with reasonable opportunity to submit any comments prior to printing or execution, but in any event not less than three business days prior to execution. Such documents shall be delivered to the BAM attorney working on the transaction. If you are uncertain of the proper person to whom to deliver the documents, please email the documents to: documents@buildamerica.com. Please identify the issuer, obligor and issue name in the subject line of the email.

BAM will deliver to Bond Counsel, at the pre-closing for any such municipal bond offering (such offering to the extent insured by BAM, the "Insured Obligations"), assuming the requirements of the Commitment Letter have been met,

- an opinion of counsel as to the validity of the policy,
- a disclosure, no default and tax certificate of BAM, the executed policy and
- other certificates, if any, required in the transaction.

Prior to closing, BAM will obtain the rating letter from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, relating to any Insured Obligations. Note that any questions with regards to rating agency fees should be directed to the rating agency.

INDEX

EXHIBIT NO.

DIRECTORY

Legal Department Directory 1

OFFICIAL STATEMENT

BAM Disclosure Information
(for inclusion in the Official Statement)..... 2

Specimen:

Municipal Bond Insurance Policy 3

BOND FORM

Statement of Insurance (Language for Bond Form) 4

WIRE INSTRUCTIONS

Procedures For Premium Payment
(including wire-transfer instructions) 5

BAM DIRECTORY

<u>Name</u>	<u>Title</u>	<u>Telephone</u>	<u>Email</u>
<i><u>BAM ATTORNEYS</u></i>			
Jill Greiss	Counsel	212-235-2515	jgreiss@buildamerica.com
<i><u>CLOSING COORDINATORS</u></i>			
Claudette Littlejohn		212-235-2572	clittlejohn@buildamerica.com
<i><u>BAM ANALYST</u></i>			
Jill Schmidt		(212) 235-2525	jschmidt@buildamerica.com

**BUILD AMERICA MUTUAL ASSURANCE COMPANY
("BAM")
DISCLOSURE INFORMATION
(FOR INCLUSION IN THE OFFICIAL STATEMENT)**

The following are BAM's requirements for printing the preliminary and final official statements:

1. Both the preliminary and final official statements must contain the information set forth in these Exhibits and BAM must be provided with final drafts for its approval and sign off thereon at least two business days prior to the printing thereof;
2. Any changes made to the BAM Disclosure Information for inclusion in the preliminary and final official statements must first be approved by BAM, and
3. BAM must receive an electronic copy of the final official statement seven (7) days prior to closing, unless BAM shall have agreed to some shorter period.

TO BE PRINTED ON THE COVER OF THE OFFICIAL STATEMENT:

The following language should be used when insuring:

1. THE ENTIRE ISSUE:

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

2. CAPITAL APPRECIATION BONDS:

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

3. PARTIAL MATURITIES (LESS THAN ENTIRE ISSUE):

The scheduled payment of principal of and interest on the Bonds maturing on _____ of the years ___ through _____, inclusive, with CUSIP #'(s) _____ (collectively, the "Insured Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.

4. CERTIFICATES OR NOTES:

Change all references from the Bonds to Certificates or Notes wherever necessary, but **DO NOT** change the reference to the policy from Municipal Bond Insurance Policy.

**PRINTER'S NOTE: USE BUILD AMERICA MUTUAL ASSURANCE COMPANY
LOGO AND INK #PMS BLUE 2736; REDS 199, 201 AND 1817.**

THE LOGO MAY BE OBTAINED FROM BAM'S WEBSITE
WWW.BUILDAMERICA.COM

TO BE PRINTED IN THE BODY OF THE OFFICIAL STATEMENT OR AS AN EXHIBIT

USE THE FOLLOWING LANGUAGE WHEN INSURING THE ENTIRE ISSUE:

NOTE: The language under the subheading "Bond Insurance Policy" should be modified when insuring Capital Appreciation Bonds, Partial Maturities (less than the entire issue), Certificates and/or Notes.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.9 million, \$61.0 million and \$432.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

The Bond Insurance language for the Official Statement under the subheading “Bond Insurance Policy” should be replaced with the following language when insuring:

1. CAPITAL APPRECIATION BONDS:

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

2. PARTIAL MATURITIES (LESS THAN THE ENTIRE ISSUE):

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds maturing on _____ of the years _____ through _____, inclusive, with CUSIP #'s ____ (collectively, the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

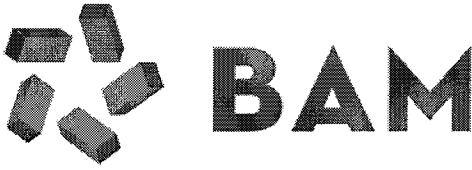
3. CERTIFICATES OR NOTES:

Change all references from the Bonds to Certificates or Notes wherever necessary, but **DO NOT** change the reference to the policy from Municipal Bond Insurance Policy.

**TO BE PRINTED ON THE INSIDE COVER OF OFFICIAL STATEMENT
AS PART OF THE DISCLAIMER STATEMENT:**

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Exhibit __ - Specimen Municipal Bond Insurance Policy”.

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

STATEMENT OF INSURANCE
(Language for the Bond Form)
This form is not to be included in the Official Statement.

The Bonds shall bear a Statement of Insurance in the following form.

The following language should be used when insuring

1. THE ENTIRE ISSUE:

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to **{insert name of paying agent or trustee}, {city or county}, {state}**, or its successor, [as paying agent for the Bonds (the "Paying Agent")] [as trustee for the Bonds (the "Trustee")]. Said Policy is on file and available for inspection at the principal office of the [Paying Agent] [Trustee] and a copy thereof may be obtained from BAM or the [Paying Agent][Trustee]. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.

2. CAPITAL APPRECIATION BONDS:

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") in respect of the scheduled payments due of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on this Bond to **{insert name of paying agent or trustee}, {city or county}, {state}**, or its successor, as [paying agent for the Bonds (the "Paying Agent")] as trustee for the Bonds (the "Trustee"). Said Policy is on file and available for inspection at the principal office of the [Paying Agent][Trustee] and a copy thereof may be obtained from BAM or the [Paying Agent][Trustee]. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.

3. PARTIAL MATURITIES (LESS THAN ENTIRE ISSUE):

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on the Bonds maturing on _____ of the years _____ through _____, inclusive (the "Insured Bonds"), to **{insert name of paying agent or trustee}, {city or county}, {state}**, or its successor, [as paying agent for the Insured Bonds (the "Paying Agent")][as trustee for the Insured Bonds (the "Trustee")]. Said Policy is on file and available for inspection at the principal office of the [Paying Agent][Trustee] and a copy thereof may be obtained from BAM or the [Paying Agent][Trustee]. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Insured Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.

4. CERTIFICATES OR NOTES:

Change all references from the Bonds to Certificates or Notes wherever necessary, but **DO NOT** change the reference to the policy from Municipal Bond Insurance Policy.

**PROCEDURES FOR PREMIUM PAYMENT
TO BAM**

This form is not to be included in the Official Statement.

BAM's issuance of its municipal bond insurance policy at bond closing is contingent upon payment and receipt of the premium. NO POLICY MAY BE RELEASED UNTIL PAYMENT OF SUCH AMOUNT HAS BEEN CONFIRMED. Set forth below are the procedures to be followed for confirming the amount of the premium to be paid and for paying such amount:

Upon determination of the final debt service schedule, email or fax such schedule to the appropriate BAM Underwriter

Jill Schmidt

Phone No.: (212) 235-2525

Email: jschmidt@buildamerica.com

Confirm with the individual in our underwriting department that you are in agreement with respect to par and premium on the transaction prior to the closing date.

Payment Date: Date of Delivery of the Insured Bonds.

Method of Payment: Wire transfer of Federal Funds.

Wire Transfer Instructions:

Bank: First Republic Bank
ABA#: 321081669
Acct. Name: Build America Mutual Assurance Company
Account No.: 80001613703
Policy No.: [To Be Assigned] – (Include in OBI Field)

CONFIRMATION OF PREMIUM

BAM will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated to the Closing Coordinator on the closing date:

Miranda Ganzer	(212) 235-2535
Patrice James	(212) 235-2559
Claudette Littlejohn	(212) 235-2572
Nolan Miller	(212) 235-2511

EXHIBIT B

BAM LEGAL OPINION AND CERTIFICATE

[CLOSING DATE]

[ADDRESSEES (ISSUER, UNDERWRITER AND TRUSTEE)]

Re: Municipal Bond Insurance Policy No. [POLICY NO.] With Respect to
\$_____ [Name of Issuer] (the "Issuer")
_____ Bonds, Series _____ (the "Bonds")

Ladies and Gentlemen:

I am Counsel of Build America Mutual Assurance Company, a New York mutual insurance company ("BAM"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by BAM of its above-referenced policy (the "Policy"). In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. BAM is a mutual insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein.
2. The Policy has been duly authorized, executed and delivered by BAM.
3. The Policy constitutes the valid and binding obligation of BAM, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of BAM and to the application of general principles of equity.
4. The issuance of the Policy qualifies [the Issuer] as a member of BAM until [the Bonds] are no longer outstanding. As a member of BAM, [the Issuer] is entitled to certain rights and privileges as provided in BAM's charter and by-laws and as may otherwise be provided under New York law. The Policy is non-assessable and creates no contingent mutual liability.

In addition, please be advised that I have reviewed the description of the Policy under the caption "BOND INSURANCE" in the official statement relating to the above-referenced Bonds dated [DATE] (the "Official Statement"). There has not come to my attention any information which would cause me to believe that the description of the Policy referred to above, as of the date of the Official Statement or

as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that I express no opinion with respect to any information contained in, or omitted from, "the Official Statement".

I am a member of the Bar of the State of New York, and do not express any opinion as to any law other than the laws of the State of New York.

This letter and the legal opinions herein are intended for the information solely of the addressees hereof and solely for the purposes of the transactions described in the Official Statement and are not to be relied upon by any other person or entity (including, without limitation, any person or entity that acquires bonds from an addressee of this letter.) I do not undertake to advise you of matters that may come to my attention subsequent to the date hereof that may affect the conclusions expressed herein.

Very truly yours,

**DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF
BUILD AMERICA MUTUAL ASSURANCE COMPANY**

The undersigned hereby certifies on behalf of BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), in connection with the issuance by BAM of its Policy No. [POLICY NO.] (the "Policy") in respect of the [\$AMOUNT] [NAME OF TRANSACTION] (the "Bonds") that:

(i) The information set forth under the caption "BOND INSURANCE-BUILD AMERICA MUTUAL ASSURANCE COMPANY" in the official statement dated [DATE], relating to the Bonds (the "Official Statement") is true and correct;

(ii) BAM is not currently in default nor has BAM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation;

(iii) The Policy is an unconditional and recourse obligation of BAM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds when due in the event of Nonpayment by the Issuer (as set forth in the Policy);

(iv) The insurance payment (inclusive of the sum of the Risk Premium and the Member Surplus Contribution) (the "Insurance Payment") is solely a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to BAM as a condition to the issuance of the Policy;

(v) BAM will, for federal income tax purposes, treat the Insurance Payment as solely in consideration for the insurance risk it assumes in the Policy and not as consideration for an investment in BAM or its assets;

(vi) No portion of such Insurance Payment represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by BAM to maintain its rating, which, together with all other overhead expenses of BAM, are taken into account in the formulation of its rate structure, or for the provision of additional services by BAM, or represents a direct or indirect payment for any goods or services provided to the Issuer (including the right to receive a dividend), or the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor);

(vii) BAM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Insurance Payment, BAM will not use any portion of the Bond proceeds;

(viii) Except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by BAM;

(ix) (a) BAM has not paid any dividends to date, (b) BAM's Board of Directors has resolved that BAM's priorities for surplus, as it accumulates, will be to preserve capital strength and claims paying resources for the benefit of its members and secondarily to

return value by reducing premiums charged for its insurance, and (c) BAM has no current expectation that any dividends will be paid;

(x) BAM does not expect that a claim or any other payment will be made on or with respect to the Policy or by BAM to the Issuer; and

(xi) Neither the Issuer nor any other Obligor is entitled to a refund of the Insurance Payment for the Policy in the event a Bond is retired before the final maturity date.

BAM makes no representation as to the nature of the interest to be paid on the Bonds or the treatment of the Policy under Section 1.148-4(f) of the Income Tax Regulations.

BUILD AMERICA MUTUAL
ASSURANCE COMPANY

Authorized Officer

Dated: [CLOSING DATE]

**Primary Market Disclosure Certificate
[Bond Description] (the “Insured Bonds”)**

For the benefit of _____ (the “Issuer”), and acknowledging that the Issuer will be relying on the contents hereof in addressing certain tax and disclosure items and for other matters, Build America Mutual Assurance Company (“Build America”) makes the following representations and warranties as of the date hereof:

1. Neither Build America nor any affiliate of Build America has purchased, or has committed to purchase, any of the Insured Bonds, whether at the initial offering or otherwise;
2. Neither Build America nor any affiliate of Build America has entered into any agreement or understanding regarding the purchase or sale of the Insured Bonds, except for the insurance policies that Build America has provided regarding payments due under the Insured Bonds and the documentation associated with said insurance policies.

For the purposes of this certificate, “affiliate of Build America” means a person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, Build America.

[dated as of the closing date]

Build America Mutual Assurance Company

By

Authorized Officer



CREDIT PROFILE

For Purchasers of BAM-Insured Bonds

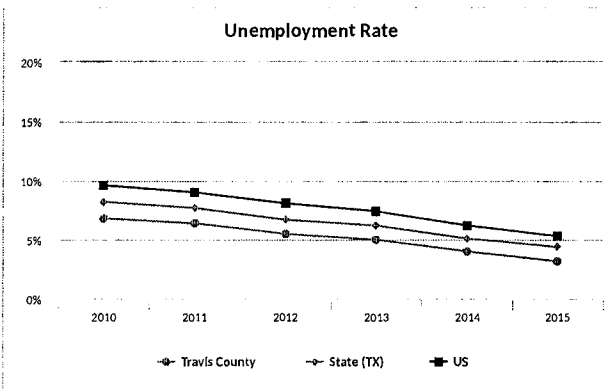
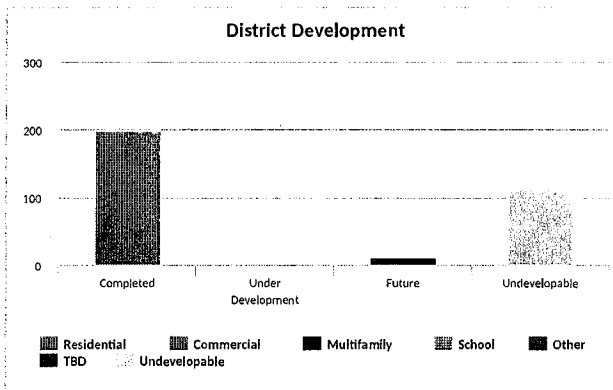
Senna Hills Municipal Utility District, TX, Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016

Most Recent Update 12/1/2016 **Bonds Dated Date** 12/1/2016

Use of Proceeds The Bonds are being issued to fund various capital improvements.

Bond Security The Bonds are direct obligations of the Issuer and are payable as to both principal and interest from an ad valorem tax annually levied, without legal limit as to rate or amount, on all taxable property within the Issuer. Investors should refer to the official statement for a full description of the security for the Bonds.

Bond Insurance Build America Mutual Assurance Company (BAM) has been selected to provide insurance for the Bonds if bond insurance is used. A BAM insurance policy guarantees the scheduled payment of principal and interest when due on obligations that BAM insures. As of the date of this BAM Credit Profile, no decision has been made as to which of the Bonds will be insured (and it is possible that none of the Bonds will carry insurance). Please consult the Official Statement for the Bonds, when it is available, for further information. This BAM Credit Profile is preliminary and subject to change, and will be updated and superseded by a final version if BAM issues an insurance policy for any of the Bonds.





Issuer: Senna Hills Municipal Utility District

State: TX **County:** Travis **Sector:** GO - Special District Utility

Employment by Industry - 2014*		
Travis County		
Description	# of People Employed	% Total
Gov't & Gov't Ent	127,072	13.9%
Professional & Technical Svcs	108,769	11.9%
Health Care & Social Assistance	76,376	8.3%
Accommodation & Food Svcs	73,705	8.0%
Retail Trade	73,674	8.0%

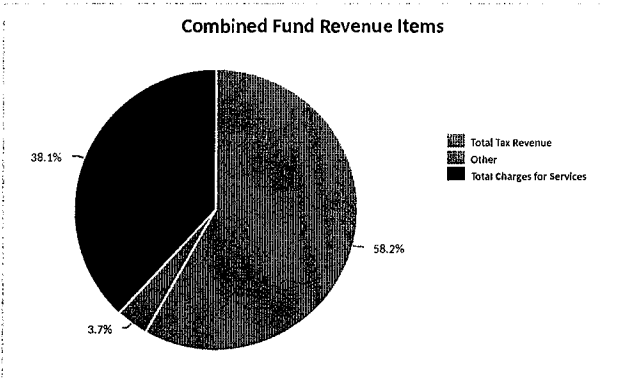
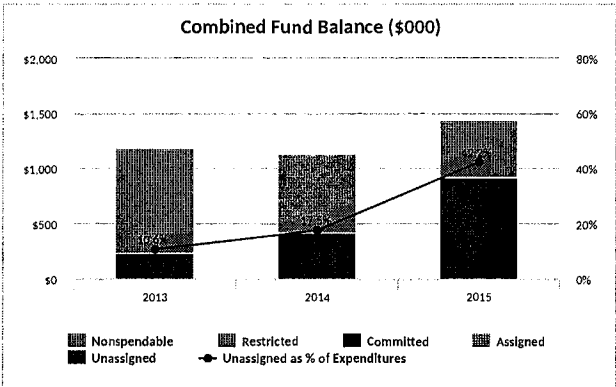
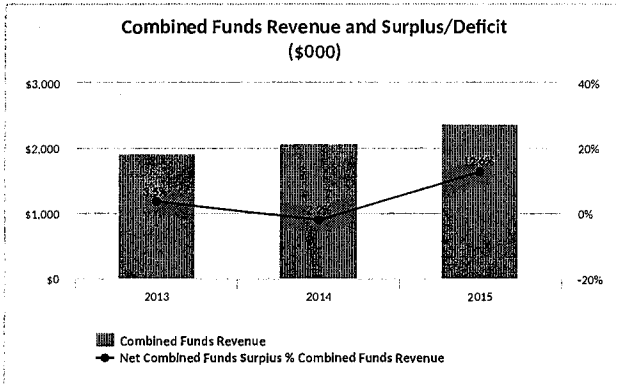
*Source: Bureau of Economic Analysis

Demographic & Economic Information*		
Senna Hills MUD	As % of State	As % of US
Unemployment Rate**	3.2%	72.7%
Median Household Income***	127,991	243.44%
Assessed Value of Property (\$000)	288,615	60.4%
Assessed Value of Property Per Acre (\$)	893,546	239.32%
Home Price Range (\$)	N/A	
Developed Residential Acreage	199	
Developed Commercial Acreage		
Total Acreage	323	
% Developed	94.76%	

*As of the date of the Most Recent Update

**Data for Travis County

***Data for Eanes Independent School District



Information from Official Statement/Continuing Disclosure*	
Top 10 Taxpayers (% of AV)	3.41%
Top Taxpayer (% of AV)	0.35%
Top Taxpayer (with industry)	Cook, Angus & Tina D. (Residence)
Total Direct Debt + Overlapping Debt (\$000)	15,893
Total Direct Debt + Overlapping Debt per capita (\$)	11,320
Total Direct Debt + Overlapping Debt as % of Assessed Value	5.5%

*As of the date of the Most Recent Update

**Estimated Population

Location Description: The District is located 13 miles west of Austin.



Senna Hills Municipal Utility District

DEMOGRAPHIC INFORMATION					
Year	2015	2014	2013	2012	2011
Unemployment Rate (Travis County)	3.2%	4.0%	5.0%	5.5%	6.4%
% State	72.73%	78.43%	80.65%	82.09%	83.12%
% Nation	60.38%	64.52%	67.57%	67.90%	71.11%

TAX BASE					
Year	2017	2016	2015	2014	2013
Assessed Value (AV) (\$000)	288,615	278,704	254,964	232,901	217,459

DEBT & LIABILITY ANALYSIS (\$000)*	
Total Direct Debt	11,825
Total Direct Debt per Acre (\$)	36,610
Total Direct Debt / Assessed Value	4.1%

*As of the date of the Most Recent Update

INCOME DATA*		2014
Median Household Income		127,991
% State		243.4%
% Nation		239.3%
Poverty Rate		4.9%
% State		27.7%
% Nation		31.4%

*Data for Eanes independent School District

FINANCIAL DATA (\$000)				
General & Debt Service Fund				
Year				
Fiscal Year End	09/30/2015	09/30/2014	09/30/2013	
Auditor Opinion Date	02/05/2016	01/23/2015	01/22/2014	
Revenues				
Property Tax Revenue	1,383	1,272	1,193	
Sales Tax Revenue (through SPA)	-	-	-	
Total Tax Revenue	1,383	1,272	1,193	
Charges for Water Services	-	-	-	
Charges for Sewer Services	-	-	-	
Total Charges for Services	904	800	719	
Tapping Fees (Connection Charges)	-	-	-	
Other	88	5	6	
Total Combined Fund Revenue	2,376	2,076	1,918	
Expenditures				
Total Combined Fund Expenditure	2,186	2,411	2,202	
Net Combined Fund Surplus (Deficit)	300	(45)	67	
Combined Fund Balance (\$000)				
Nonspendable				
Restricted for	512	713	946	
Committed to				
Assigned				
Unassigned	923	422	234	
Total	1,435	1,135	1,180	
Liquidity				
Cash & Cash equivalents	959	465	289	
Days Cash on Hand	288	145	85	
Total Combined Fund Balance as a % of Combined Fund Expenditures	65.6%	47.1%	53.6%	

Notes

All Ratios are calculated using the most recent Financial and Demographic data available. Financial data is not adjusted for restatements in prior years.

LIMITATIONS ON USE

By using this BAM Credit Profile you agree to the Terms of Use set forth in BAM's website located at <https://buildamerica.com/terms-of-use/>. The information contained in this preliminary BAM Credit Profile has been obtained or derived from the issuer and various public sources, is for informational purposes only, may be subject to change, and is provided on an "as is" basis. BAM does not represent that such information is accurate, timely or complete and BAM disclaims any and all liability relating to the information contained herein, in the Official Statement, or in the issuer's continuing disclosure documents. In no event will BAM, its employees or officers be liable to any party for any damages, costs, expenses, legal fees or losses in connection with any use of or reliance on the information contained herein, in the Official Statement or in issuer's continuing disclosure documents, even if advised of the possibility of such damages. The information should not be relied upon and is not a substitute for the skill, judgment or experience of the investor, its management, employees, advisors and/or clients when making investment decisions. BAM does not act as a fiduciary or an advisor (investment, municipal or otherwise) and nothing herein shall be construed as a recommendation or advice given by BAM as to the sale or purchase of any securities. BAM Credit Profiles are produced for purchasers of bonds or other securities insured by BAM, and BAM members, rather than investors generally. The Official Statement will identify the bonds or other securities that are insured by BAM. A BAM Credit Profile is not intended to be an offer to sell or a solicitation of an offer to buy any securities and should not be used or considered as such under any circumstances. Any such offer or solicitation is made only by means of the issuer's Official Statement.

© 2016, Build America Mutual Assurance Company



December 22, 2016

Jerry Kyle
Andrews Kurth LLP
111 Congress Avenue, Ste. 1700
Austin, TX 78701

BONDS: \$1,105,000 in aggregate principal amount of
Senna Hills Municipal Utility District, Texas
Unlimited Tax and Waterworks and Sewer System Revenue Bonds,
Series 2016

Dear Jerry,

I am forwarding to you, to be held in escrow, our Municipal Bond Insurance Policy (the "Policy") and closing documentation, including our Opinion and Closing Certificates in connection with the above referenced Bonds.

In addition, I have included a rating letter from Standard & Poor's.

Before any document held in escrow can be released by you (upon our oral instruction), we must receive the following:

1. A copy of each executed approving opinion delivered by bond counsel and by other counsel, if appropriate, either addressed to BAM or together with a reliance letter addressed to BAM, as described in our Municipal Bond Insurance Commitment (the "Bond Commitment").
2. Evidence of wire transfer in federal funds in an amount equal to the Insurance Payment, as described in our Bond Commitment. Evidence of wire transfer shall be email or oral confirmation of the federal reserve wire reference number.

Please PDF Item 1 to my attention and contact me with respect to any other issues (instructions for wiring of funds are attached for your convenience.)

Please be reminded that, as provided in our Bond Commitment, all documentation with respect to the Bonds is subject to our review and approval.

As required by the Bond Commitment, please deliver by PDF or CD a complete transcript of the closing documents within 30 days of the closing date.

Please contact me if you have any questions. We look forward to a smooth closing process. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Claudette Littlejohn". The signature is fluid and cursive, with the first name "Claudette" written in a larger, more prominent script than the last name "Littlejohn".

Claudette Littlejohn
clittlejohn@buildamerica.com
212-235-2572

S&P Global Ratings

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 823758

December 2, 2016

Build America Mutual Assurance Company
1 World Financial Center- 27th FL.
200 Liberty Street
New York, NY 10281
Attention: Ms. Laura Levenstein, Chief Risk Officer

Re: \$1,105,000 Senna Hills Municipal Utility District, Texas, Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016, dated: December 1, 2016, due: August 15, 2018-2026, 2028, 2030, 2033, 2036, (POLICY #2016B0890)

Dear Ms. Levenstein:

S&P Global Ratings has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating from "A" to "AA" on the above obligations. The rating on the above obligations is based on the policy provided by your company.

We may adjust the underlying rating and the capital charge as a result of changes in the financial position of the issuer or performance of the collateral, or of amendments to the documents governing the issue, as applicable. With respect to the latter, please notify us of any changes or amendments over the term of the debt.

The credit ratings and other views of S&P Global Ratings are statements of opinion and not statements of fact. Credit ratings and other views of S&P Global Ratings are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While S&P Global Ratings bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, S&P Global Ratings does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and S&P Global Ratings' opinions should not be relied upon in making any investment decision. S&P Global Ratings does not act as a "fiduciary" or an investment advisor. S&P Global Ratings neither recommends nor will recommend how an issuer can or should achieve a particular credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice.

S&P Global Ratings is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing S&P Global Ratings.

Sincerely yours,

S&P Global Ratings

a division of Standard & Poor's Financial Services LLC

sp

S&P Global Ratings

S&P Global Ratings Terms and Conditions Applicable To Public Finance Credit Ratings

General. The credit ratings and other views of S&P Global Ratings are statements of opinion and not statements of fact. Credit ratings and other views of S&P Global Ratings are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While S&P Global Ratings bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, S&P Global Ratings does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and S&P Global Ratings' opinions should not be relied upon in making any investment decision. S&P Global Ratings does not act as a "fiduciary" or an investment advisor. S&P Global Ratings neither recommends nor will recommend how an issuer can or should achieve a particular credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice. Unless otherwise indicated, the term "issuer" means both the issuer and the obligor if the obligor is not the issuer.

All Credit Rating Actions in S&P Global Ratings' Sole Discretion. S&P Global Ratings may assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an Outlook, at any time, in S&P Global Ratings' sole discretion. S&P Global Ratings may take any of the foregoing actions notwithstanding any request for a confidential or private credit rating or a withdrawal of a credit rating, or termination of a credit rating engagement. S&P Global Ratings will not convert a public credit rating to a confidential or private credit rating, or a private credit rating to a confidential credit rating.

Publication. S&P Global Ratings reserves the right to use, publish, disseminate, or license others to use, publish or disseminate a credit rating and any related analytical reports, including the rationale for the credit rating, unless the issuer specifically requests in connection with the initial credit rating that the credit rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private credit rating or the existence of a confidential or private credit rating subsequently becomes public through disclosure other than by an act of S&P Global Ratings or its affiliates, S&P Global Ratings reserves the right to treat the credit rating as a public credit rating, including, without limitation, publishing the credit rating and any related analytical reports. Any analytical reports published by S&P Global Ratings are not issued by or on behalf of the issuer or at the issuer's request. S&P Global Ratings reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public credit ratings that have been withdrawn, regardless of the reason for such withdrawal. S&P Global Ratings may publish explanations of S&P Global Ratings' credit ratings criteria from time to time and S&P Global Ratings may modify or refine its credit ratings criteria at any time as S&P Global Ratings deems appropriate.

Reliance on Information. S&P Global Ratings relies on issuers and their agents and advisors for the accuracy and completeness of the information submitted in connection with credit ratings and the surveillance of credit ratings including, without limitation, information on material changes to information previously provided by issuers, their agents or advisors. Credit ratings, and the maintenance of credit ratings, may be affected by S&P Global Ratings' opinion of the information received from issuers, their agents or advisors.

Confidential Information. S&P Global Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received from issuers, their agents or advisors. For these purposes, "Confidential Information" shall mean verbal or written information that the issuer or its agents or advisors have provided to S&P Global Ratings and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential."

S&P Global Ratings Not an Expert, Underwriter or Seller under Securities Laws. S&P Global Ratings has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. S&P Global Ratings has not performed and will not perform the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with a credit rating engagement.

Disclaimer of Liability. S&P Global Ratings does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit rating or the results obtained from the use of such information. S&P GLOBAL RATINGS GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. S&P Global Ratings, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to any person for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to a credit rating or the related analytic services even if advised of the possibility of such damages or other amounts.

No Third Party Beneficiaries. Nothing in any credit rating engagement, or a credit rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of a credit rating. No person is intended as a third party beneficiary of any credit rating engagement or of a credit rating when issued.



MUNICIPAL BOND INSURANCE POLICY

ISSUER: Senna Hills Municipal Utility District, Texas

Policy No: 2016B0890

MEMBER: Senna Hills Municipal Utility District, Texas

Effective Date: December 29, 2016

BONDS: \$1,105,000 in aggregate principal amount of
Unlimited Tax and Waterworks and Sewer System Revenue
Bonds, Series 2016

Risk Premium:	\$2,210.00
Member Surplus Contribution:	\$2,590.00
Total Insurance Payment:	\$4,800.00

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date

of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

IN WITNESS WHEREOF, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY



By: _____
Authorized Officer

Schedule A

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

PROCEDURES FOR PAYMENT TO BAM

BAM's issuance of its municipal bond insurance policy at bond closing is contingent upon payment and receipt of the insurance fees. **NO POLICY MAY BE RELEASED UNTIL PAYMENT OF SUCH AMOUNT HAS BEEN CONFIRMED.** Set forth below are the procedures to be followed for confirming the amount of the insurance fees to be paid and for paying such amount:

Upon determination of the final debt service schedule, email or fax such schedule to the appropriate BAM Underwriter

Name: Jill Schmidt

Email: jschmidt@buildamerica.com

Confirm with the individual in our underwriting department that you are in agreement with respect to par and insurance fees on the transaction prior to the closing date.

Payment Date: Date of Delivery of the Insured Bonds.

Method of Payment: Wire transfer of Federal Funds.

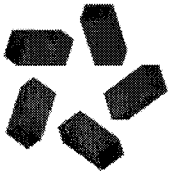
Wire Transfer Instructions:

Bank: First Republic Bank
ABA#: 321081669
Acct. Name: Build America Mutual Assurance Company
Account No.: 80001613703
Policy No.: 2016B0890 (Include in OBI Field)

CONFIRMATION OF PAYMENT

BAM will accept as confirmation of the payment a wire transfer number and the name of the sending bank, to be communicated to the Closing Coordinator on the closing date:

Claudette Littlejohn 212-235-2572



BAM

December 29, 2016

Senna Hills Municipal Utility District
10409 Peonia Court
Austin, TX 78733

Northland Securities, Inc.
2675 North Mayfair Road, 550
Milwaukee, WI 53226

Bank of Texas, N.A.
100 Congress, Suite 250
Austin, TX 78701

RE: Policy: 2016B0890
Member: Senna Hills Municipal Utility District, Texas
Bonds: Unlimited Tax and Waterworks and Sewer System Revenue
Bonds, Series 2016

Date of the Official Statement: December 01, 2016

Ladies and Gentlemen:

I am Counsel of Build America Mutual Assurance Company, a New York mutual insurance company ("BAM"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by BAM of its above-referenced policy (the "Policy"). In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. BAM is a mutual insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein and in the State of Texas.
2. The Policy has been duly authorized, executed and delivered by BAM.
3. The Policy constitutes the valid and binding obligation of BAM, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of BAM and to the application of general principles of equity.

4. The issuance of the Policy qualifies the Member as a member of BAM until the Bonds are no longer outstanding. As a member of BAM, the Member is entitled to certain rights and privileges as provided in BAM's charter and by-laws and as may otherwise be provided under New York law. The Policy is non-assessable and creates no contingent mutual liability.

In addition, please be advised that I have reviewed the description of the Policy under the caption "BOND INSURANCE" in the official statement related to the above-referenced Bonds (the "Official Statement"). There has not come to my attention any information which would cause me to believe that the description of the Policy, as of the date of the Official Statement or as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that except as described above, I express no opinion with respect to any information contained in, or omitted from, the Official Statement.

I am a member of the Bar of the State of New York, and do not express any opinion as to any law other than the laws of the State of New York.

This letter and the legal opinions herein are intended for the information solely of the addressees hereof and solely for the purposes of the transactions described in the Official Statement and are not to be relied upon by any other person or entity (including, without limitation, any person or entity that acquires bonds from an addressee of this letter.) I do not undertake to advise you of matters that may come to my attention subsequent to the date hereof that may affect the conclusions expressed herein.

Very truly yours,

A handwritten signature in black ink, appearing to be 'APM', written in a cursive style.



Primary Market Disclosure Certificate

Senna Hills Municipal Utility District, Texas
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016
(the "Insured Bonds")

For the benefit of Senna Hills Municipal Utility District, Texas (the "Issuer"), and acknowledging that the Issuer will be relying on the contents hereof in addressing certain tax and disclosure items and for other matters, Build America Mutual Assurance Company ("Build America") makes the following representations and warranties as of the date hereof:

1. Neither Build America nor any affiliate of Build America has purchased, or has committed to purchase, any of the Insured Bonds, whether at the initial offering or otherwise;
2. Neither Build America nor any affiliate of Build America has entered into any agreement or understanding regarding the purchase or sale of the Insured Bonds, except for the insurance policies that Build America has provided regarding payments due under the Insured Bonds and the documentation associated with said insurance policies.

For the purposes of this certificate, "affiliate of Build America" means a person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, Build America.

December 29, 2016

Build America Mutual Assurance Company

A handwritten signature in black ink, appearing to read "APM", is written over a horizontal line.

By: _____

Authorized Officer



**DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF
BUILD AMERICA MUTUAL ASSURANCE COMPANY**

BAM Policy No.: 2016B0890

BONDS: \$1,105,000 in aggregate principal amount of
Senna Hills Municipal Utility District, Texas
Unlimited Tax and Waterworks and Sewer System Revenue Bonds,
Series 2016

Date of the Official Statement: December 01, 2016

The undersigned hereby certifies on behalf of BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), in connection with the issuance by BAM of its Policy referenced above (the "Policy") in respect of the Bonds referenced above (the "Bonds") that:

(i) The information set forth under the caption "BOND INSURANCE-BUILD AMERICA MUTUAL ASSURANCE COMPANY" in the official statement referenced above, relating to the Bonds (the "Official Statement") is true and correct;

(ii) BAM is not currently in default nor has BAM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation;

(iii) The Policy is an unconditional and recourse obligation of BAM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds when due in the event of Nonpayment by the Issuer (as set forth in the Policy);

(iv) The insurance payment (inclusive of the sum of the Risk Premium and the Member Surplus Contribution) (the "Insurance Payment") is solely a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to BAM as a condition to the issuance of the Policy;

(v) BAM will, for federal income tax purposes, treat the Insurance Payment as solely in consideration for the insurance risk it assumes in the Policy and not as consideration for an investment in BAM or its assets;

(vi) No portion of such Insurance Payment represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by BAM to maintain its rating, which, together with all other overhead expenses of BAM, are taken into account in the formulation of its rate structure, or for the provision of additional services by BAM, or represents a direct or indirect payment for any goods or services provided to the Issuer (including the right to receive a dividend), or the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor);

(vii) BAM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Insurance Payment, BAM will not use any portion of the Bond proceeds;

(viii) Except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by BAM;

(ix) (a) BAM has not paid any dividends to date, (b) BAM's Board of Directors has resolved that BAM's priorities for surplus, as it accumulates, will be to preserve capital strength and claims paying resources for the benefit of its members and secondarily to return value by reducing premiums charged for its insurance, and (c) BAM has no current expectation that any dividends will be paid;

(x) BAM does not expect that a claim or any other payment will be made on or with respect to the Policy or by BAM to the Issuer; and

(xi) Neither the Issuer nor any other Obligor is entitled to a refund of the Insurance Payment for the Policy in the event a Bond is retired before the final maturity date.

BAM makes no representation as to the nature of the interest to be paid on the Bonds or the treatment of the Policy under Section 1.148-4(f) of the Income Tax Regulations.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

A handwritten signature in black ink, appearing to be 'APM', written over a horizontal line.

By: _____
Authorized Officer

Dated: December 29, 2016

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

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

**OFFICE USE ONLY
CERTIFICATION OF FILING**

Certificate Number:
2016-143334

Date Filed:
12/06/2016

Date Acknowledged:
12/06/2016

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.
BOKF, NA (Bank of Texas)
Austin, TX United States

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

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.
2016 UTB PAR
Series 2016 Bonds

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary
	BOKF, NA	Austin, TX United States		X
	Gaytan, Jose	Austin, TX United States		X
	Hansen, Anne-Marie	Austin, TX United States		X

5 Check only if there is NO Interested Party.

6 AFFIDAVIT

I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.

Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said _____, this the _____ day of _____, 20_____, to certify which, witness my hand and seal of office.

Signature of officer administering oath Printed name of officer administering oath Title of officer administering oath

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

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

OFFICE USE ONLY CERTIFICATION OF FILING

Certificate Number:
 2016-143334

Date Filed:
 12/06/2016

Date Acknowledged:

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

BOKF, NA (Bank of Texas)
 Austin, TX United States

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

Senna Hills Municipal Utility District

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

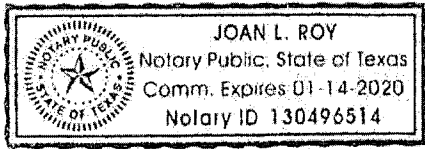
2016 UTB PAR
 Series 2016 Bonds

4	Name of Interested Party	City, State, Country (place of business)	Nature of Interest (check applicable)	
			Controlling	Intermediary
	BOKF, NA	Austin, TX United States		X
	Gaytan, Jose	Austin, TX United States		X
	Hansen, Anne-Marie	Austin, TX United States		X

5 Check only if there is NO Interested Party.

6 AFFIDAVIT

I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.



Anne-Marie Hansen
 Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said Anne-Marie Hansen, this the 6th day of December 2016, to certify which, witness my hand and seal of office.

Joan L. Roy
 Signature of officer administering oath

Joan L. Roy
 Printed name of officer administering oath

Notary Public
 Title of officer administering oath

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

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

OFFICE USE ONLY CERTIFICATION OF FILING

Certificate Number:
2016-141801

Date Filed:
12/01/2016

Date Acknowledged:
12/06/2016

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

Northland Securities, Inc
Minneapolis, MN United States

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

Senna Hills Mud, TX

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

2016 Senna Hills Mud
underwriting

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary
	Northland Capital Holdings	Minneapolis, MN United States	X	

5 Check only if there is NO Interested Party.

6 AFFIDAVIT

I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.

Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said _____, this the _____ day of _____, 20_____, to certify which, witness my hand and seal of office.

Signature of officer administering oath

Printed name of officer administering oath

Title of officer administering oath

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

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

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.
Northland Securities, Inc
Minneapolis, MN United States

Certificate Number:
2016-141801

Date Filed:
12/01/2016

Date Acknowledged:

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

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.
2016 Senna Hills Mud
underwriting

4 Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
		Controlling	Intermediary
Northland Capital Holdings	Minneapolis, MN United States	X	

5 Check only if there is NO Interested Party.

6 AFFIDAVIT I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.



Michael Anderson
Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said _____, this the 1st day of December, 2016, to certify which, witness my hand and seal of office.

Kristine M Gates
Signature of officer administering oath

Kristine M Gates
Printed name of officer administering oath

Notary
Title of officer/administering oath

SAMCO CAPITAL MARKETS, INC.

CLOSING MEMORANDUM

\$1,105,000

**Senna Hills Municipal Utility District
Unlimited Tax and Waterworks and Sewer System
Revenue Bonds, Series 2016**

CLOSING

Payment for and delivery of the captioned obligations (the "Obligations") is scheduled to occur on **Thursday, December 29, 2016** (the "Closing Date"), by telephone, at 10:00 A.M. at the offices of Andrews Kurth Kenyon LLP, Austin, Texas. The Obligations were awarded to Northland Securities (the "Purchaser") pursuant to a competitive sale conducted on Thursday, December 1, 2016.

PARTICIPANTS

Chet Palesko	Issuer	512-402-9943	chetp@savansys.com
Doug Whitt	Financial Advisor	214-765-1469	dwhitt@samcocapital.com
Brian Grubbs	Financial Advisor	214-765-1470	bgrubbs@samcocapital.com
Jerry Kyle	Bond Counsel	512-320-9271	jerrykyle@andrewskurth.com
Greg Shields	Bond Counsel	512-320-9251	gregshields@andrewskurth.com
Bill Flickinger	General Counsel	512-476-6604	bflickinger@wfaustin.com
Jeniffer Concienne	General Counsel	512-476-6604	jconcienne@wfaustin.com
Jose Gaytan	Paying Agent	512-813-2002	jgaytan@bankoftexas.com
Jill Schmidt	Bond Insurance	212-235-2525	jschmidt@buildamerica.com

RECEIPT OF FUNDS

On the Closing Date, BOKF, NA shall receive the following transfer:

1. The Purchaser will wire transfer the following amount to BOKF, NA, Austin, TX (ABA #103900036, Acct. #600024642, Account Name: Wealth Management Account, Re: Senna Hills MUD U/L Tax and WW and SS Revenue Bonds, Series 2016, Attn: Jose Gaytan 512-813-2002).

Par Amount of the Bonds:	\$1,105,000.00
Less: Original Issue Discount on the Bonds	(2,780.55)
Plus: Accrued Interest	2,988.13
Less: Purchaser's Discount	(30,360.00)
Total	<u>\$1,074,847.58</u>

DISBURSEMENT OF FUNDS

Upon receipt of such funds, the following disbursements are to be made by the Paying Agent:

1. Retain the amount of **\$500.00** (first year Paying Agent fee);
2. Wire the amount of **\$2,988.13** (Accrued Interest) to JP Morgan Chase (ABA #113000609, Account # 08805173794, FFC: LOGIC Investment Cooperative, OBI: Senna Hills MUD, 2722338020, Debt Service Account);
3. Wire the amount of **\$968,780.95** (Construction Fund) to JP Morgan Chase (ABA #113000609, Account # 08805173794, FFC: LOGIC Investment Cooperative, OBI: Senna Hills MUD, 2722338070, SR2016 Capital Projects);
4. Wire the amount of **\$35,000.00** (Bond Application Fee Reimbursement) to JP Morgan Chase, (ABA #113000609, Account # 08805173794, FFC: LOGIC Investment Cooperative, OBI: Senna Hills MUD, 2722338010, Operating Account);
5. Wire the amount of **\$31,205.00** (\$22,100.00 Bond Counsel Fees, \$8,000.00 Disclosure Counsel Fees and \$1,105.00 Attorney General Fee) to JP Morgan Chase, 712 Main Street, Houston, TX 77002 (ABA # 021000021, Acct # 00100184952, Swift Code: CHASU33, Invoice # 10732854);
6. Wire the amount of **\$9,500.00** (Standard & Poor's Rating Fee) to Bank of America (S&P Global Ratings ABA# 0260-0959-3, Account # 12334-02500, Invoice # 11319694);
7. Wire the amount of **\$1,053.15** (Printing Fee) to Wells Fargo (ABA# 121000248, Account # 2000720676602 – Attn: Clements Printing Co LLC – 817-545-5100, Invoice # 4182);
8. Wire the amount of **\$2,763.00** (TCEQ Bond Issuance Fee) to Texas Commission on Environmental Quality, Bank of America, N.A., Austin, Texas (Acct Name: Comptroller of Public Accounts, ABA # 026009593, Acct # 6040070607, Attn: Kathaleen Ford-Smith 512-397-2026, Acct Type: Checking, Reference: Senna Hills MUD, Series 2016);
9. Wire the amount of **\$23,057.35** (\$22,100.00 Financial Advisory Fee and \$957.35 Newspaper Publishing Expense) to Wells Fargo Bank, N.A., 420 Montgomery, San Francisco, CA 94104 (Account Name: SAMCO Capital Markets, Inc., Account #2000019286402, ABA #121000248, Issuer Name: Senna Hills MUD Unlimited Tax and WW and SS Revenue Bonds Series 2016 (767), F/C: Dallas Public Finance, Attn: Georgia A. Bosworth (512) 344-7463).

INSURANCE PREMIUM

On the Closing Date, **by 9:00 a.m. Eastern Standard Time**, Northland Securities will wire the insurance premium of **\$4,800.00** to First Republic Bank (ABA#: 321081669, Account Name: Build America Mutual Assurance Company, Account #: 80001613703, Policy No.: 2016B0890). Northland Securities will then provide Bond Counsel with the Fed Reference Number for the wire.

GOOD FAITH CHECK

Upon closing, the good faith check will be sent to Northland Securities, Attn: Dustin Siehr, 45 S 7th Street, Suite 2000, Minneapolis, Minnesota 55402.

**ANDREWS
KURTH**

600 Travis, Suite 4200
Houston, Texas 77002
+1.713.220.4200 Phone
+1.713.220.4285 Fax
andrewskurth.com

Gregg H. Jones
+1.713.220.4479 Phone
gjones@andrewskurth.com

Certified Article Number

9414 7266 9904 2049 2912 60

SENDERS RECORD

January 11, 2017

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Internal Revenue Service
Ogden, Utah 84201-0020

Re: Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer
System Revenue Bonds, Series 2016

Ladies and Gentlemen:

Enclosed for filing is an original of Form 8038-G with respect to the referenced bonds.

Very truly yours,


Gregg H. Jones

GHJ:klc

Enclosure

ANDREWS KURTH KENYON LLP

Austin Beijing Dallas Dubai Houston London New York Research Triangle Park Silicon Valley The Woodlands Washington, DC
HOU:3752231.1

Form **8038-G**

(Rev. September 2011)

Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name Senna Hills Municipal Utility District		2 Issuer's employer identification number (EIN) 74-2722338	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a	
4 Number and street (or P.O. box if mail is not delivered to street address) 10409 Peonia Court	Room/suite	5 Report number (For IRS Use Only) 3	
6 City, town, or post office, state, and ZIP code Austin, Texas 78733		7 Date of issue 12/29/2016	
8 Name of issue Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2016		9 CUSIP number 817227 GL9	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Chet Palesko, Board President		10b Telephone number of officer or other employee shown on 10a (512) 402-9943	

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.			
11 Education		11	
12 Health and hospital		12	
13 Transportation		13	
14 Public safety		14	
15 Environment (including sewage bonds)		15	
16 Housing		16	
17 Utilities		17	1,102,219 45
18 Other. Describe ►		18	
19 If obligations are TANs or RANs, check only box 19a	<input type="checkbox"/>		
If obligations are BANs, check only box 19b	<input type="checkbox"/>		
20 If obligations are in the form of a lease or installment sale, check box	<input type="checkbox"/>		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	08/15/2036	\$ 1,102,219.45	\$ 1,105,000.00	11.5623 years	3.6940 %

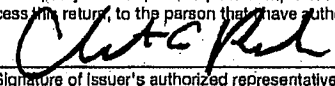
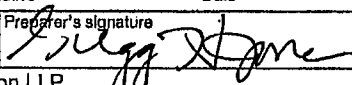
Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)					
22	Proceeds used for accrued interest			22	2,988 13
23	Issue price of entire issue (enter amount from line 21, column (b))			23	1,102,219 45
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	120,875 00		
25	Proceeds used for credit enhancement	25	4,800 00		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0 00		
27	Proceeds used to currently refund prior issues	27	0 00		
28	Proceeds used to advance refund prior issues	28	0 00		
29	Total (add lines 24 through 28)	29	125,675 00		
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	976,544 45		

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.	
31	Enter the remaining weighted average maturity of the bonds to be currently refunded years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)
34	Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 63773S Form **8038-G** (Rev. 9-2011)

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35		0 00
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a		0 00
b	Enter the final maturity date of the GIC ▶ _____			
c	Enter the name of the GIC provider ▶ _____			
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37		0 00
38a	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information:			
b	Enter the date of the master pool obligation ▶ _____			
c	Enter the EIN of the issuer of the master pool obligation ▶ _____			
d	Enter the name of the issuer of the master pool obligation ▶ _____			
39	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box			<input checked="" type="checkbox"/>
40	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box			<input type="checkbox"/>
41a	If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:			
b	Name of hedge provider ▶ _____			
c	Type of hedge ▶ _____			
d	Term of hedge ▶ _____			
42	If the issuer has superintegrated the hedge, check box			<input type="checkbox"/>
43	If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box			<input checked="" type="checkbox"/>
44	If the issuer has established written procedures to monitor the requirements of section 148, check box			<input checked="" type="checkbox"/>
45a	If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement ▶ _____			
b	Enter the date the official intent was adopted ▶ _____			

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
		12/29/2016	Chet Palesko, Board President		
	Signature of issuer's authorized representative	Date	Type or print name and title		
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Gregg H. Jones		12/29/2016		P00969069
	Firm's name ▶ Andrews Kurth Kenyon LLP	Firm's EIN ▶ 74-1027138			
	Firm's address ▶ 600 Travis Street, Suite 4200, Houston, TX 77002	Phone no. 713-220-4479			

UNITED STATES OF AMERICA
STATE OF TEXAS

SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS,
SERIES 2016

NO. R-1

PRINCIPAL
AMOUNT
\$45,000

<u>INTEREST RATE</u>	<u>DATED DATE</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
3.000%	December 1, 2016	August 15, 2018	817227FS5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FORTY-FIVE THOUSAND AND NO./100 DOLLARS

ON THE MATURITY DATE specified above, SENNA HILLS MUNICIPAL UTILITY DISTRICT (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assign (hereinafter called the "registered owner") the principal amount set forth above, and to pay interest thereon calculated on the basis of a 360-day year of twelve 30-day months, from the date of initial delivery, payable on February 15, 2017 and semi-annually on each August 15 and February 15 thereafter to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the next Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date, provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then its Bond shall bear interest from the date to which such interest has been paid in full. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the District and the securities depository.

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

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

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

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

water quality facilities and (b) certain costs associated with the issuance of the Bonds. The Bonds are issued under the authority of the constitution and laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; the bond election and an order issued by the Texas Commission on Environmental Quality.

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

THE BONDS MATURING ON AUGUST 15 in the years 2028, 2030, 2033 and 2036 (the "Term Bonds") are subject to mandatory sinking fund redemption by lot prior to maturity in the following amounts on the following dates and at a price of par plus accrued interest to the redemption date on the respective dates and in principal amounts as follows:

Term Bond Maturing on August 15, 2028

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2027	\$55,000
August 15, 2028*	60,000

*Stated Maturity

Term Bond Maturing on August 15, 2030

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2029	\$60,000
August 15, 2030*	65,000

*Stated Maturity

Term Bond Maturing on August 15, 2033

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2031	\$65,000
August 15, 2032	65,000
August 15, 2033*	70,000

*Stated Maturity

Term Bond Maturing on August 15, 2036

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2034	\$70,000
August 15, 2035	75,000
August 15, 2036*	80,000

*Stated Maturity

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

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

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

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

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

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

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

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

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

THE BONDS are payable (until all the territory within the District is annexed, all properties and assets of the District are taken over, and all debts, liabilities and obligations of the District, including the Bonds, are assumed by one or more cities and the District is abolished pursuant to existing Texas law) from the proceeds of an ad valorem tax levied without legal limitation as to rate or amount, levied upon all taxable property within the District and by a pledge of and lien on the Net Revenues of the District's System (as such terms are defined in the Resolution). Reference is hereby made to the Resolution for a complete description of the terms, covenants and provisions pursuant to which the Bond are secured and made payable, the respective rights thereunder of the registered owners of the Bonds and of the District and the Paying Agent/Registrar; and the terms upon which the Bonds are, and are to be, registered and delivered.

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

THE DISTRICT EXPRESSLY RESERVES THE RIGHT to issue additional bonds payable from taxes and also secured by a pledge of and lien on the Net Revenues to be derived from the operation of the District's System. Said additional tax and revenue bonds may be in all respects on a parity and of equal dignity with the Bonds.

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

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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular and due time, form, and manner, as required by law; that

provision has been made for the payment of the principal of and interest on the Bonds by the levy of a continuing, direct annual ad valorem tax upon all taxable property within the District; and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In the event that any provisions herein contained do or would, presently or prospectively, operate to make any part hereof void or voidable, such provisions shall be without effect or prejudice to the remaining provisions hereof, which shall nevertheless remain operative, and such violative provisions, if any, shall be reformed by a court of competent jurisdiction within the limits of the laws of the State of Texas.

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

SENNA HILLS MUNICIPAL UTILITY
DISTRICT

Lisa S. McKee
Secretary,
Board of Directors

Chet A. Palml
President,
Board of Directors

[DISTRICT SEAL]



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

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

BOKF, NA
Paying Agent/Registrar

Dated:

By: _____
Authorized Representative

SPECIMEN

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed by an eligible guaranty institution participating in securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Bond in every particular, without alteration of enlargements or any change whatsoever.

SPECIMEN

STATEMENT OF INSURANCE

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to BOKF, NA, Austin, Texas or its successor as paying agent for the Bonds (the "Paying Agent") Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from BAM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.

SPECIMEN