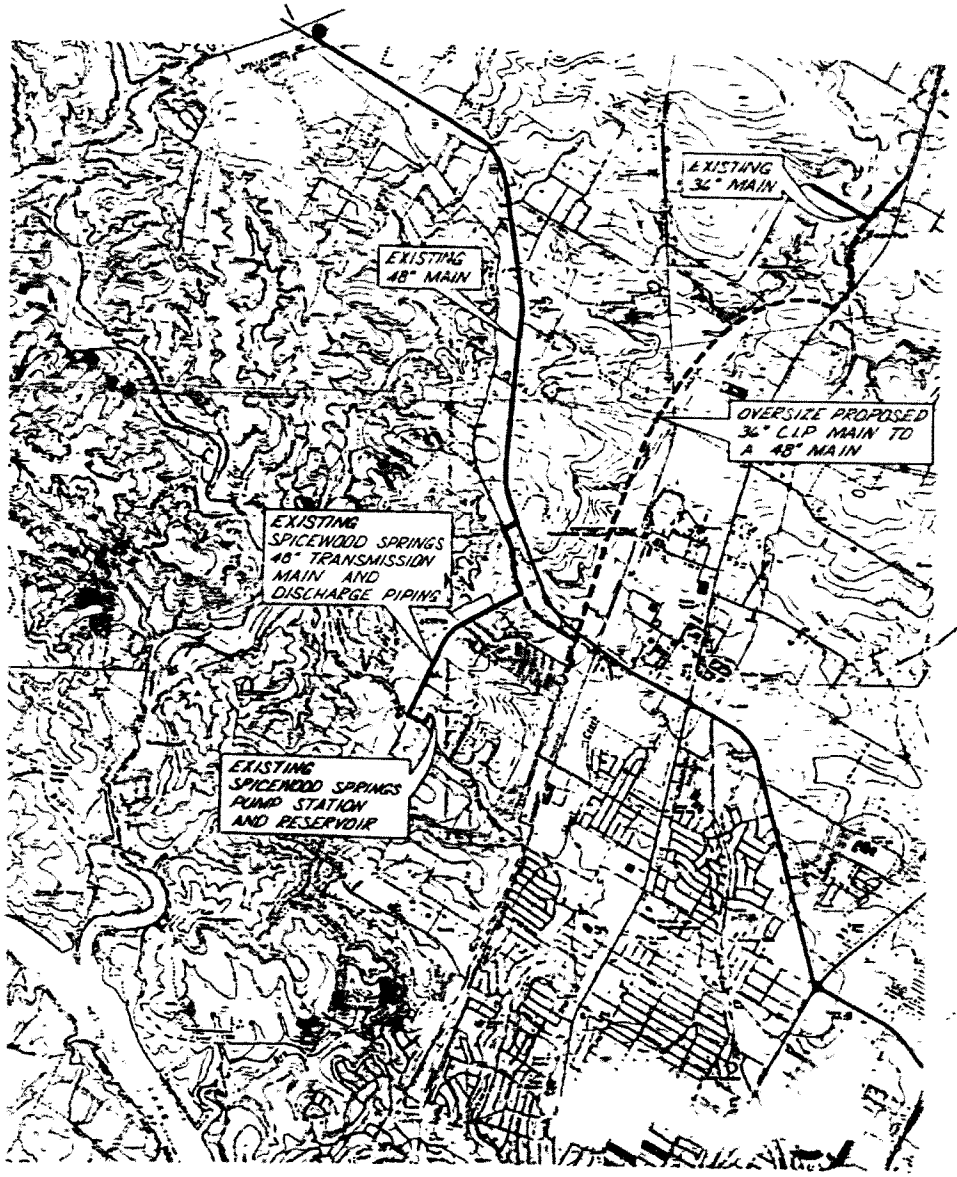
NORTH AUSTIN M.U.D. NO. ONE



SCALE 1" = 1000'

PREPARED BY
CARLSON & DIPPE
CONSULTING ENGINEERS AND P

EXHIBIT A

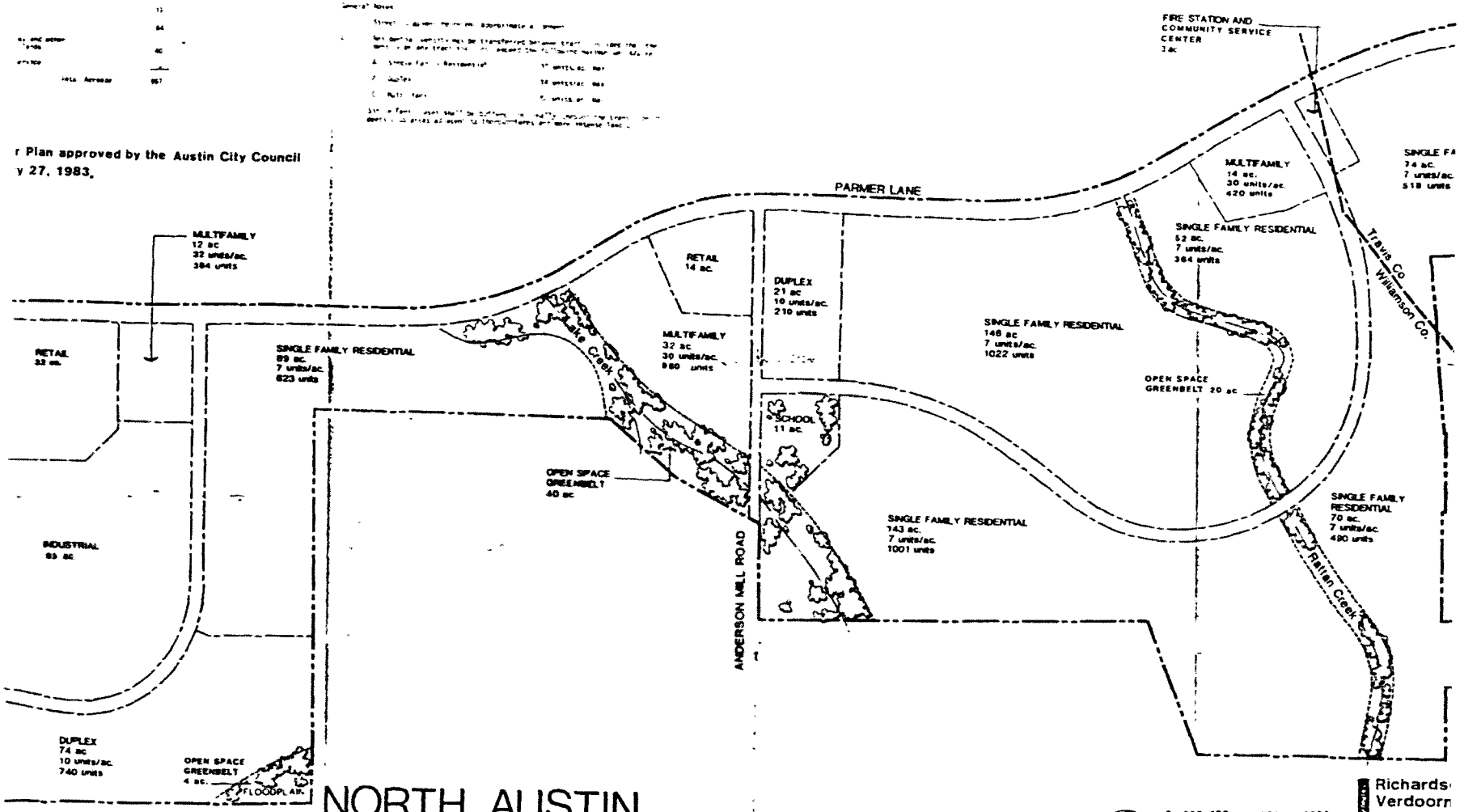
NORTH AUSTIN M.U.D. NO. ONE

EXHIBIT A

D USE BREAKOUT

NOTES:

r Plan approved by the Austin City Council
y 27, 1983.

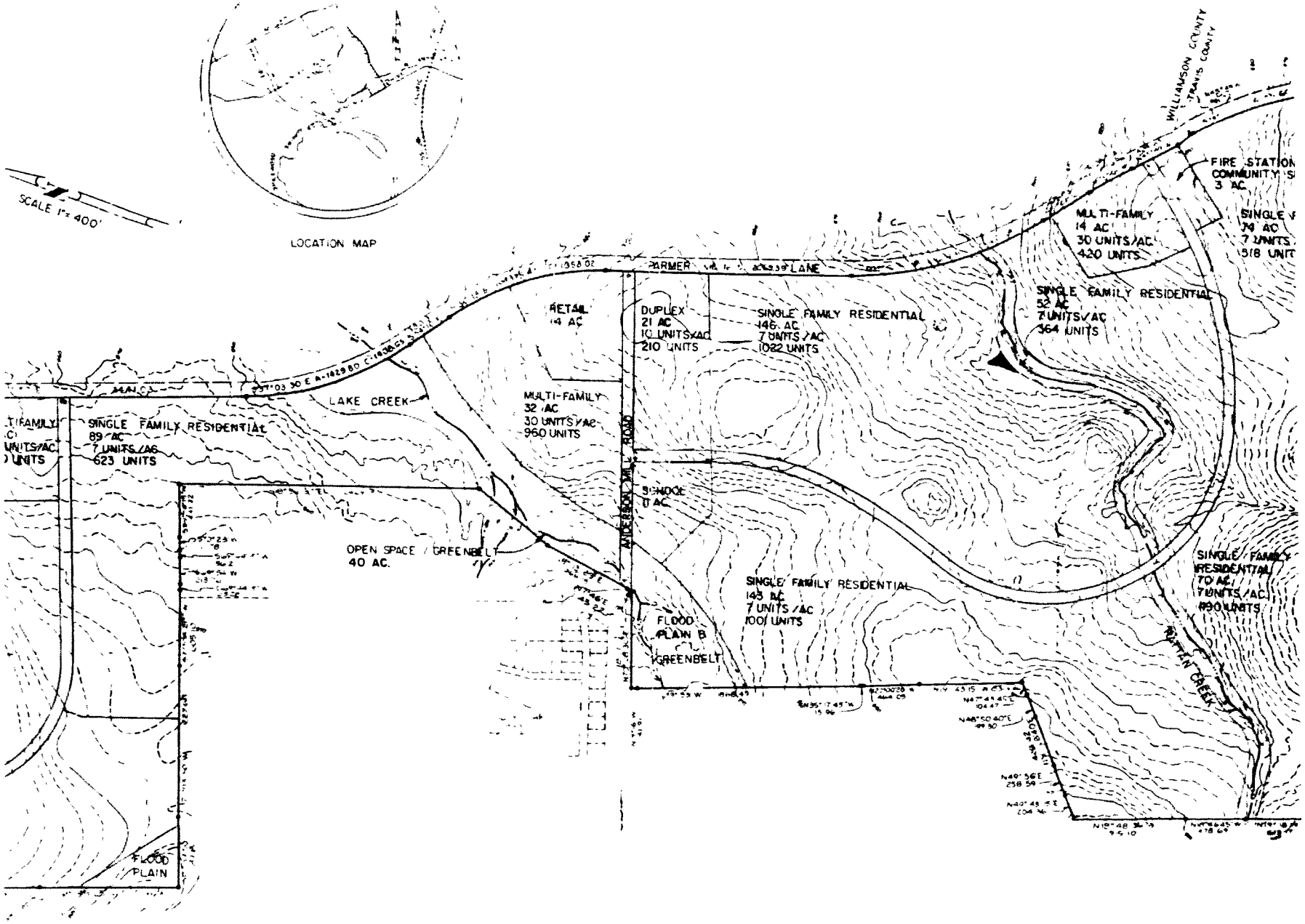


NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

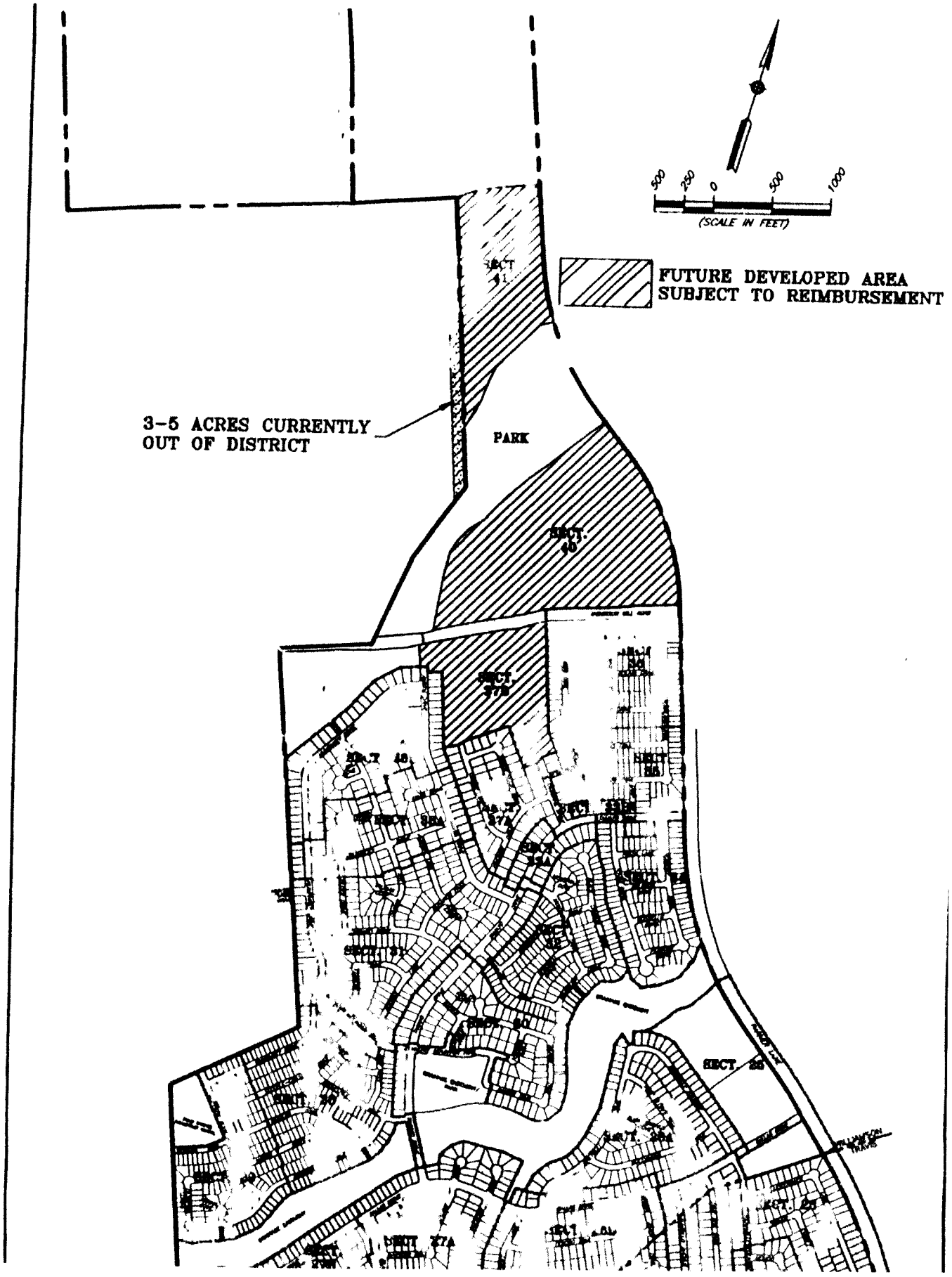
0 200 400 800 1200ft

Richards
Verdoorn
Partners

P-NA00750
201


SCALE 1" = 400'
LOCATION MAP
WILLIAMSON COUNTY
TRAVIS COUNTY
FIRE STATION
COMMUNITY S
3 AC
MULTI-FAMILY
14 AC
30 UNITS/AC
420 UNITS
SINGLE F
74 AC
7 UNITS
518 UNIT
FARMER LANE
SINGLE FAMILY RESIDENTIAL
52 AC
7 UNITS/AC
364 UNITS
RETAIL
14 AC
DUPLEX
21 AC
10 UNITS/AC
210 UNITS
SINGLE FAMILY RESIDENTIAL
146 AC
7 UNITS/AC
1022 UNITS
LAKE CREEK
MULTI-FAMILY
32 AC
30 UNITS/AC
960 UNITS
SINGLE FAMILY RESIDENTIAL
89 AC
7 UNITS/AC
623 UNITS
SCHOOL
11 AC
OPEN SPACE / GREENBELT
40 AC.
SINGLE FAMILY RESIDENTIAL
143 AC
7 UNITS/AC
1001 UNITS
FLOOD PLAIN B
GREENBELT
SINGLE FAMILY RESIDENTIAL
70 AC
7 UNITS/AC
490 UNITS
RUTTAN CREEK
FLOOD PLAIN

CARLSON &


500 250 0 500 1000
(SCALE IN FEET)
FUTURE DEVELOPED AREA
SUBJECT TO REIMBURSEMENT
3-5 ACRES CURRENTLY
OUT OF DISTRICT
PARK
SECT. 40
SECT. 37B
SECT. 25

RESPONSE TO REQUEST NO. 16, 18, 23

Official Statement Dated August 25, 1993

ew Issue

Rating: Moody's "Baa"

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations.

$3,350,000
NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas located within Travis and Williamson Counties)

UNLIMITED TAX AND REVENUE BONDS, SERIES 1993

The bonds described above (the "Bonds") are obligations solely of North Austin Municipal Utility District No. 1 (the "District") and are not obligations of the State of Texas, Travis County, Williamson County, the City of Austin or any entity other than the District.

Dated: September 1, 1993 **Due: August 1, as shown below**

The Bonds will be issued as fully registered Bonds in the denomination of $5,000 or any integral multiple thereof for any maturity. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months Interest on the Bonds will accrue from September 1, 1993 and will be payable February 1, 1994 and each August 1 and February 1 thereafter ("Interest Payment Date") until the earlier of redemption or maturity. Interest on the Bonds is payable by check mailed on or before each Interest Payment Date to the registered owners thereof at their respective addresses as they appear on the books of Ameritrust Texas, National Association ("Paying Agent/Registrar") at the close of business on the 15th day of the month next preceding each such date (the "Record Date"). The principal of all Bonds shall be payable upon presentation of said Bonds at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas.

MATURITY SCHEDULE

Principal Amount	Due August 1	Interest Rate	Initial Reoffering Yield (a)	Principal Amount	Due August 1	Interest Rate	Initial Reoffering Yield (a)
$110,000	1994	7.400	3.10	$175,000	2004(b)	5.100	5.25
100,000	1995	7.400	3.50	190,000	2005(b)	5.300	5.40
105,000	1996	7.400	3.90	200,000	2006(b)	5.400	5.50
115,000	1997	7.400	4.15	215,000	2007(b)	5.375	5.55
120,000	1998	7.400	4.30	225,000	2008(b)	5.000	5.60
130,000	1999	7 400	4.60	240,000	2009(b)	5.000	5.65
135,000	2000	7.400	4.80	260,000	2010(b)	5 000	5.70
145,000	2001	4.900	4.90	275,000	2011(b)	5.000	5 70
155,000	2002	5 000	5.00	290,000	2012(b)	5.000	5.70
165,000	2003	5 000	5.10				

(a) Initial Reoffering Yield represents the initial offering yield to the public, which has been established by the Underwriter, (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The Initial Reoffering Yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from September 1, 1993 is to be added to the price.

(b) Bonds maturing on or after August 1, 2004, are subject to redemption prior to maturity at the option of the District, in whole or, from time-to-time, in part, on August 1, 2003, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District, and further payable from, and secured by, a pledge of and lien on certain net revenues, if any, of the System (herein defined). Neither the State of Texas, Travis County or Williamson County, Texas, the City of Austin, Texas nor any political subdivision or municipality, other than the District, shall be obligated to pay the principal of or interest on the Bonds Neither the faith and credit nor the taxing power of the State of Texas, Travis County or Williamson County, Texas, the City of Austin, Texas or any other political subdivision or municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption of the Bonds.

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject to the approval of the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds is anticipated to be on or about September 21, 1993.

DEAN WITTER REYNOLDS INC.
PRUDENTIAL SECURITIES INCORPORATED
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
GABRIELE, HUEGLIN & CASHMAN

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Robert Davis & Co., the District's financial advisor (the "Financial Advisor"), 4406 Airport Blvd., Austin, Texas 78722, for further information.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by Dean Witter Reynolds Inc. (the "Underwriter"), to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" on the cover page hereof, at a price of 98% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 5.449267%, as calculated pursuant to Article 717k-2, Vernon's Annotated Texas Civil Statutes, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter 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 Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter 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 Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification 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.

Municipal Bond Rating

The Bonds have been rated "Baa" by Moody's Investors Service. An explanation of the significance of such rating may be obtained from Moody's Investors Service. Such rating reflects only the view of Moody's Investors Service, and the District makes no representation as to the appropriateness of such rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's Investors Service, if in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in the Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and the documents summarized or described therein.

THE DISTRICT

Description	The District is a political subdivision of the State of Texas created by order of the Texas Water Commission ("TWC") on November 5, 1983 and operates pursuant to Chapter 54 of the Texas Water Code, as amended. The creation of the District was confirmed at an election held on June 4, 1984. The District consists of approximately 997.7 acres of land. See "THE DISTRICT."
Location	The District is located in Williamson and Travis Counties, approximately 11 miles north of the central business district of the City of Austin, and three miles east of the intersection of U.S. Hwy. 183 and RR 620. Except for 11.61 acres which lie within the boundaries of the City of Austin, the District lies wholly within the exclusive extraterritorial jurisdiction of the City of Austin and within the boundaries of the Round Rock Independent School District. See "THE DISTRICT--Description and Location" and "AERIAL LOCATION MAP."
Status of Development	Milwood Joint Venture II ("Milwood JV" or "Developer") is a joint venture consisting of Milburn Investments, Inc. ("Milburn") and Palmar Associates, Ltd. ("Palmar"). Milwood JV has option agreements with the owners of all undeveloped property in the District (excluding property owned by State Farm as discussed herein) to purchase property and develop it into lots which it then sells to Milburn Investments, Inc. for home construction. Through July 16, 1993 Milwood JV has developed 381 acres in the District containing 1768 single family lots. Development within the District also is being undertaken by Milburn pursuant to certain agreements with Milwood JV. The District currently includes 1623 completed homes, 25 homes under construction, 120 vacant lots and a 467,000 square foot office complex under construction. State Farm Mutual Automobile Insurance Company ("State Farm") currently owns approximately 266 acres in the District and is developing approximately 71 acres to be the site of a regional headquarters facility. The first phase of development, including approximately 467,000 square feet of office space, is underway. See "STATUS OF DEVELOPMENT."
General Counsel	Strasburger & Price, L.L.P., Austin, Texas. See "MANAGEMENT OF THE DISTRICT--District Consultants."
Financial Advisor	Robert Davis & Co., Austin, Texas. See "MANAGEMENT OF THE DISTRICT--District Consultants."
Consulting Engineers	Murfee Engineering, Inc., Austin, Texas. See "MANAGEMENT OF THE DISTRICT--District Consultants."

Payment Record

The District has previously issued $7,325,000 of combination unlimited tax and revenue bonds in two series (the "Outstanding District Bonds") of which $6,550,000 remain outstanding. In addition, the District makes payments to the City of Austin for the District's 34.81% pro rata share of debt service payments on $17,870,000 of outstanding City of Austin, Texas Contract Revenue Bonds (the "Outstanding Contract Bonds"). The District has never defaulted on either the principal or interest payments on the Outstanding District Bonds or failed to make its payments on the Outstanding Contract Bonds. See "DEBT SERVICE REQUIREMENTS and TAX DATA."

THE BONDS

Description

North Austin Municipal Utility District No. 1 Unlimited Tax and Revenue Bonds, Series 1993 are in the aggregate principal amount of $3,350,000. Interest accrues from September 1, 1993 at the rates per annum set forth on the cover page hereof, and is payable February 1, 1994 and each August 1 and February 1 thereafter, until the earlier of stated maturity or redemption. The Bonds mature serially on August 1 in each year 1994 through 2012, both inclusive, in the principal amounts set forth on the cover page hereof. The Bonds will be issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board (the "Bond Order"), in fully registered form only, in the denominations of $5,000 or any integral multiple of $5,000. See "THE BONDS."

Redemption

Bonds maturing on or after August 1, 2004, are subject to redemption at the option of the District prior to their maturity dates, in whole or from time to time in part, in integral multiples of $5,000, on August 1, 2003, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption. See "THE BONDS--Redemption Provisions."

Use of Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the cost of constructing water distribution, wastewater collection and storm drainage facilities to serve Milwood, Sections 22, 25, 26A (Phase B), 27A, 27B, 28, 29, 30 and 31A and certain drainage improvements to Rattan Creek. In addition, Bond proceeds will be used to pay interest on funds that have been advanced on behalf of the District for the above described construction projects; pay engineering fees related to the above described projects; and pay legal fees, financial advisory fees, administrative costs and certain other costs and engineering fees related to the administration of the District and issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance

The Bonds are the third series of District bonds issued out of an aggregate of $73,100,000 principal amount of unlimited tax and revenue bonds authorized by the District's voters on June 4, 1984, for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system. The Bonds are issued pursuant to an order of the Texas Water Commission, the Bond Order, the Texas Constitution and the general laws of the State of Texas. See "INVESTMENT CONSIDERATIONS--Future Debt" and "THE BONDS--Authority for Issuance--Issuance of Additional Debt."

Source of Payment	Principal of and interest on the Bonds, the Outstanding District Bonds and such additional parity bonds as may hereafter be issued by the District are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District and further payable from, and secured by, a pledge of and lien on certain net revenues, if any, of the System. The Bonds are obligations of the District and are not obligations of the City of Austin, Travis County or Williamson County, the State of Texas or any entity other than the District. See "THE BONDS--Sources of Payment." In addition, the Outstanding Contract Bonds are secured by a limited ad valorem tax levied on a parity with the District's other bonded indebtedness, including the Bonds. See THE BONDS--Outstanding Obligations."
Municipal Bond Rating	The Bonds have been rated "Baa" by Moody's Investors Service. An explanation of the significance of such rating may be obtained from Moody's Investors Service. Such rating reflects only the view of Moody's Investors Service, and the District makes no representation as to the appropriateness of such rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's Investors Service, if in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Rating."
Bond Counsel	McCall Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas. See "MANAGEMENT OF THE DISTRICT--District Consultants" and "LEGAL MATTERS."
Paying Agent/Registrar	Ameritrust Texas National Association Dallas, Texas. See "THE BONDS--Method of Payment of Principal and Interest.
Investment Considerations	THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited as of August 1, 1993)

1993 Certified Taxable Assessed Valuation (100% of Market Value as of January 1, 1993)		$162,098,742(a)
Direct Debt:	Par Amount	District Share
Outstanding District Bonds (as of August 1, 1993)	$ 6,550,000	$ 6,550,000
Outstanding Contract Bonds (as of August 1, 1993)	17,870,000	6,220,547(b)
The Bonds		3,350,000
Total		$ 16,120,547
Estimated Overlapping Debt		$ 4,209,125(c)
Direct and Estimated Overlapping Debt		$ 20,329,672
Ratio of Direct Debt to: 1993 Certified Taxable Assessed Valuation		9.94%
Ratio of Direct and Estimated Overlapping Debt to: 1993 Certified Taxable Assessed Valuation		12.54%
Debt Service Fund Balance as of June 16, 1993		$ 2,053,731(d)
Average Annual Debt Service Requirement (1994-2012)		$ 1,434,953(e)
Maximum Annual Debt Service Requirement (2005)		$ 1,892,867(e)
1992 Tax Rate (per $100 of assessed valuation)		
Outstanding District Bonds Debt Service		$ 0.51
Outstanding Contract Bonds Debt Service		$ 0.49
Maintenance		$ 0.15
Total		$ 1.15
Tax Rate Required to Pay Average Annual Debt Service (1994-2012) at a 95% Collection Rate: Based upon 1993 Certified Taxable Assessed Valuation		$ 0.94
Tax Rate Required to Pay Maximum Annual Debt Service (2005) at a 95% Collection Rate: Based upon 1993 Certified Taxable Assessed Valuation		$ 1.23
Average Current Collection Percentage (1987-1991)		98.95%

(a) As certified by the Williamson County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
(b) The District has agreed to reimburse the City of Austin for the District's pro rata share of construction costs funded by the Outstanding Contract Bonds - approximately 34.81%. See "THE BONDS--Outstanding Obligations."
(c) See "DEBT SERVICE REQUIREMENTS--Estimated Overlapping Debt."
(d) Includes $500,000 contributed by the Developer (see "THE DISTRICT--Pending Litigation."), $543,450 in District Bond debt service payments made August 1, 1993, and $398,686 in Contract Bond payments to be made November 15, 1993.
(e) After the issuance of the Bonds.

PRELIMINARY OFFICIAL STATEMENT

$3,350,000

NORTH AUSTIN MUNICIPAL UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas located within Travis and Williamson Counties)

UNLIMITED TAX AND REVENUE BONDS, SERIES 1993

This Official Statement provides certain information in connection with the issuance by North Austin Municipal Utility District No. 1 (the "District") of its $3,350,000 Unlimited Tax and Revenue Bonds, Series 1993 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions, among others, of the Bonds, the Bond Order and certain other information about the District, Milwood Joint Venture II ("Milwood JV" or "Developer"), Milburn Investments, Inc. ("Milburn") and State Farm Mutual Automobile Insurance Company ("State Farm"). All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Robert Davis & Co., 4406 Airport Blvd., Austin, Texas 78722.

THE BONDS

Description

The Bonds are dated September 1, 1993, with interest payable each February 1 and August 1 (each an "Interest Payment Date"), beginning February 1, 1994, and shall mature on the dates and in the amounts shown on the cover page hereof. The Bonds are issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple of $5,000.

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed Ameritrust Texas National Association in Austin, Texas as paying agent/registrar for the Bonds (the "Paying Agent/Registrar"). The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable or upon early redemption, at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas. Interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner of record (the "Registered Owner") as of the fifteenth (15th) day (whether or not a business day) of the month prior to each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Registration Books") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner, at the risk and expense of the Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Order.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) calendar days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen

(15) calendar days after the Special Record Date) shall be sent at least five (5) 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 kept by the Paying Agent/Registrar at the close of business on the last business day prior to the mailing of such notice.

Sources of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, levied without legal limitation as to rate or amount, against taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the Series 1993 Interest and Sinking Fund and used to pay principal of and interest on the Bonds.

The Bonds are further secured by a first lien on and pledge of certain Net Revenues, if any, of the District's water and wastewater system which does not include any facilities constructed with proceeds of the Outstanding Contract Bonds or any Special Project Bonds issued by the District (collectively, the "System"). "Net Revenues" are defined by the Bond Order as net revenues received from the operation of the System after deduction of reasonable costs of administration, efficient operation and adequate maintenance, provided however, the term "Net Revenues" shall not include any revenues, now or hereafter pledged or contracted to be pledged by the District pursuant to a contract authorized by law under which contract such revenues are to be pledged to the payment of bonds issued by the District for any special project. Any Net Revenues remaining after payment of debt service on the Bonds and the Outstanding Obligations is available to the District for any lawful purpose. The Net Revenues are entirely dependent upon sales of water and sewer services to residents and users in the District. It is not expected that the operation of the System will produce Net Revenues sufficient to make any substantial contribution to the District's debt service requirements.

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

Funds

In the Bond Order, the Series 1993 Interest and Sinking Fund is authorized to be created, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund.

Accrued interest on the Bonds shall be deposited into the Series 1993 Interest and Sinking Fund upon receipt. The remaining proceeds of sale of the Bonds, including interest earnings thereon, shall be deposited into the Construction Fund, which is created in the Bond Order, as the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the Series 1993 Interest and Sinking Fund. The Construction Fund may be applied solely (i) to pay the costs of issuance in connection with the Bonds and (ii) the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued. Any monies remaining in the Construction Fund after completion of construction of the entire System may be transferred to the Series 1993 Interest and Sinking Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM" for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after August 1, 2004 prior to their scheduled maturities, in whole or in part, in integral multiples of $5,000 on August 1, 2003, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption 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 shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar by such method as it deems fair and appropriate.

If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first-class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall have been made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At a bond election held within the District on April 7, 1984, the voters of the District authorized (1) the issuance of $73,100,000 in unlimited tax bonds; (2) $1.50 per $100 valuation maintenance tax; and (3) a special tax up to $1.10 per $100 valuation to make payments to the City of Austin under its Utility Construction Contract associated with the District's contract revenue bonds. (See "Outstanding Obligations" and "Issuance of Additional Debt" in this section).

On June 4, 1984, the District's voters approved $73,100,000 in unlimited tax and revenue bonds in lieu of the unlimited tax bonds previously authorized.

At a hearing conducted on January 27, 1993, the Texas Water Commission (the "TWC") authorized the District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS." The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order to be adopted by the Board on the date of the sale of the Bonds, Article XVI, Section 59 of the Texas Constitution, and Chapter 54 of the Texas Water Code, as amended.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Registration Books at its designated office for payment in Dallas, Texas and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

Each Bond shall be transferable only upon the presentation and surrender of such Bond at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or

transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer, convert or exchange any Bond (i) during the period beginning on a Record Date and ending with the opening of business on the next succeeding Interest Payment Date, or (ii) with respect to any Bond or portion thereof called for redemption during the forty-five (45) day period prior to the date fixed for redemption of such Bond, provided, however, such limitations on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance in the event of its redemption in part.

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

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be competent and legally qualified bank, trust company, financial institution or other authorized agency.

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 therefor 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 costs 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.

Outstanding Obligations

The District has previously issued its $5,225,000 Unlimited Tax and Revenue Bonds, Series 1986, and its $2,100,000 Unlimited Tax and Revenue Bonds, Series 1986A; (collectively referred to as the "Outstanding District Bonds").

Additionally, the District has issued $16,300,000 City of Austin, Texas Contract Revenue Bonds, Series 1985, a portion of which has been refunded by the $16,280,000 City of Austin, Texas Contract Revenue Refunding Bonds, Series 1989 (collectively referred to as the "Outstanding Contract Bonds"). The Outstanding Contract Bonds are special obligations of the District secured by a first lien on and pledge of Contract Payments (as hereinafter defined) to be made by the City of Austin (the "City") to the trustee for the Outstanding Contract Bonds pursuant to the Utility Construction Contract (the "Contract"), between the City and the District dated

February 21, 1984, as amended, authorized under Article 1109j, V.A.T.C.S.. The Contract Payments constitute a special revenue obligation of the City payable from the net revenues of the City's waterworks and sewer system, subject to a prior lien on and pledge of the City's Prior Lien Revenue Bonds and on a parity with the City's Subordinate Lien Revenue Bonds.

Under the terms of the Contract, the District has agreed to issue bonds to finance the acquisition and construction of additions, extensions and improvements to the sanitary sewer system of the City. Pursuant to the Contract, the City has agreed to make payments sufficient to meet debt service requirements (the "Contract Payments"). Upon completion of construction, the City will own and operate the facilities but has agreed to reserve adequate capacity to serve the District. The District agrees to reimburse the City for the District's pro rata share of the construction costs (designated to be approximately 34.81%). The District's payments to the City are payable from ad valorem taxes, not exceeding $1.10 per $100 valuation, upon all taxable property within the District (and on a parity with the pledge of taxes for the Bonds) and additionally secured by a subordinate lien on the Net Revenues of the District's System. (See "Sources of Payment" above.) The Contract is in effect until the Contract Bonds are paid, not to exceed 40 years.

As of August 1, 1993, bonds aggregating $24,420,000 in principal amount remain outstanding including the Outstanding District Bonds and the Outstanding Contract Bonds (collectively referred to as the "Outstanding Obligations").

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TWC, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT--General." The District's voters have authorized the issuance of $73,100,000 of unlimited tax and revenue bonds for the purpose of providing water, wastewater and storm drainage facilities. Following the issuance of the Bonds, the District will have $62,425,000 of unlimited tax and revenue bonds authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District if so authorized by the voters in the District and approved by the District and the TWC.

Annexation

Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City of Austin, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or that city's extraterritorial jurisdiction, within five (5) miles of the corporate limits of the City. With certain exceptions, the City may annex territory only within the confines of its extraterritorial jurisdiction. When the City annexes additional territory, the City's extraterritorial jurisdiction expands in conformity with such annexation.

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Austin, except for 11.61 acres which lie within the city limits of the City of Austin, the District must conform to a City of Austin consent ordinance. In addition, the District may be annexed in whole or in part, without the District's consent. If the District is annexed, the City will assume the District's assets, functions, and obligations (including the Bonds) and dissolve the District. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur. The Bond Order provides for the termination of the pledge of taxes and Net Revenues to the Bonds upon annexation and dissolution by the City. See "THE DISTRICT--City of Austin Consent Agreement."

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 assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

Remedies in Event of Default

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

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

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

Defeasance

The Bond Order provides for the defeasance of the Bonds. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (a "Defeased Bond"), except to the extent provided below for the Paying Agent/Registrar to continue payments, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (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 for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations (defined below) that 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, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged or Net Revenues pledged, as provided in the Bond Order, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding under the Bond Order.

Any money so deposited with or made available to the Paying Agent/Registrar also may be invested at the written direction of the District in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government obligations received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District or deposited as directed in writing by the District.

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

For purposes of these provisions, "Government Obligations" means direct non-callable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America which may be United States Treasury obligations such as its State and Local Government Series, which maybe in book-entry form.

Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payment to be provided for on the Bonds.

Specific Tax Covenants

In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, and the manner in which the proceeds of the Bonds are to be invested. The District may omit to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such failure to comply does not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

Additional Covenants

The District has additionally covenanted in the Bond Order that it will 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 audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Amendments to Bond Order

The District may without the consent of or notice to any Registered Owner amend the Bond Order 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 Order, 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 and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, 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 or interest on the Bonds, (2) give any preference to any Bond over any other Bond, 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 in 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 54.515 of the Texas Water Code and is applicable to all municipal utility districts:

> "All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for 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 of Texas, 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, Article 842a-2, Texas Revised Civil Statutes, the "Public Funds Investment Act of 1987," provides that an "incorporated city or town, a county, a public school district, a district or authority created under Article III, Section 52(b)(1) or (2), Article XVI, Section 59, Texas Constitution, an institution of higher education as defined by Section 61.003 of the Education Code, a hospital district, a fresh water supply district, or any nonprofit corporation acting on behalf of one of those entities may invest any of its funds or funds under

its control in "obligations of states, agencies, counties, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having a rating of not less than "A" or its equivalent..." The Act also provides that "the authority granted by this Act is in addition to that granted by other law."

The "Public Funds Collateral Act," ch 628, 1989 Texas Gen. Laws 2099, provides that deposits of public funds must be secured by eligible security. "Eligible security" is defined to include combination tax and revenue obligations of reclamation and conservation districts such as the District which have a current investment rating from a nationally recognized rating agency of not less than "A" or its equivalent. The "Public Funds Collateral Act" prevails over any prior, conflicting law purporting to govern security for deposits of public funds.

The District makes no representation that the Bonds will be acceptable to public entities to secure their deposits, or acceptable to such institutions for investment purposes.

The District has made no investigation of other laws, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purpose.

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the cost of construction of the items shown in the table below. Additionally, a portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the construction outlined below and costs associated with the issuance of the Bonds.

The District's present estimate of construction costs has been provided by the District's Engineer, based on the actual cost of completed facilities. To the extent the amounts shown exceed actual costs, the surplus funds may be expended for any lawful purpose for which surplus construction funds may be used.

CONSTRUCTION COSTS	District Share of Cost
Milwood Section 22	
Detention Pond	$ 101,771
Rattan Creek Drainage	91,897
Milwood Sect. 25 & 26A, Phase B	
a. Water	165,351
b. Wastewater	120,924
c. Drainage	108,098
d. Rough Cut	36,400
Subtotal	$ 430,773
Milwood Section 27A	
a. Water	$ 154,747
b. Wastewater	178,613
c. Drainage	123,463
d. Rough Cut	29,449
Subtotal	$ 486,272
Milwood Section 27B	
a. Water	$ 93,724
b. Wastewater	70,760
c. Drainage	95,546
d. Rough Cut	19,250
Subtotal	$ 279,280
Milwood Section 28	
a. Water	$ 144,516
b. Wastewater	191,696
c. Drainage	185,598
Subtotal	$ 521,810
Milwood Section 29	
a. Water	$ 2,104
b. Wastewater	107,949
c. Drainage	86,922
Subtotal	$ 196,975
Milwood Section 30	
a. Water	$ 118,273
b. Wastewater	129,728
c. Drainage	152,531
d. Rough Cut	36,164
Subtotal	$ 436,696
Milwood Section 31A	
Water	$ 110,107
TOTAL CONSTRUCTION COSTS	$2,655,581

NONCONSTRUCTION COSTS

Developer Interest(1)	$ 404,009
Costs of Issuance	223,410
Bond Discount	67,000
TOTAL NONCONSTRUCTION COSTS	$ 694,419
TOTAL BOND ISSUE	$ 3,350,000

(1) TWC rules permit developers to be reimbursed for the interest costs associated with advancing funds on behalf of a district, with certain time limitations, at the net effective rate of interest on the Bonds. This figure represents estimated interest on that portion of funds advanced by the Developer on the District's behalf for construction or purchase of facilities listed above, as approved by the TWC.

BONDS AUTHORIZED BUT UNISSUED

Date Authorized	Vote For	Vote Against	Purpose	Authorized	Issued to Date	Authorized but Unissued
4/7/84	1	0	Water	73,100,000(a)	0	0
4/7/84	1	0	Contract Tax	Unlimited (b)	$32,580,000	0
6/4/84	1	0	Water, Sewer, Drainage	73,100,000(c)	10,675,000(d)	62,425,000

(a) Unlimited tax bonds.
(b The District has issued $32,580,000 City of Austin, Texas Contract Revenue Bonds of which $17,870,000 remains outstanding and of which 34.81% of the debt service is payable by the District See "THE BONDS--Outstanding Obligations."
(c) Unlimited tax and revenue bonds. Such election simultaneously cancelled authorization of $73,100,000 unlimited tax bonds.
(d) Including the Bonds

THE DISTRICT

General

The District, a municipal utility district created on November 5, 1983 by the Texas Water Commission (the (the "TWC"), pursuant to Article XVI, Section 59 of the Texas Constitution, operates under the provisions of Chapter 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may also provide solid waste collection and disposal service and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TWC. The District has no present plans to provide solid waste collection and disposal service or a fire department. The District is also empowered to operate and maintain recreational facilities. The District is subject to the continuing supervision of the TWC.

City of Austin Consent Agreement

Under Texas law, the City was required to give its consent to the creation of the District. The vehicle for this consent is an ordinance passed by the City, a part of which includes the Creation Agreement. By passage of an ordinance, the City unconditionally granted its consent to the creation of the District for the purpose of issuing bonds approved by the City. The following is a summary of certain terms and provisions of the Creation Agreement. It is not a complete description of such agreement and is qualified by reference to the Creation Agreement, copies of which may be obtained from the Financial Advisor.

Under the Creation Agreement, the City agrees to provide water and wastewater service to all of the users within the District. The District itself is a customer of the City, and the City and the District have agreed that water supplied to the District pursuant to the Creation Agreement will be at the rate or rates established by the City for water supplied to water districts generally. The Creation Agreement also provides that the City will not be liable for the failure to provide water and wastewater service resulting from conditions beyond the City's control. In addition, the City has the right to limit service to the District on the same basis and to the

same extent that it limits service to other customers. The District agrees to set rates for its customers not lower than those rates established by the City for its customers who reside inside the City limits. The Creation Agreement also provides that the District will collect a surcharge in addition to its normal rates and that it will not serve customers outside its boundaries without prior City permission. The requirement that the District collect a surcharge has been deleted by an amendment to the Creation Agreement.

The Creation Agreement provides that the applicable developer within the District will serve as project manager for the construction of the facilities constituting the District's water and wastewater system. Such facilities are required to be reviewed and approved by the appropriate agencies of the State of Texas and by the City prior to construction.

The District and the City have agreed to certain land use controls including use density limitations for property located within the boundaries of the District. Prior to development, the land in the District must be subdivided in accordance with Texas law. The Creation Agreement also contains certain provisions which limit the right of the City to annex the land within the District and of the District to annex additional land without the prior approval of the City. The Creation Agreement has a maximum term of 40 years.

Description and Location

The District consists of approximately 997.7 acres of land located in Williamson and Travis Counties, approximately 11 miles north of the central business district of the City of Austin, and three miles east of the intersection of U.S. Hwy. 183 and RR 620. A small portion of the District (approximately 11.61 acres of public right-of-way) lies within the boundaries of the City of Austin and the remainder lies wholly within the exclusive extraterritorial jurisdiction of the City of Austin and within the boundaries of the Round Rock Independent School District. See "AERIAL LOCATION MAP."

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors (the "Board"), consisting of five (5) members, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held on the first Saturday of May in even numbered years only. Four (4) of the members of the Board own homes in the District and one (1) of the Board members owns property in the District. The current members and officers of the Board along with their titles, occupations, and terms, are listed as follows:

Name	District Board Title	Primary Occupation	Term Expires
Steve D. Pena	President	Public Accounting	May 1996
Jared R. Stallones	Vice-President	Teacher	May 1996
Robert K. Schultz	Secretary	Engineer	May 1994
Terry J. Ripperda	Treasurer	Home Mortgage Company Executive	May 1996
Robert Franson	Asst. Sec./Treas.	Engineer	May 1994

District Consultants

Tax Appraisal:	The Williamson County Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."
Tax Assessor/Collector:	Ms. Nelda Wells Spears performs the tax collection function on behalf of the District. Ms. Spears serves approximately 29 other special districts as Tax Assessor/Collector.
Engineer:	The District's consulting engineer is Murfee Engineering Company, Austin, Texas. Such firm acts as consulting engineers for 12 other special districts.
Manager:	The operator and manager of the District's water and wastewater system is Am-Tex Corporation, Austin, Texas. Such firm acts as operator for 35 other districts in the Austin area.
Auditor:	The District's audited financial statements for the year ended September 30, 1992, were prepared by Brown, Graham and Company, P.C., Georgetown, Texas. The District has engaged the firm of Maxwell Locke & Ritter PC, Austin, Texas to prepare audited financial statements for the year ending September 30, 1993.
Attorney:	Strasburger & Price, L.L.P., Austin, Texas serves as General Counsel to the District. A portion of the General Counsel's fees are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.
Bond Counsel:	The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel in connection with the issuance of the Bonds. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and therefore such fee is contingent upon the sale and delivery of the Bonds.
Financial Advisor:	Robert Davis & Co., Austin, Texas serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and therefore, such fee is contingent upon the sale and delivery of the Bonds. Compensation to the Financial Advisor for other services to the District is based on time charges actually incurred.

STATUS OF DEVELOPMENT

Proceeds from the sale of the Outstanding District Bonds and monies expended by the Developer on behalf of the District have been used to construct water, sanitary sewer and drainage facilities to serve approximately 381 acres developed as Milwood, Sections 22, 23, 25, 26A (phase A), 27A, 27B, 28, 29, 30, 31, 31A, 32, 33, 38A, and 38B (Phase I). Such subdivisions include 1,623 completed homes, 25 homes under construction and 120 vacant and developed lots.

According to the Developer, as of July 16, 1993, development in the District was as follows:

Milwood Section Developed with Utilities	Acres	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
22	43.41	191	190	0	1
23	40.03	166	166	0	0
25(a),26A	50.89	132	132	0	0
27A	29.90	137	137	0	0
27B	24.98	124	124	0	0
28	30.42	213	213	0	0
29	21.91	145	145	0	0
30	27.19	123	123	0	0
31,31A	48.06	222	221	0	1
32	24.03	154	151	3	0
33	8.95	32	15	7	10
38A	21.13	81	6	15	60
38B(b)	12.58	48	0	0	48
State Farm Tract(c)	71.00				
Subtotal	454.48				
Remaining Developable Acres(d)	423.28				
Undevelopable Acres	119.94	—	—	—	—
Total	997.70	1768	1623	25	120

(a) Platted multi-family tract.
(b) Phase I. Underground utilities 95% complete.
(c) Underground utilities 90% complete. Construction of 467,000 square foot building underway.
(d) Includes Section 38B, Phase II, a 52 lot subdivision encompassing 8.25 acres and Section 34, a 109 lot subdivision encompassing 20.28 acres. The City of Austin has approved plats for these subdivisions in both Sections

In accordance with the terms of the Texas Water Commission Order authorizing issuance of the Bonds, the District will retain from the proceeds due Milwood JV sufficient monies to complete construction of the water, sewer and drainage facilities and street paving to serve Milwood, Section 38B (Phase I), until such improvements are constructed.

New homes in the District range in sales price from the mid $80,000 range to approximately $140,000. The sole homebuilder active in the District is Milburn. See "THE DEVELOPER." New home sales within the District have been: 140 during 1989; 138 during 1990; 140 during 1991; 156 during 1992; and 81 during the first five months of 1993.

State Farm Mutual Automobile Insurance Company ("State Farm") has purchased approximately 266 acres for development of an office campus. According to representatives of State Farm, the first phase of

development of its property includes the development of 71 acres and the construction of a 467,000 square foot office building. Construction of the underground facilities to serve the 71 acre site is 90% complete and construction of the office building is approximately 48% complete. Such building is expected to be available for occupancy in mid-1994.

Recreational Facilities

In addition to providing water, sanitary sewer and drainage service, the District also provides to its residents certain recreational services. The District owns an approximately 5.3 acre park with a swimming pool and bathhouse, tennis courts,soccer field and playscape which is available to every resident of the District. The cost of providing such services is funded by a portion of the maintenance tax levied annually by the District and by fees charged to persons utilizing such facilities.

Pending Litigation

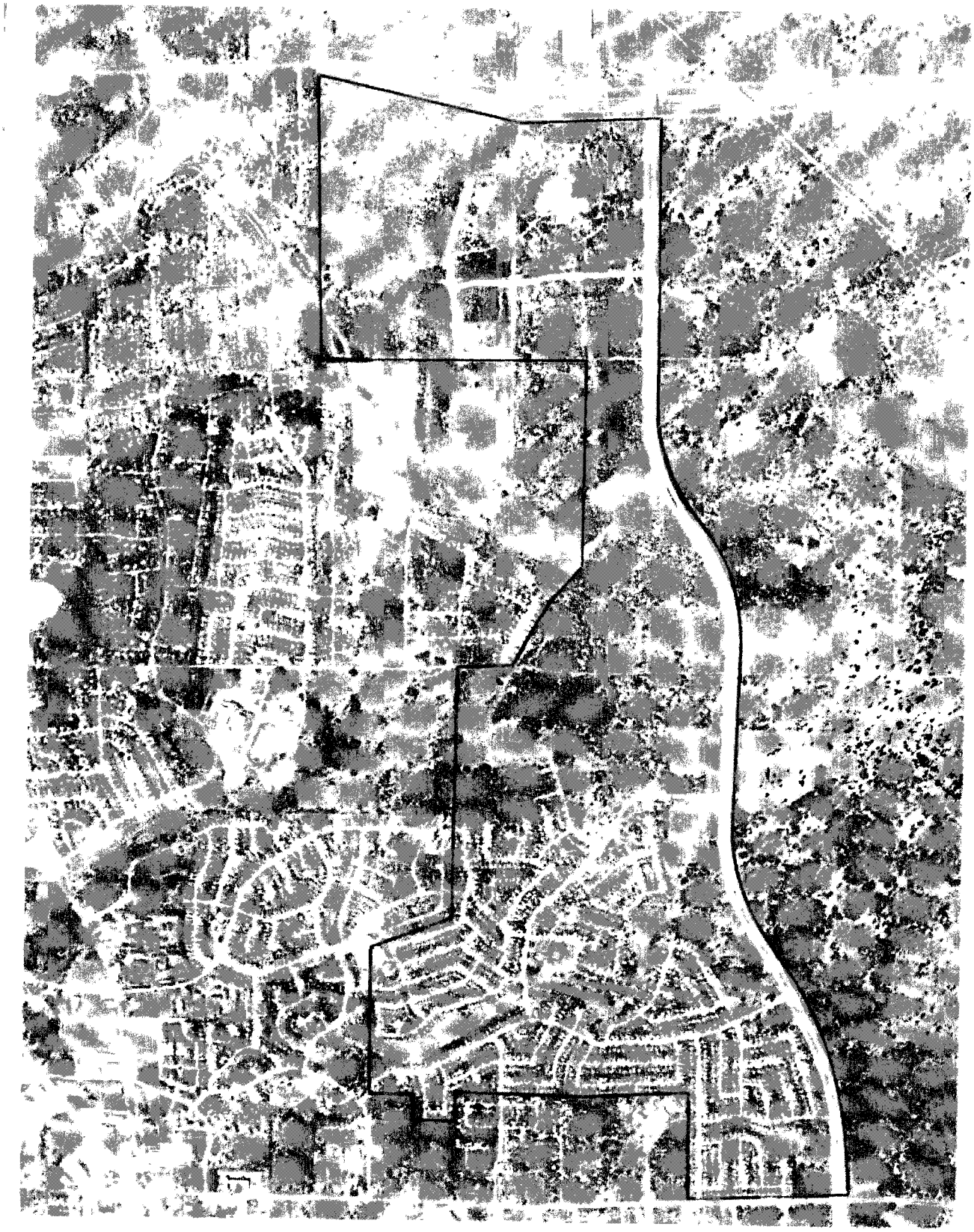
Pursuant to a Utility Construction Contract entered into with the City of Austin (the "Contract"), the District constructed the Rattan Creek Lift Station which serves Milwood Sections 25 through 37. Prior to final acceptance of the lift station by the City of Austin, the District determined that although the lift station operates, it suffers from a structural deformation in its dry wall and would not meet the approval of the City of Austin. Pursuant to the Contract, the City of Austin had agreed to assume ownership and operation of the sewage conveyance facilities, including the Rattan Creek Lift Station, upon approval of construction by the City. The District subsequently sued several of the parties involved in the design and construction of the lift station. In 1992, the District settled its claim against the pump supplier for approximately $50,000. In December, 1992 the District obtained a judgment against the remaining defendants, in the amount of $411,400.00 jointly and severally, and the surety company for the contractor in the amount of $2,338,207.20. Such judgment currently is on appeal.

Recently, the District authorized the Engineer to prepare plans for repairing the lift station so that it will meet the City of Austin requirements. According to the Engineer, the cost of repairing the lift station is approximately $600,000, including engineering fees. In the event the lift station is not repaired so that it meets City of Austin requirements, the District will be required to continue to own and operate such facility.

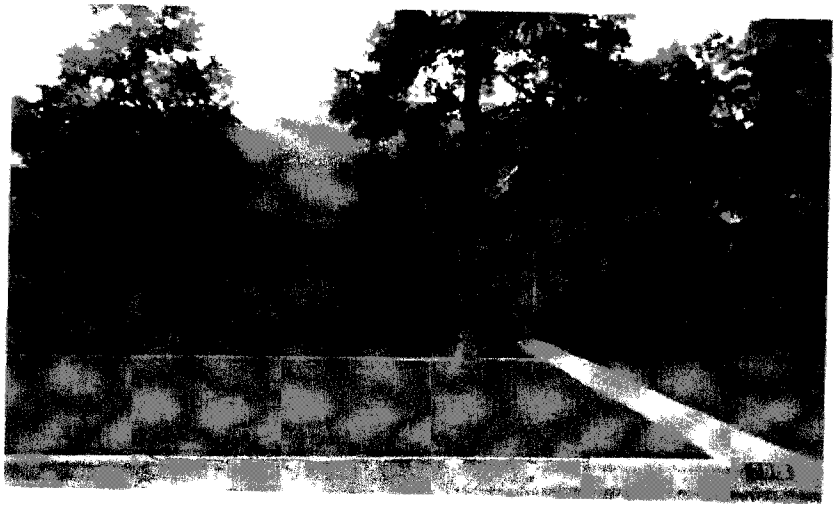
The Rattan Creek Lift Station is operating and serves existing subdivisions within the District and will serve Milwood, Sections 25, 38A and 34. All other additional development within the District would be served by other lift stations already constructed and accepted by the City of Austin.

In accordance with the Texas Water Commission Order authorizing the issuance of the Bonds, the Developer has contributed to the District's Debt Service Fund $500,000. Pursuant to an agreement between the District and the Developer, such contribution is repayable by the District solely from the proceeds from the lawsuit regarding the Rattan Creek Lift Station, after first paying attorneys fees and the costs of repair or replacement of the Rattan Creek Lift Station.

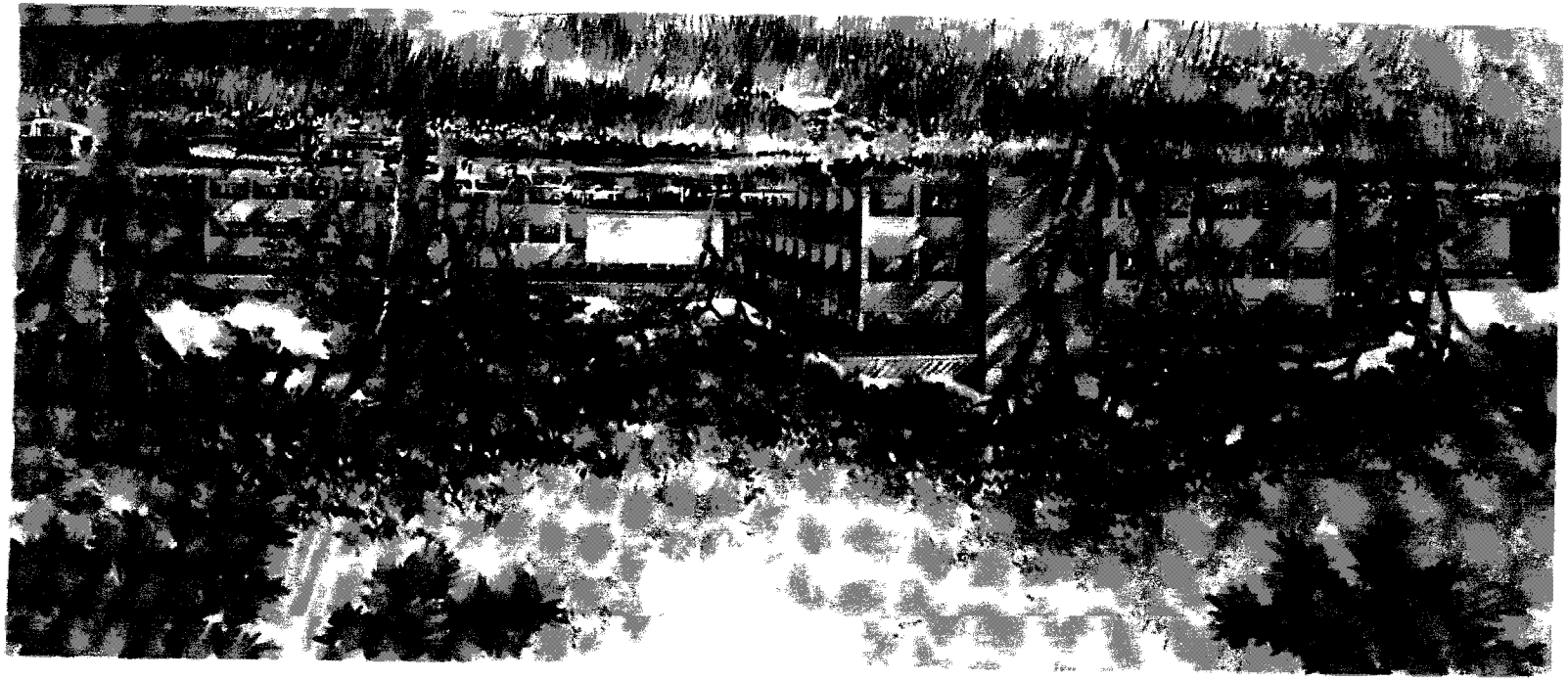
AERIAL LOCATION MAP



REPRESENTATIVE PHOTOS OF HOMES IN THE DISTRICT



STATE FARM PROJECT



THE DEVELOPER

Role of the Developer

In general, the activities of a developer within a utility district, such as the District, include purchasing land within the district, designing the subdivision, designing utilities and streets to be placed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities pursuant to the rules of the TWC, as well as gas, telephone, and electric service). In most instances, the developer is required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TWC. The relative success or failure of the developer to perform such activities in development of the property within a utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developer

The Developer within the District is Milwood Joint Venture II ("Milwood JV" or "Developer"), a joint venture between Milburn Investments, Inc. ("Milburn") and Palmar Associates, Ltd. ("Palmar"). Milburn is a Texas corporation which, until July 30, 1993, was wholly owned by Mr. William Milburn. Milburn is the managing venture partner, however, certain decisions, such as financing and land planning, require approval of both venture partners. Palmar is a Texas limited partnership whose general partners are A. H. Robinson, III and J. 0. Robinson, and whose limited partners are other members of the Robinson family.

Pursuant to an agreement reached with Milwood JV, Milburn is developing Milwood Sections 38A, 38B, 34, 35, 36 and 37. It is uncertain at this time as to whether Milburn will request and whether Milwood JV will grant Milburn the right to develop additional property in the District. See "Option Contracts" below.

Milburn and related joint ventures are developing land and building homes within and nearby the Central Texas cities of Austin, Cedar Park, Killeen, and Round Rock. Current subdivision activities include the following development projects: Milwood, Anderson Mill West, Texas Oaks, the Settlement, Windmill Run, Cherry Creek, Willow Run, Bratton Park, Brushy Creek, Green Slopes, Morning Glen, Heather Glen, Bellaire Heights, South Brook, Turtle Bend and Buttercup Creek. Companies owned by Mr. Milburn have developed more than 4,000 acres and sold over 22,000 homes in the past 30 years.

On July 30, 1993, Mr. William O. Milburn sold to Continental Homes Holding Corp. ("Continental") all of the issued and outstanding common stock of Milburn and certain other companies owned by Mr. Milburn. According to Mr. Milburn and Continental, the sale of the stock should not interfere with the development activities of Milwood JV or Milburn. Milwood JV has consented to the sale of the stock. The District has no understanding regarding whether the sale of the stock will have any impact on the development activities of Milwood JV or Milburn.

Continental is a Delaware corporation whose stock is traded on the American Stock Exchange. Continental builds homes in Phoenix, Arizona, Denver, Colorado and Southern California. For the fiscal year ended May 31, 1993, Continental had gross revenues of approximately $207,033,000 of which approximately 97% came from its homebuilding activities; approximately $187,525,000 in total assets; and approximately $51,550,000 of shareholder equity. Continental is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission ("Commission"). Copies of such material can be obtained by mail from public reference section of the Commission, 450 Fifth Street, Washington, D.C. 20549 at prescribed rates. In addition, such reports and other information may be obtained from the American Stock Exchange.

Development Financing

Originally the existing residential and multi-family development within the District was funded by a series of development loans to Milwood JV by Texas Commerce Bank, National Association, Austin, Texas ("TCB"). Subsequent to the Continental closing, the only remaining TCB loan is $803,464.00 for the raw land purchase of the multi-family tract known as Milwood Section 25. This is also the only remaining debt of Milwood JV. All future financing of development by Milburn will be carried through a $25,000,000 revolving line of credit whose funding levels are based upon and subject to available collateral. As of August 1, 1993, $13,416,487 of the revolving line of credit had been funded leaving available credit of approximately $11,583,513. The terms of this revolving line of credit include interest payable monthly with all principal maturing July 28, 1995. Future development within the District undertaken by Milburn will be funded either by this line of revolving credit or corporate cash.

Option Contracts

On September 15, 1982, Milwood JV entered into separate option agreements with the Robinson Ranch and Austin White Lime Company for the purchase of approximately 1,251 acres. Approximately 821 of such acres lie within the boundaries of the District. Pursuant to each option contract, Milwood JV is required to purchase varying amounts of property within specific option periods until all of the property has been purchased. In consideration for the option, Milwood JV has deposited earnest money with the seller and makes quarterly option payments. In the event Milwood JV defaults on its obligations, the seller's sole remedy is retention of the earnest money and termination of the option contract. Milwood JV currently is in compliance with all material terms of the option contracts.

Pursuant to an agreement reached between the Milwood JV partners, Milwood JV has assigned to Milburn its rights to purchase the property being developed as Milwood, Section 38A and its rights to purchase the property that has been platted as Milwood, Sections 38B and 34. Similar agreements also have been executed for the development of Milwood, Sections 35, 36, and 37.

Lot Sales Contract

All of the homes within the District have been constructed by Milburn. All of the remaining lots currently located within the District owned by Milwood JV are subject to a lot purchase agreement giving Milburn the right to purchase such lots. The agreement calls for Milburn to have purchased such lots before a certain date. In the event Milburn fails to close on the purchase of the applicable lots within the applicable time period, Milwood JV's sole remedy is to terminate the lot purchase agreement. There are currently approximately 28 lots owned by Milwood JV and subject to the lot purchase agreement. The other unimproved lots in the District are owned by Milburn.

As discussed above under "Description of Developer", Mr. William O. Milburn recently sold all of his stock in Milburn. According to representatives of Milburn, the sale of such stock will not have an impact on the right of Milburn to continue to purchase lots from Milwood JV. The District, however, cannot make any evaluation as to what, if any, impact such transaction may have on future sale of lots or construction of homes in the District.

THE SYSTEM

Water, Sanitary Sewer, and Drainage System

The proceeds from the sale of the Bonds will be used to fund the District's share of water distribution lines, wastewater collection and trunk lines, and drainage facilities serving residential subdivisions in the District. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Regulation

According to the Engineer, the water, sewer and drainage facilities acquired or constructed by the District (the "System") have been designed in accordance with accepted engineering practices and the regulations of the Texas Department of Health, Travis County, Williamson County, the City of Austin and the TWC. Construction and operation of the facilities are subject to the inspection of the TWC, for determining compliance with approved construction plans, and by the TWC, the United States Environmental Protection Agency and various local agencies for compliance with environmental requirements.

Water Supply: The District receives its water supply from the City of Austin water system, which obtains surface water from the Colorado River. Pursuant to the Consent Agreement, the City agrees to sell and deliver all water necessary for domestic and commercial purposes by users within the District on a retail basis on the same terms and conditions as it would all other customers within the City. The sale and furnishing of water to the customers within the District shall be nondiscriminatory and uniform with the policies and ordinances relating to the City's utility service area. The supply of water to the City's customers within the District may be reasonably limited by the City on the same basis and to the same extent as to any other customer within the City's service area.

Wastewater Treatment: Permanent wastewater treatment service for the District is provided by the City of Austin's Walnut Creek Wastewater Treatment Plant, which has a capacity of 60 million gallons per day average flow. The City has agreed to provide wastewater treatment service at the Walnut Creek Wastewater Treatment Plant for the ultimate development in the District.

100-Year Floodplain

Portions of the District primarily along Rattan Creek and Lake Creek are within the projected 100-year floodplain. No future development is proposed in these areas.

Recently, the Board of Directors of the District authorized the District's Engineer to review the location of the 100-year floodplain in relation to the existing development within the District. Based on the results of this study, as many as 30 lots, many of which contain homes, within Milwood Sections 32,34 (under construction, 28, 29, 27A, 27B, and 26A may lie within the 100-year floodplain. Future development along the floodplain may have to be slightly altered to avoid encroachment by the 100-year floodplain.

Water and Wastewater Rate Fee Schedule

The Board establishes rates and fees for water and wastewater service, subject to change from time to time. the following rates became effective April 1, 1993.

Water Service

	Charge Per LUE Per Month
Minimum monthly charge up to 1,000 gallons of water	$6.00
Per 1,000 gallons of water over 1,000	$1.78

Sewer Service

Minimum monthly charge up to 1,000 gallons of water	$5.00
Per 1,000 gallons of water over 1,000 gallons	$2.42

All Services Required

Except as otherwise expressly authorized by the District, no service shall be provided by and through the District's System unless the applicant agrees to take both water and wastewater service.

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.

Tap Fees

The District's water tap fees shall be as follows:

Meter Size	Tap Fee
5/8"	$400.00
3/4"	$425.00
1-1/2" and over 1-1/2"	To be installed by the District at cost times 3

The District's sanitary sewer tap fees shall be as follows:

Residential	$ 400.00
Commercial	$1,000.00

Sewer tap installation involving excavation of the sewer main shall be performed by the District at cost plus 25% in addition to the above sewer tap fee.

Operating Statement of the System

General Fund: The Outstanding District Bonds and the Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The District's share of the debt service on the Outstanding Contract Bonds is payable from a limited ad valorem tax on an taxable property in the District. In addition, Net Revenues from operations of the District's System, if any, are pledged to the payment of debt service on all of the Outstanding Obligations and the Bonds. However, it is not anticipated that any Net Revenues will be sufficient to pay debt service on the Bonds or the Outstanding Obligations. See "THE BONDS--Sources of Payment."

The following statement sets forth the General Fund as derived from the District's audited financial statements for fiscal year ending September 30, 1992. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

General Fund

	Fiscal Year Ended September 30				
	1992	1991	1990	1989	1988
Revenues:					
Utilities:					
Water and sewer service	$ 761,142	$ 702,625	$ 648,196	$ 581,674	$ 529,372
Water and sewer tax connection fees	104,950	103,600	98,800	114,080	77,600
Penalties and interest	15,374	13,829	17,845	22,018	20,085
Application fees	12,840	10,725	2,137	1,925	1,770
Property taxes	188,200	253,602	232,305	267,558	267,526
Pool and Park fees	49,474	41,523	40,523	33,693	27,365
Interest and other	29,205	36,753	35,939	30,968	12,331
Lawsuit settlement	33,334				
Total revenues	$1,194,519	$1,162,425	$1,075,745	$1,051,916	$ 936,049
Expenditures:					
Utilities:					
Purchased water and sewer service	676,964	603,291	597,324	577,027	533,542
Repairs and maintenance	36,986	25,038	75,341	68,795	82,087
Electric utilities	39,242	35,701	33,545	41,334	41,460
Water and sewer tap connection charges	11,848	10,849	13,397	12,886	10,665
Other	3,072	2,333	1,739	2,884	2,687
Professional services	128,658	97,319	80,755	76,176	65,580
Service account collection	89,216	81,886	75,523	49,506	42,882
Pool management fee and other pool and park costs	95,065	105,099	67,761	54,711	36,754
Tax assessment and collection	24,730	18,852	16,196	11,957	13,419
Insurance	11,145	11,376	11,559	10,407	7,840
Office	6,142	6,111	7,055	12,801	10,066
Bad debts	982	6,062	6,915	15,075	13,800
Other	700	3,384	1,893	11,729	1,640
Capital outlay	3,308	30,930	4,670		
Total expenditures	$1,128,158	$1,038,231	$ 993,673	$ 945,288	$ 862,422
Excess (deficit) of revenues over expenditures	$ 66,361	$ 124,194	$ 82,072	$ 106,628	$ 73,627

DISTRICT VALUATION AND DEBT INFORMATION

(Unaudited as of August 1, 1993)

1993 Certified Taxable Assessed Valuation (100% of Market Value as of January 1, 1993)		$162,098,742(a)
Direct Debt:	Par Amount	District Share
Outstanding District Bonds (as of August 1, 1993)	$ 6,550,000	$ 6,550,000
Outstanding Contract Bonds (as of August 1, 1993)	17,870,000	6,220,547(b)
The Bonds		3,350,000
Total		$ 16,120,547
Estimated Overlapping Debt		$ 4,209,125(c)
Direct and Estimated Overlapping Debt		$ 20,329,672
Ratio of Direct Debt to: 1993 Certified Taxable Assessed Valuation		9.94%
Ratio of Direct and Estimated Overlapping Debt to: 1993 Certified Taxable Assessed Valuation		12.54%
Debt Service Fund Balance as of June 16, 1993		$ 2,053,731(d)
Average Annual Debt Service Requirement (1994-2012)		$ 1,434,953(e)
Maximum Annual Debt Service Requirement (2005)		$ 1,892,867(e)
1992 Tax Rate (per $100 of assessed valuation)		
Outstanding District Bonds Debt Service		$ 0.51
Outstanding Contract Bonds Debt Service		$ 0.49
Maintenance		$ 0.15
Total		$ 1.15
Tax Rate Required to Pay Average Annual Debt Service (1994-2012) at a 95% Collection Rate: Based upon 1993 Certified Taxable Assessed Valuation		$ 0.94
Tax Rate Required to Pay Maximum Annual Debt Service (2005) at a 95% Collection Rate: Based upon 1993 Certified Taxable Assessed Valuation		$ 1.23
Average Current Collection Percentage (1987-1991)		98.95%

1993 District Population Estimate: 5073
Per Capita Debt: $3,227

(a) As certified by the Williamson County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
(b) The District has agreed to reimburse the City of Austin for the District's pro rata share of construction costs funded by the Outstanding Contract Bonds - approximately 34.81%. See "THE BONDS--Outstanding Obligations."
(c) See "DEBT SERVICE REQUIREMENTS--Estimated Overlapping Debt."
(d) Includes $500,000 contributed by the Developer (see "THE DISTRICT--Pending Litigation.), $543,450 in District Bond debt service payments made August 1, 1993, and $398,686 in Contract Bond payments to be made November 15, 1993.
(e) After the issuance of the Bonds.

DEBT SERVICE REQUIREMENTS

The following sets forth the actual debt service requirements for the District's portion of the Contract Bonds, the Outstanding District Bonds, and the debt service on the Bonds.

Fiscal Year	District Share of Outstanding Contract Bonds	Outstanding District Bonds	The Bonds			Grand Total Debt Service
			Principal	Interest	Total	
1993	618,907.56	836,900.00				1,455,807.56
1994	618,041.91	840,837.50	110,000.00	173,494.06	283,494.06	1,742,373.47
1995	624,196.73	842,337.50	100,000.00	181,126.25	281,126.25	1,747,660.48
1996	628,208.30	866,387.50	105,000.00	173,726.25	278,726.25	1,773,322.05
1997	630,028.77	860,637.50	115,000.00	165,956.25	280,956.25	1,771,622.52
1998	632,603.10	878,037.50	120,000.00	157,446.25	277,446.25	1,788,086.85
1999	632,227.26	892,162.50	130,000.00	148,566.25	278,566.25	1,802,956.01
2000	629,863.91	901,562.50	135,000.00	138,946.25	273,946.25	1,805,372.66
2001	634,539.72	906,187.50	145,000.00	128,956.25	273,956.25	1,814,683.47
2002	635,549.79	931,100.00	155,000.00	121,851.25	276,851.25	1,843,501.04
2003	641,477.10	924,312.50	165,000.00	114,101.25	279,101.25	1,844,890.85
2004	635,025.18	937,406.25	175,000.00	105,851.25	280,851.25	1,853,282.68
2005	637,066.20	968,875.00	190,000.00	96,926.25	286,926.25	1,892,867.45
2006	641,802.05	268,750.00	200,000.00	86,856.25	286,856.25	1,197,408.30
2007	642,140.48		215,000.00	76,056.25	291,056.25	933,196.73
2008	646,701.89		225,000.00	64,500.00	289,500.00	936,201.89
2009	646,599.66		240,000.00	53,250.00	293,250.00	939,849.66
2010	646,991.60		260,000.00	41,250.00	301,250.00	948,241.60
2011			275,000.00	28,250.00	303,250.00	303,250.00
2012			290,000.00	14,500.00	304,500.00	304,500.00
	11,421,971.18	11,855,493.75	3,350,000.00	2,071,610.31	5,421,610.31	28,699,075.24

Average Annual Debt Service Requirement (1994-2012) $1,434,953.76
Maximum Annual Debt Service Requirement (2005) $1,892,867.45

Estimated Overlapping Debt

The following table indicates the general obligation indebtedness, defined as outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding bonds payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional bonds since the date listed. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures.

Taxing Jurisdiction	Outstanding Debt as of 8/1/93	Overlapping Percentage	Overlapping Debt
Round Rock ISD	$137,749,084	2.87%	$ 3,953,399
Williamson County	13,100,000	1.83%	239,730
Travis County	159,964,014	0.01%	15,996
City of Austin(a)	NA	less than 0.01%	NA
Total Overlapping Debt			$ 4,209,125
Total Direct Debt (including the Bonds)			16,120,547
Total District and Overlapping Debt			$20,329,672
Direct & Overlapping Debt to 1/1/93 Certified Valuation of $162,098,742			12.54%

(a) The 11.61 acres which lie within the City of Austin comprise public right-of-way.

Overlapping Tax Rates

Overlapping Entity	1992 Tax Rate per $100 Assessed Valuation	Average Tax Bill(b)
Williamson County(a)	$0.3666	$ 385
Williamson County Education Dist.	0.9000	945
Round Rock ISD	0.8981	943
The District	1.1500	1,207
Total	$3.3147	$3,480

(a) A portion of the District lies within Travis County whose 1992 tax rate is $0.5762 per $100 assessed valuation.
(b) Based upon a single family home with an average assessed value of $105,000.

TAX DATA

District Bond Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In its order authorizing the issuance of the Bonds, the TWC recommended that a debt service tax rate of not less than $0.90 per $100 of assessed valuation be levied in the initial year of the Bonds which is 1993. See "Historical Tax Rate Distribution" and "Tax Roll Information" below.

Contract Bond Tax

The Board has the statutory authority to enter into agreements with other political subdivisions and to secure its obligations thereunder with a special ad valorem tax. On April 7, 1984, voters within the District authorized the Board to enter into certain agreements with the City of Austin which resulted in the issuance of the Outstanding Contract Bonds. The District's portion of the Outstanding Contract Bonds is secured by the levy of a limited ad valorem tax in an amount not exceeding $1.10 per $100 valuation and levied in a parity with the taxes levied to pay the Bonds. See "Historical Tax Rate Distribution" below.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted April 7, 1984, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See "District Bond Tax" above. The District has levied a maintenance tax every year since 1985.

Historical Tax Rate Distribution

	1992	1991	1990	1989	1988
District Bond Tax	$0.514	$0.454	$0.426	$0.365	$0.093
Contract Bonds Tax	0.486	0.546	0.540	0.385	0.507
Maintenance Tax	0.150	0.166	0.200	0.200	0.250
Total	$1.150	$1.166	$1.166	$0.950	$0.850

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax collection experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector and the Williamson County Appraisal District. Reference is made to such statements and records for further and more complete information.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	% Collections Current	% Collections Total	Year Ended
1985	$ 43,303,415	$0.40	98.56	103.25	9/30/86
1986	78,677,059	0.85	99.43	99.58	9/30/87
1987	106,876,941	0.85	99.36	99.36	9/30/88
1988	107,674,588	0.85	96.54	97.39	9/30/89
1989	112,846,159	0.95	99.89	99.91	9/30/90
1990	114,551,365	1.166(a)	99.99	99.99	9/30/91
1991	113,163,735	1.166	99.01	99.01	9/30/92
1992	127,254,865	1.150	96.20(b)		

(a) Reflects conversion of the monthly surcharge to a tax.
(b) As of July 1, 1993.

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such taxpayers' property, and such property's assessed value as a percentage of the District's 1992 Certified Taxable Assessed Valuation of $127,254,865.

Taxpayer	1992 Certified Taxable Assessed Valuation	% of 1992 Certified Taxable Assessed Valuation
State Farm Insurance Company	$ 5,823,945	4.58%
Milwood Joint Venture II	1,544,100	1.21
Palmar Investments, Inc.	716,128	0.56
Secretary of Housing and Urban Dev.	610,697	0.48
Southern Union Gas	391,000	0.31
Government National Mortgage Assn.	282,260	0.22
Milburn Investments, Inc.	226,111	0.18
Margaret Stephens	194,038	0.14
Gordon Atkinson	173,315	0.14
Grace Lynn	156,082	0.12
Total	$10,117,676	7.95%

(a) Source: Williamson County Appraisal District.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 1993 Certified Taxable Assessed Valuation of $162,098,742. The calculations contained in the following table merely represent the tax rates required to pay the principal of and interest on the Bonds and the Outstanding Obligations when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds are available for payment of debt service. See "DISTRICT VALUATION AND DEBT INFORMATION---Debt Service Requirements."

The Bonds and the Outstanding Obligations:

Average Annual Debt Service Requirement (1994-2012) $1,434,953
Tax Rate on 1993 Certified Taxable Assessed Valuation 0.94

Maximum Annual Debt Service Requirement (2005) $1,892,867
Tax Rate on 1993 Certified Taxable Assessed Valuation 1.23

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Obligations and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS--Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS--Sources of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations. See "TAX DATA--District Bond Tax--Maintenance Tax."

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 a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Williamson County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

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; certain 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 sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such an exemption if a majority of voters approve same at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified others 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, but only to the maximum extent of $3,000 of taxable valuation. For 1993 the District granted a $10,000 homestead exemption for persons 65 years or older or who are disabled.

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 adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has never adopted a general homestead exemption.

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. As the result of a state constitutional amendment passed by Texas voters on November 7, 1989, goods in transit ("freeport goods") are exempted from taxation by the District effective January 1, 1990.

Tax Abatement

The City of Austin and Travis and Williamson Counties may designate all or part of the area within the District as a reinvestment zone, and Travis and Williamson Counties, Round Rock Independent School District, the District, and the City of Austin may thereafter 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 any 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.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business 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 (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland. Approximately 300 acres within the District are subject to an agricultural or open space valuation.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District 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 Appraisal District 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 Appraisal District 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 as of 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 exits in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "TAX DATA--Overlapping Taxes"). 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 (2) 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 "INVESTMENT CONSIDERATIONS--General--Tax Collection Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Travis County or Williamson County, the City of 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 by a pledge of and lien on certain Net Revenues, if any, of the System. It is not expected any Net Revenues will be available to contribute to the payment of the Bonds. (See "THE BONDS--Sources of Payment"). The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots and will result from the market value of developed lots which are currently being developed by the Developer for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which

the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Lenders have been selective in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, although located approximately eleven (11) miles from the central downtown business district of the City of Austin, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and region economics.

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

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

Developer Under No Obligation to the District: The Developer has informed the Board of its current plans to continue to develop its land and market its lots and that it has no current plans otherwise to sell its land within the District. However, the Developer is not obligated to implement such plans on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowner to whom the Developer may sell all or a portion of its holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. See "THE DEVELOPER."

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 1993 assessed valuation of the District is $162,098,742 (see "DISTRICT VALUATION AND DEBT INFORMATION"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be $1,892,867 in 2005 and the Projected Average Debt Service Requirement will be $1,434,953 for 1994 through 2012, inclusive. Assuming (1) no increase or decrease from the 1993 assessed valuation, and (2) no use of funds on hand, a tax rate of $1.23 per $100 assessed valuation, at a 95% collection rate, would be necessary to pay the Projected Maximum Annual Debt Service requirement of $1,892,867, and a tax rate of $0.94 per $100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement of $1,434,953. The District's 1992 tax rate is $1.15 per $100 assessed valuation. See "DEBT SERVICE REQUIREMENTS" and "TAX DATA--Tax Adequacy for Debt Service."

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.

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, the 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, although the Bond Order does not specifically provide for remedies to protect and enforce the interest of 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 judgement against the District, such a judgement could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Bankruptcy Limitation to Registered Owners' Rights

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