RATING: S&P "___"

PRELIMINARY OFFICIAL STATEMENT
Dated: September 9, 2008

NEW ISSUE: BOOK-ENTRY-ONLY

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

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

$5,200,000
SENNA HILLS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County)

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2008

Dated Date: September 1, 2008 **Due: August 15, as shown below**

Interest on the Bonds will be payable February 15 and August 15 of each year commencing on February 15, 2009, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by Wells Fargo Bank, National Association, Austin, Texas, as Paying Agent/Registrar ("Paying Agent/Registrar"), to the Securities depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.)

MATURITY SCHEDULE
(Due August 15)

Stated Maturity	Principal Amount	Interest Rate (%) [(a)]	Initial Offering (%)Yield	Stated Maturity	Principal Amount	Interest Rate (%) [(a)]	Initial Offering (%)Yield
2010	$120,000			2022	$225,000		
2011	130,000			2023	235,000		
2012	135,000			2024	250,000		
2013	140,000			2025	260,000		
2014	150,000			2026	275,000		
2015	155,000			2027	290,000		
2016	165,000			2028	305,000		
2017	175,000			2029	320,000		
2018	185,000			2030	340,000		
2019	195,000			2031	355,000		
2020	205,000			2032	375,000		
2021	215,000						

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

The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after August 15, 2019, in whole or from time to time in part, on August 15, 2018, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Optional Redemption" herein.

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

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Willatt & Flicklinger, Austin, Texas, Bond Counsel. Delivery of the Bonds is expected through DTC on or about September 25, 2008.

TABLE OF CONTENTS

USE OF INFORMATION IN THE OFFICIAL STATEMENT 3
SALE AND DISTRIBUTION OF THE BONDS 3
Award of the Bonds 3
Prices and Marketability 3
Securities Laws 3
OFFICIAL STATEMENT SUMMARY 4
THE DISTRICT 4
THE BONDS 4
RISK FACTORS 5
SELECTED FINANCIAL INFORMATION 6
OFFICIAL STATEMENT 7
INTRODUCTION 7
THE BONDS 7
General Description 7
Optional Redemption 7
Authority for Issuance 8
Source of and Security for Payment 8
Payment Record 8
Rating 8
Revenue Fund 8
Interest and Sinking Fund 9
Additional Bonds 9
Maintenance and Operation; Insurance 9
Accounts and Fiscal Year 10
Accounting Reports 10
Defeasance of Bonds 10
Paying Agent/Registrar 11
Registration, Transfer and Exchange 11
Record Date 11
Issuance of Additional Debt 11
Lost, Stolen or Destroyed Bonds 11
Legal Investment and Eligibility to Secure Public Funds in Texas 12
Remedies in Event of Default 12
Consolidation 12
Annexation 12
Alteration of Boundaries 13
Approval of the Bonds 13
No-Litigation Certificate 13
No Material Adverse Change 13
Amendments to the Bond Resolution 13
BOOK-ENTRY-ONLY SYSTEM 13
Use of Certain Terms in Other Sections of this Official Statement 14
USE AND DISTRIBUTION OF BOND PROCEEDS 15
Construction Costs 15
RISK FACTORS 16
General 16
Factors Affecting Taxable Values and Tax Payments 16
Overlapping and Combined Tax Rates 17
Water and Wastewater Quality 17
Demand for Certain Housing Products 17
Affects of Regulatory Constraints 17
Tax Collections and Foreclosure Remedies 17
Registered Owners' Remedies 17
Bankruptcy Limitation to Registered Owners' Rights 18
The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District 18
Marketability 18
Continuing Compliance with Certain Covenants 18
Future Debt 19
No Requirement to Build on Developed Lots 19
DISTRICT AND AREA MAPS 20
THE DISTRICT 22
General 22
Commitments of the District 22
Management of the District 22
Location 23
Builders 23
Future Development 23
Proposed Annexations into the District 23
Annexation of the District 23
THE DEVELOPER 24
Role of a Developer 24
Description of the Developer 24
30% Developer Contribution 24
Utility Development Agreement 24
THE SYSTEM 24
General 24
Water Supply 24
Wastewater Treatment 24
Storm Drainage 25
Irrigation Land 25
Regulation 25
100-Year Flood Plain 25
Water and Wastewater Operations 25
INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT 25
TAX RATE LIMITATIONS 27
District Bond Tax Rate Limitation 27
Maintenance Tax 27
TAXING PROCEDURES 27
LEGAL MATTERS 30
TAX MATTERS 30
CONTINUING DISCLOSURE OF INFORMATION 32
FINANCIAL ADVISOR 33
OFFICIAL STATEMENT 34
Experts 34
Updating the Official Statement During Underwriting Period 34
Certification as to Official Statement 34
Official Statement "Deemed Final" 34
Annual Audits 35

Financial Information of the District — Appendix A
Form of Legal Opinion of Bond Counsel — Appendix B
The District's Audited Financial Statements for the Year Ended September 30, 2007 — Appendix C
Senna Hills, Ltd. Financial Statements for the Year Ended December 31, 2007 — Appendix D

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

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

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

The Issuer	Senna Hills Municipal Utility District (the "District" or "Issuer") is a political subdivision of the State of Texas, created pursuant to Chapter 54 of the Texas Water Code, as amended. The District was created to provide water and wastewater facility improvements to the approximately 323 acres within its boundaries, all of which lies within Travis County and of which approximately 199 acres are developable. See "THE DISTRICT - General" herein.
Location	The District is located on the north side of FM 2244, approximately 5.0 miles west of the intersection of FM 2244 and Loop 360 and 2.5 miles east of the intersection of FM 2244 and State Highway 71. The District is situated within the City of Austin's five-mile extra-territorial jurisdiction. See "THE DISTRICT – Location" herein.
The Developer	Senna Hills Ltd. is the principal property owner and developer of the District. See "THE DEVELOPER - Description of Developer/Landowner" and "THE DISTRICT - Current Status of Development" herein.
Development within the District	The District consists of 323 acres. Approximately 400 homes, as allowed and agreed to by the City Austin through a Consent Agreement, will be clustered on about 199 acres, with the remainder of the tract left as open space for effluent irrigation, parks and conservation areas. As of January 2008 the District had 323 water and wastewater connections. See "THE DISTRICT – General" herein.
Builders	Homebuilders within the District include various custom homebuilders who are building homes ranging in price from $450,000 to $750,000 with an average square footage ranging from 3,000 to 5,000 in living area.

THE BONDS

Description	The Bonds are issued in the aggregate principal amount of $5,200,000 maturing annually in varying amounts on August 15 of each year from 2010 through 2032. Interest accrues from September 1, 2008 at the rates per annum set forth on the cover page hereof and is payable February 15, 2009 and each February 15 and August 15 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS - General Description" herein.
Redemption	Bonds maturing in the years 2019 through 2032, inclusive, are subject to redemption in whole or from time to time in part at the option of the District on August 15, 2018, and on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS - Optional Redemption" herein.
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. See "TAXING PROCEDURES" herein. The Bond Resolution irrevocably pledges such ad valorem taxes to the payment for the principal of and interest on the Bonds. The Bonds are further payable from, and secured by, a pledge of and lien on the Net Revenues, if any, of the Waterworks and Sewer System (the "System"). See "THE BONDS - Source of and Security for Payment" herein. **THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN.** See "RISK FACTORS" herein. **The Bonds are obligations solely of Senna Hills Municipal Utility District and are not obligations of the City of Austin, Texas; Travis County, Texas; the State of Texas; or any entity other than the District. See "THE BONDS - Source of and Security for Payment herein.**
Payment Record	The District has never defaulted.
Authority for Issuance	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapter 49 and Chapter 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and a resolution (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the

	District. See "THE BONDS - Authority for Issuance" herein.
Use of Proceeds	The proceeds of the Bonds will be used to acquire water and wastewater facilities from the Developer, to reimburse the Developer for such advanced costs, and to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" herein.
Bonds Authorized but Unissued	The Bonds were authorized at an election held within the District on January 21, 1995. After the sale of the Bonds, $2,615,000 bonds will remain authorized but unissued. See "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized but Unissued" herein.
Municipal Bond Insurance	It is not anticipated that the Bonds will qualify for municipal bond insurance.
Municipal Bond Rating	The District has made an application to Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") for a contract rating on the Bonds. An explanation of the significance of the rating may be obtained from S&P. See "THE BONDS – Rating" herein.
Qualified Tax-Exempt Obligations	The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during this calendar year is not reasonably expected to exceed $10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.
Bond Counsel	Willatt & Flicklinger, Austin, Texas.
General Counsel	Mr. Steven Bowers, Attorney-at-Law, Austin, Texas.
Financial Advisor	Southwest Securities, Dallas, Texas.
Engineer	Aupperle Company, Austin, Texas.

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION

Taxable Assessed Valuation (100% of estimated market value)		$162,648,127	(a)
Gross Debt Outstanding (after issuance of the Bonds)		$12,340,000	
Ratio of Gross Debt to 2008 Assessed Valuation		7.59%	
2007/08 Tax Rate			
Debt Service	$0.4800		
Maintenance & Operation	0.0800		
Total		$0.5600	
Debt Service Fund Balance as of September 30, 2007		$1,246,289	
Percentage of taxes collected to taxes levied – 2007/08		99.50%	
Projected Average Annual Debt Service Requirement Of the Bonds and the Outstanding Bonds ("Projected Average Requirement")		$819,148	
Tax rate required to pay Projected Average Requirement based upon current Taxable Assessed Valuation at 97% collections		$0.5192/$100	A.V.
Projected Maximum Annual Debt Service Requirement (2022) of the Bonds and The Outstanding Bonds ("Projected Maximum Requirement")		$1,050,365	
Tax rate required to pay Projected Maximum Requirement based upon current Taxable Assessed Valuation at 97% collections		$0.6658/$100	A.V.
Number of connections as of January 2008		323	(b)
Estimated population as of January 2008		882	(c)

_____

(a) Certified taxable assessed valuation as of July 2008, according to the Travis Central Appraisal District. See "TAXING PROCEDURES" herein.

(b) Does not include builder connections.

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

OFFICIAL STATEMENT
relating to

$5,200,000
SENNA HILLS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County, Texas)

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2008

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Senna Hills Municipal Utility District (the "District" or "Issuer") of its $5,200,000 Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2008 (the "Bonds").

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

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

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

THE BONDS

General Description

The $5,200,000 Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2008 will bear interest from September 1, 2008 and will mature on August 15 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the cover page hereof. Interest on the Bonds will be paid on February 15, 2009 and each February 15 and August 15 thereafter until maturity or earlier redemption.

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

Optional Redemption

The Bonds maturing on or after August 15, 2019, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 15, 2018, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. At least 30 calendar days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial journal or publication of general circulation in the City of New York, New York or in the State of Texas. Notice shall also be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular maturities of the Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot (or DTC while the Bonds are in Book-Entry-Only form).

Authority for Issuance

The Bonds were authorized at an election held in the District on January 21, 1995. After the sale of the Bonds, $2,615,000 in District bonds will remain authorized but unissued.

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

Source of and Security for Payment

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

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

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

Payment Record

The District has never defaulted.

Rating

The District has made an application to Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") for a contract rating on the Bonds.

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

Revenue Fund

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

Interest and Sinking Fund

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

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

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

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

Additional Bonds

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

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

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

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

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

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

Maintenance and Operation; Insurance

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

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

Accounts and Fiscal Year

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

Accounting Reports

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

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

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

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

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

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

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

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

Defeasance of Bonds

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

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

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

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

Paying Agent/Registrar

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

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

Registration, Transfer and Exchange

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

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

Record Date

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

Issuance of Additional Debt

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

Lost, Stolen or Destroyed Bonds

Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been

acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Remedies in Event of Default

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

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

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

Consolidation

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

Annexation

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

Under Texas law, the City of Austin cannot annex territory within a district unless it annexes the entire district. At such time as it is permissible pursuant to law for the District to be annexed, and the City of Austin does annex, the City of Austin will assume the

District's assets and obligations (including the debt service on the Bonds) and dissolve the District. Annexation of territory by the City of Austin is a policy-making matter within the discretion of the Mayor and City Council of the City of Austin and therefore, the District makes no representation that the City of Austin will ever annex the District.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries. See "THE DISTRICT - Proposed Annexations into the District" herein.

Approval of the Bonds

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

No-Litigation Certificate

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

No Material Adverse Change

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

Amendments to the Bond Resolution

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and

non-U.S. equity, corporate and municipal debt issues, and money market instruments, (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

USE AND DISTRIBUTION OF BOND PROCEEDS

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

CONSTRUCTION COSTS

A. Developer Contribution Items	**Amount**
1. Senna Hills Section 6	
a. Excavation	$47,337
b. Drainage Improvements	$141,076
c. Erosion Control	$34,812
d. Water Improvements	$113,233
e. WW Lift Station	$18,573
f. WW Improvements	$166,077
g. Change Order #1 (French Drain) & #2	$10,580
Subtotal	$531,689
2. Senna Hills Section 7	
a. Excavation	$47,106
b. Drainage Improvements	$560,651
c. Erosion Control	$52,427
d. Water Improvements	$152,394
e. WW Lift Station	$253,846
f. WW Improvements	$258,674
g. Change Orders #1-#4	
(W, WW, Drainage, Erosion Control & L.S.)	$36,201
Subtotal	$1,361,300
3. Section 11	
a. Excavation	$27,358
b. Drainage Improvements	$181,770
c. Erosion Control incl. CO#3	$46,380
d. Water Improvements	$87,023
e. WW Lift Station incl. CO#2 & CO#3	$370,992
f. WW Improvements CO#3	$343,639
g. Change Orders #1	$35,480
Subtotal	$1,092,642
4. Engineering, Surveying, Fees & Other Construction (1)	
a. Engineering, Surveying, Expenses & Misc. Paid By Senna Hills Ltd.	$296,498
b. Engineering Paid By Taylor Woodrow	$268,607
c. Surveying Paid By Taylor Woodrow	$10,650
d. Misc. Expenses Paid By Taylor Woodrow	$29,000
e. Testing, Fees & Expenses Paid By Taylor Woodrow	$59,427
Subtotal	$664,182
Total Developer Contribution Items	**$3,649,812**
B. District Contribution Items	
1. WWTP Replacement & Expansion, Design & Construction (2)	$1,340,000
2. Lift Station Rehabilitation & Improvements, Design & Construction	$100,000
Total District Contribution Items	**$1,440,000**
TOTAL CONSTRUCTION COSTS	**$5,089,812**
Less: Surplus Funds Applied (3)	**$(700,000)**
NET CONSTRUCTION COSTS (84.4% of BIR)	**$4,389,812**

NON CONSTRUCTION COSTS

A. Legal Fees (1.5% of total construction & non-construction costs)	$78,000
B. Fiscal Agent Fees (2.0% of total construction & non-construction costs)	$104,000
C. Developer Interest (2.0 yrs. @ 5.25% of total construction costs) (4)	$383,230
D. Bond Discount (3.0% of total construction & non-construction costs)	$156,000
E. Bond Application Report	
(0.50 % of total construction & non-construction costs)	$26,000
F. Bond Misc. Expenses	$44,758
G. Attorney General's Fee (0.10% of total construction & non-construction costs)	$5,200
H. TCEQ Bond Issuance Fee	
(0.25% of total construction & non-construction costs)	$13,000
TOTAL NONCONSTRUCTION COSTS (15.6% of BIR)	**$810,188**
TOTAL BOND ISSUE REQUIREMENT	$5,200,000

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Travis County, Texas; Austin, Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District and further secured by a pledge and lien on surplus net revenues of the System. See "THE BONDS - Source of and Security for Payment" herein. The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

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

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

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

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

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

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The current taxable assessed valuation of the District is $162,648,127 (see "Appendix A - FINANCIAL INFORMATION OF THE DISTRICT"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be $1,050,365 (2022) and the Projected Average Annual Debt Service Requirement will be $819,148 (2008 through 2032, inclusive). Assuming (1) no increase or decrease from the current taxable assessed valuation, and (2) no use of funds on hand, a tax rate of $0.6658 per $100 assessed valuation, at a 97% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement, and a tax rate of $0.5192 per $100 assessed valuation at a 97% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement.

Overlapping and Combined Tax Rates

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

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

Water and Wastewater Quality

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

Demand for Certain Housing Products

The housing product completed and planned for the District consists of single-family homes with anticipated prices ranging from $450,000 to $750,000. Due to the price ranges of the housing currently under construction and planned within the District, the demand for such housing product may be more adversely affected by economic conditions than other lower cost housing products within the Austin area.

Affects of Regulatory Constraints

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

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

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

Tax Collections and Foreclosure Remedies

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

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

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

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

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

Marketability

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the

maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS" herein.

Future Debt

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

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

No Requirement to Build on Developed Lots

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

THE DISTRICT

General

The District was created to provide water, wastewater and drainage facility improvements within the District. At creation, the District consisted of approximately 398.8 acres to be developed as single family homes. The District has not annexed any land since creation and excluded 76.1 acres on January 4, 1995 resulting in a current District acreage of 323. Approximately 400 homes, as allowed and agreed to by the City of Austin through a consent agreement, will be clustered on about 199 acres with the remainder of the tract left as open space for effluent irrigation, parks and conservation areas. See "THE SYSTEM - Regulation" below. The City of Austin granted consent to the creation of the District by ordinance on January 15, 1987. In 1993 the City of Austin, the District and Senna Hills, Ltd., a Texas limited partnership, as the holder of legal title to a majority in value of the land comprising the District, modified the Agreement concerning creation and operation of the District.

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

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

Commitments of the District

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

Management of the District

Board of Directors

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

Name	Position	Term Expires May
Chet Palesko	President/Investment Officer	2010
Kenneth Fox	Vice-President	2010
Michael Dansby	Secretary	2008
David Perl	Assistant Secretary	2010
Gregg Kronenberger	Director	2008

Consultants

Tax Assessor/Collector

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

Operations Manager

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

Engineer

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

Auditor

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

Financial Advisor

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

Bond Counsel

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

General Counsel

The District employs Steven Bowers, Attorney-at-Law as general counsel. Fees paid to Steven Bowers for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

Location

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

Builders

Homebuilders within the District include various custom homebuilders who are building homes ranging in price from $450,000 to $750,000 with an average square footage of living area ranging from 3,000 to 5,000.

Future Development

The District has approximately 75 remaining undeveloped lots (approximately 400 total lots at build-out) under current land development and water quality regulations. The Developer has stated its current intention is to develop for sale the remaining lands within the District; however, the Developer is under no obligation to continue development. The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any home builder to sell completed homes described in this Official Statement under the caption "RISK FACTORS." If the undeveloped portion of the District is eventually developed, additions to the District's water and wastewater systems required to service such undeveloped acreage may be financed by future issues, if any, of the District's bonds and Developer contributions, if any, as required by the Commission. The District's Engineer estimates that the $2,615,000 authorized bonds which remain unissued after the sale of the Bonds should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to remaining undeveloped but potentially developable acres within the District. See "THE BONDS - Issuance of Additional Debt" herein. The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

Proposed Annexations into the District

There are no proposed annexations to the District at this time.

Annexation of the District

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

THE DEVELOPER

Role of a Developer

In general, the activities of a landowner or developer within a utility district, such as the District, include, among other activities, purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning and scheduling building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities in the utility district) pursuant to the rules of the Commission, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the Developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility districts finance the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the Commission to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developer

Senna Hills Ltd., (the "Developer") is the developer of the District. See Appendix D for the Developer's financial statements.

30% Developer Contribution

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

Utility Development Agreement

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

THE SYSTEM

General

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

Water Supply

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

Wastewater Treatment

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

Storm Drainage

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

Irrigation Land

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

Regulation

According to the engineering report, the facilities are designed in accordance with standards and regulations established by the TCEQ, the City of Austin, and Travis County. The Developer has entered into a contract with Aupperle Company to plat and develop construction plans for all of the remaining lots within the District.

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

100-Year Flood Plain

There is no flood plain within the District.

Water and Wastewater Operations

Rate and Fee Schedule -

Tap Fees:	
Water Residential	$ 131.00
Sewer Residential	50.00
Builder Deposit	1,000.00
Security Deposit:	
Residential (5/8")	$ 100.00
Residential (3/4")	125.00
Fire Hydrant Meter	750.00
Water Consumption Rates:	
Base Rate (5/8") including zero gallons	$ 18.00
¾" Meter	1.5 times Base Rate
1" Meter	2.5 times Base Rate
1 ½" Meter	5.0 times Base Rate
Per 1,000:	
1,001-19,999 gallons	$ 2.71
20,000-44,999 gallons	2.96
45,000-74,999 gallons	3.46
Over 75,000 gallons	3.71
Sewer Consumption Rates:	
Base Rate	$ 25.00
Per	2.75

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

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

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

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly

issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligation, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for District deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses 1) through 5) or in any other manner and amount provided by law for District deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause 1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either 1) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper if fully secured by an irrevocable letter of credit issued by the U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invests exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaa or an equivalent by at least one nationally recognized rating service. The District is specifically prohibited from investing in: 1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage backed security collateral and pays no principal; 2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage backed security and bears no interest; 3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and 4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in the market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity, that address investment diversification, yield, maturity, and the quality and capability of investment management, and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: 1) suitability of investment type, 2) preservation and safety of principal, 3) liquidity, 4) marketability of each investment, 5) diversification of the portfolio, and 6) yield.

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

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

no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and 8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments

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

As of September 30, 2007 the District's funds (General, Debt Service and Construction) were invested as follows:

Fund and Investment Type	Amount	Percentage of Portfolio
Cash and Cash Equivalents	$ 407,213	3.76%
Investments	2,286,794	96.24%
Total Investments	**$2,694,007**	**100.00%**

TAX RATE LIMITATIONS

District Bond Tax Rate Limitation

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

Maintenance Tax

The Board of Directors of District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, or maintaining or repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds which may be issued in the future. At an election held on January 21, 1995, voters within the District authorized a maintenance tax not to exceed $1.00/$100 assessed valuation. As shown in Appendix A, the District levied 2007/08 maintenance and operations tax of $0.08/$100 assessed valuation.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

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

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

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

Valuation of Property for Taxation

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

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 1997". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Effect of FIRREA on Tax Collections

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

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

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

LEGAL MATTERS

Legal Opinions

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

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

Litigation

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Willatt & Flicklinger, Austin, Texas, Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (i) interest on the Bonds will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Interest on the Bonds will be includable as an adjustment for "adjusted earnings and profits" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for non-corporate taxpayers (28 percent for taxable excess exceeding $175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

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

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by an "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds $10,000,000, then such obligations might fail to satisfy the $10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for an exemption from Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission regarding the District’s continuing disclosure obligations because the District has less than $10,000,000 in aggregate amount of outstanding obligations and no person other than the District is committed by contract or other arrangement with respect to the payment of the Bonds. In accordance with such exemption, the District in the Bond Resolution has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provided certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available to the appropriate state information depository (“SID”). The financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A, Tables 1, 7, 8, 9, 10 and 12 will be provided. Under Texas Law, the District must keep its fiscal records in accordance with generally accepted accounting principals, must have its financial accounts and records audited by a certified public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year. The District’s fiscal records and audit reports are available for public inspection during regular business hours, and the District and the TCEQ are required by law to provide a copy of the District’s audit reports to any member of the public within a reasonable time on request, upon payment of applicable copying charges. Requests for copies should be addressed to the District in care of AquaSource, Inc., 1421 Wells Branch Parkway, Suite 105, Pflugerville, TX. The District will provide this information to the SID within six months after the end of each of its fiscal years.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements cannot be provided, the

Issuer will provide unaudited financial statements until the audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

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

Material Event Notices

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

Availability of Information from SID and MSRB

The Issuer has agreed to provide the foregoing information only to any SID and the MSRB. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State of Texas as a SID, and has been qualified as a SID by the staff of the SEC. The address of the Municipal Advisory Council is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

Limitations and Amendments

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

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

Compliance with Prior Agreements

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

FINANCIAL ADVISOR

Southwest Securities is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of

the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

OFFICIAL STATEMENT

Experts

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

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

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

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

Updating the Official Statement During Underwriting Period

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

Certification as to Official Statement

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

Official Statement "Deemed Final"

For purposes of compliance with Rule 15c(2)-12 of the Securities Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in Rule 15c(2)-12.

Annual Audits

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

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

/s/ Chet Palesko

President, Board of Directors
Senna Hills Municipal Utility District

/s/ Michael Dansby
Secretary, Board of Directors
Senna Hills Municipal Utility District

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2008 Actual Market Value of Taxable Property	$ 165,661,849
Less Exemptions:	(3,013,722)
2008 Net Taxable Assessed Valuation (100% of Actual) [a]	$ 162,648,127

Source: July 2008 report entitled Certification of 2008 Appraised Values by the Travis County Appraisal District

GENERAL OBLIGATION BONDED DEBT **TABLE 2**

General Obligation Debt Outstanding:	
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 1999	$ 2,495,000
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2000	2,900,000
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2004	1,745,000
Unlimited Tax and Waterworks and Sewer System Revenue Bonds, Series 2008	5,200,000
Total Gross General Obligation Debt Outstanding:	$ 12,340,000
Less: Estimated Self-Supporting Gross Debt	$ -
Less: I&S Fund Balance as of September 30, 2007	(1,246,289)
Total Net General Obligation Debt Outstanding:	$ 11,093,711
Ratio of Gross General Obligation Debt to Net Assessed Valuation	7.59%
Ratio of Net General Obligation Debt to Net Assessed Valuation	6.82%

Gross Area of the District in acres -	322.68
Gross Bonded Debt Per Acre	$38,242
Net Bonded Debt Per Acre	$34,380
Estimated Assessed Value Per Acre	$504,054
2008 Population Estimate [a]	882
Per Capita Net Appraised Taxable Valuation	$184,408
Per Capita Gross Bonded Debt	$13,991
Per Capita Net Bonded Debt	$12,578

[a] *Based on 3 residents per 294 completed single-family connections.*

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS — TABLE 3

Fiscal Year 30-Sep	Oustanding Debt Service Requirements	The Bonds Principal	The Bonds Interest	The Bonds Total	Combined Debt Service
2008	$ 610,215	$ -	$ -	$ -	$ 610,215
2009	613,440	-	261,763	261,763	875,203
2010	620,863	120,000	273,938	393,938	1,014,800
2011	627,183	130,000	267,638	397,638	1,024,820
2012	632,425	135,000	260,813	395,813	1,028,238
2013	636,613	140,000	253,725	393,725	1,030,338
2014	639,775	150,000	246,375	396,375	1,036,150
2015	646,568	155,000	238,500	393,500	1,040,068
2016	646,955	165,000	230,363	395,363	1,042,318
2017	651,098	175,000	221,700	396,700	1,047,798
2018	648,635	185,000	212,513	397,513	1,046,148
2019	649,900	195,000	202,800	397,800	1,047,700
2020	649,718	205,000	192,563	397,563	1,047,280
2021	653,110	215,000	181,800	396,800	1,049,910
2022	654,853	225,000	170,513	395,513	1,050,365
2023	654,945	235,000	158,700	393,700	1,048,645
2024	399,638	250,000	146,363	396,363	796,000
2025	121,070	260,000	133,238	393,238	514,308
2026	121,170	275,000	119,588	394,588	515,758
2027	121,025	290,000	105,150	395,150	516,175
2028	120,635	305,000	89,925	394,925	515,560
2029	-	320,000	73,913	393,913	393,913
2030	-	340,000	57,113	397,113	397,113
2031	-	355,000	39,263	394,263	394,263
2032	-	375,000	20,625	395,625	395,625
	$ 11,119,830	$ 5,200,000	$ 4,158,875	$ 9,358,875	$ 20,478,705

TAX ADEQUACY — TABLE 4

2008 Net Taxable Valuation	$ 162,648,127
Maximum Annual Debt Service Requirement	1,050,365
Indicated Maximum Interest and Sinking Fund Tax Rate	0.6658
Indicated Maximum Interest and Sinking Fund Tax Levy at 97% Collections	1,050,424

DEBT SERVICE FUND MANAGEMENT INDEX — TABLE 5

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2007	$ 1,246,289
2007/08 Interest and Sinking Fund Tax Levy at 97% Collections Produces	655,763
Total Available for Debt Service	$ 1,902,052
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-08	(610,215)
Estimated Surplus at Fiscal Year End 9-30-08	$ 1,291,837

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE — TABLE 6

Fiscal Year Ending 9/30	Principal Payment Schedule: Outstanding Bonds	Principal Payment Schedule: The Bonds	Principal Payment Schedule: Total	Bonds Unpaid at End of Year	Percent of Principal Retired
2008	$ 240,000	$ -	$ 240,000	12,100,000	1.94%
2009	255,000	-	255,000	11,845,000	4.01%
2010	275,000	120,000	395,000	11,450,000	7.21%
2011	295,000	130,000	425,000	11,025,000	10.66%
2012	315,000	135,000	450,000	10,575,000	14.30%
2013	335,000	140,000	475,000	10,100,000	18.15%
2014	355,000	150,000	505,000	9,595,000	22.24%
2015	380,000	155,000	535,000	9,060,000	26.58%
2016	400,000	165,000	565,000	8,495,000	31.16%
2017	425,000	175,000	600,000	7,895,000	36.02%
2018	445,000	185,000	630,000	7,265,000	41.13%
2019	470,000	195,000	665,000	6,600,000	46.52%
2020	495,000	205,000	700,000	5,900,000	52.19%
2021	525,000	215,000	740,000	5,160,000	58.18%
2022	555,000	225,000	780,000	4,380,000	64.51%
2023	585,000	235,000	820,000	3,560,000	71.15%
2024	360,000	250,000	610,000	2,950,000	76.09%
2025	100,000	260,000	360,000	2,590,000	79.01%
2026	105,000	275,000	380,000	2,210,000	82.09%
2027	110,000	290,000	400,000	1,810,000	85.33%
2028	115,000	305,000	420,000	1,390,000	88.74%
2029	-	320,000	320,000	1,070,000	91.33%
2030	-	340,000	340,000	730,000	94.08%
2031		355,000	355,000	375,000	96.96%
2032	-	375,000	375,000	-	100.00%
	$ 7,140,000	$ 5,200,000	$ 12,340,000		

PROPERTY TAX RATES AND COLLECTIONS — TABLE 7

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

Fiscal Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections: Current	% Collections: Total	
2003/04	$ 89,309,745	$ 0.6650	$ 593,910	99.37%	100.12%	
2004/05	92,038,336	0.6650	612,055	99.56%	100.80%	
2005/06	94,963,504	0.6650	631,507	99.99%	100.42%	
2006/07	111,354,890	0.6075	676,481	99.45%	100.30%	
2007/08	140,842,481	0.5600	788,718	99.50%	100.00%	(1)
2008/09	162,648,127					

Sources: Travis County Appraisal District , Travis County Tax Office and Issuer's audited financial reports
(1) Estimated collections through August 1, 2008.

PRINCIPAL TAXPAYERS — TABLE 8

Name	Type of Property	2007/08 Net Taxable Assessed Valuation	% of Total 2007/08 Assessed Valuation
Taylor Woodrow Homes-Austin	Lots and Homes	$ 8,000,540	4.92%
Drees Custom Homes LP	Lots and Homes	1,496,361	0.92%
Ratliff, Thoma R. and Stacy	Residence	848,625	0.52%
Deangelis, John A.	Residence	819,934	0.50%
Board, Tommy and Martha F. Proado	Residence	791,496	0.49%
Dogget, Lisa and Eric	Residence	787,882	0.48%
Sorrell, Jeffrey Sean	Residence	770,943	0.47%
Wang-Lee, Nancy & Kyu-Woong Lee	Residence	760,271	0.47%
Palesko, Chet A. and Donna K.	Residence	741,596	0.46%
Poulin, Peter M. and Elizabeth A.	Residence	709,311	0.44%
	Total	$ 15,726,959	9.67%

Based on a 2008 Net Taxable Assessed Valuation of $ 162,648,127

Source: Travis County Appraisal District.

HISTORICAL ASSESSED VALUATION AND EXEMPTIONS — TABLE 9

Property Use Category	2003/04	2004/05	2005/06	2006/07	2007/08
Real Property	$ 90,297,835	$ 93,052,770	$ 96,230,425	$ 114,110,043	$ 141,867,556
Personal Property	224,418	197,611	231,942	179,012	284,684
Total Appraised Value	$ 90,522,253	$ 93,250,381	$ 96,462,367	$ 114,289,055	$ 142,152,240
Less: Exemptions					
Loss to Agriculture	$ 1,186,844	$ 1,188,039	$ 988,897	$ 523,907	$ 225,021
Exempt	15,664	14,006	499,966	387,190	237,503
Homestead Cap	-	-	-	2,013,068	837,235
Ten Percent Cap Loss	-	-	-	-	-
Disabled/Deceased Veterans	10,000	10,000	10,000	10,000	10,000
Total Exemptions	$ 1,212,508	$ 1,212,045	$ 1,498,863	$ 2,934,165	$ 1,309,759
Net Taxable Assessed Valuation	$ 89,309,745	$ 92,038,336	$ 94,963,504	$ 111,354,890	$ 140,842,481

Source: Travis County Appraisal District.

PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY — TABLE 10

Property Use Category	2003/04	2004/05	2005/06	2006/07	2007/08
Real Property	99.75%	99.79%	99.76%	99.84%	99.80%
Personal Property	0.25%	0.21%	0.24%	0.16%	0.20%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

CASH AND INVESTMENT BALANCES — TABLE 11

(As of September 30, 2007)

Fund Name	Fund Balance
General Operating Fund	$ 629,111
Debt Service Fund	1,246,289
Capital Projects Fund	713,226
	$ 2,588,626

Source: Audited Financial Statement for the period ending September 30, 2007

DISTRICT TAX RATES **TABLE 12**

Fund	2005/06	2006/07	2007/08
Maintenance & Operations Fund	$0.1000	$0.0950	$0.0800
Interest & Sinking Fund	0.5650	0.5125	0.4800
TOTAL	$0.6650	$0.6075	$0.5600

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 13**

(As of June 30, 2008)

Taxing Body	Gross Debt	Estimated Percentage Overlapping	Amount Overlapping
Eanes Independent School District	$ 133,590,000	1.57%	$ 2,097,363
Travis County	307,757,053	0.15%	461,636
Total Gross Overlapping Debt			$ 2,558,999
Senna Hills Municipal Utility District	$ 12,340,000	100.00%	12,340,000
Total Direct and Overlapping Debt			$ 14,898,999

Ratio of Direct and Overlapping Debt to 2008 Assessed Valuation	9.16%
Ratio of Direct and Overlapping Debt to 2008 Actual Value	8.99%
Direct and Overlapping Debt per Acre	$46,173

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

OVERLAPPING TAXES **TABLE 14**

Governmental Entity	2007 Tax Rate Per $100 Assessed Valuation	Average Tax Bill (a)
Eanes Independent School District	$ 1.2025	$ 5,231
Travis County	0.4216	1,897
Total	**$ 1.6241**	**$ 7,128**

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

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

	Fiscal Year Ended September 30				
REVENUES:	**2003**	**2004**	**2005**	**2006**	**2007**
Service Revenue	$ 285,694	$ 286,084	$ 306,122	$ 394,565	$ 333,305
Penalty and Interest	6,918	4,750	5,500	5,944	5,582
Interest	8,453	7,032	16,300	34,499	55,267
Maintenance Tax Revenue	101,409	89,436	92,939	95,780	107,585
Water Tap revenue	724	543	180	7,421	6,697
Other	201	140	3,984	145	995
Total Revenues	$ 403,399	$ 387,985	$ 425,025	$ 538,354	$ 509,431
EXPENDITURES:					
Current					
Professional Fees	$ 40,976	$ 51,587	$ 47,904	$ 61,424	$ 42,681
Purchased Services for Resale	161,124	216,603	203,995	233,488	239,492
Contracted Services	37,605	37,478	38,250	38,665	40,462
Utilities	24,804	28,364	29,035	28,927	24,563
Repairs and Maintenance	74,749	33,222	33,794	38,759	60,974
Other	60,236	60,082	71,367	84,441	68,058
Capital Outlay	400	-	-	-	375,111
Debt Service	-	-	-	-	-
Total Expenditures	$ 399,894	$ 427,336	$ 424,345	$ 485,704	$ 851,341
Excess Revenues Over (Under) Expenditures	$ 3,505	$ (39,351)	$ 680	$ 52,650	$ (341,910)
OTHER FINANCING SOURCES (USES):					
Developer Contribution	$ -	$ -	$ -	$ -	$ 346,835
Voided Checks for Prior Expenditures	-	-	4,550	-	-
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
Prior Year Accrued Interest Adjustment	-	-	-	-	-
Total Other Financing Sources (Uses):	$ -	$ -	$ 4,550	$ -	$ 346,835
Excess of Revenues & Other Sources Over (Under) Expenditures and Other Uses	$ 3,505	$ (39,351)	$ 5,230	$ 52,650	$ 4,925
Fund Balance - Beginning of Year	$ 602,152	$ 605,657	$ 566,306	$ 571,536	$ 624,186
Fund Balance - End of Year	$ 605,657	$ 566,306	$ 571,536	$ 624,186	$ 629,111

Note: The 2008 fiscal year end General Fund Balance is expected to be approximately $_____.

APPENDIX B

FORM OF LEGAL OPINION OF BOND COUNSEL

APPENDIX C

THE DISTRICT'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

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

APPENDIX D

SENNA HILLS, LTD. FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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