OFFICIAL STATEMENT

Dated: August 31, 2016

(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

Ratings:
S&P: "AA-"
(see "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes 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 BONDS **WILL NOT BE** BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS*

$19,555,000
TRINITY RIVER AUTHORITY OF TEXAS
RED OAK CREEK SYSTEM
REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 2016

Dated Date: September 1, 2016
Interest to accrue from Delivery Date

Due: February 1, as shown on Page ii

PAYMENT TERMS . . . Interest on the $19,555,000 Trinity River Authority of Texas Red Oak Creek System Revenue Improvement and Refunding Bonds, Series 2016 (the "Bonds") will accrue from the date they are initially delivered (the "Delivery Date") to the underwriters listed below (the "Underwriters"), will be payable on February 1, 2017, and on August 1 and February 1 of each year thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the provisions of Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended, Chapter 30, Texas Water Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws, and a bond resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the Trinity River Authority of Texas (the "Authority" or "Issuer") on August 24, 2016. In the Bond Resolution, the Board delegated to an officer of the Authority (the "Authorized Officer") the authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate" which has been approved and executed by the Authorized Officer and completes the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to as the "Resolution"). Under the Constitution and the statutes of the State of Texas, the Authority has broad powers to effectuate flood control and the conservation and use for all beneficial purposes of storm and flood waters in the Trinity River watershed, and as a necessary aid to these purposes, the Authority has specific authority to construct, own and operate water and wastewater treatment, collection and transportation systems, and to make contracts in reference thereto with municipalities and others.

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to acquire and construct improvements and extensions to the Authority's Red Oak Creek Regional Wastewater System (the "System"); (ii) to refund certain of the Authority's outstanding revenue bonds related to the System, as shown on SCHEDULE I hereto; and (iii) to pay costs associated with the issuance of the Bonds.

CUSIP PREFIX: 896575
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page ii

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX D, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Dallas, Texas, counsel to the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about September 28, 2016.

Wells Fargo Securities **Estrada Hinojosa & Company, Inc.**

CUSIP PREFIX: 896575[(1)]

MATURITY SCHEDULE

Serial Bonds

Maturity (February 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
2017	$ 60,000	2.000%	0.660%	GC5
***	***	***	***	***
2019	1,395,000	2.000	0.820	FH5
2020	1,440,000	4.000	0.940	FJ1
2021	1,495,000	4.000	1.080	FK8
2022	1,555,000	4.000	1.280	FL6
2023	1,555,000	5.000	1.450	FM4
2024	1,630,000	5.000	1.600	FN2
2025	1,710,000	5.000	1.710	FP7
2026	1,790,000	5.000	1.830	FQ5
2027	2,520,000	5.000	1.890*	FR3
2028	2,650,000	5.000	2.000*	FS1
2029	160,000	5.000	2.090*	FT9
2030	170,000	5.000	2.160*	FU6
2031	180,000	5.000	2.210*	FV4
2032	190,000	4.000	2.510*	FW2
2033	200,000	4.000	2.560*	FX0
2034	205,000	4.000	2.610*	FY8
2035	210,000	3.000	3.010	FZ5
2036	215,000	3.000	3.050	GA9
2037	225,000	3.000	3.070	GB7

* Yield shown is the yield to the first optional call date, February 1, 2026.

(Interest to accrue from the Delivery Date)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Authority, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION . . . The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to date of redemption (see “THE BONDS – Redemption – Optional Redemption”).

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters 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 Authority or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

Certain information set forth herein has been obtained from the Authority, the Contracting Parties (as defined herein) and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. 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 Authority or the Contracting Parties or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's and Contracting Parties' undertakings to provide certain information on a continuing basis.

NONE OF THE AUTHORITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Financial Advisor. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

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

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated 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 AUTHORITY........................... The Trinity River Authority of Texas (the "Authority" or "Issuer") is a governmental agency of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution pursuant to Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended. The Authority is governed by a Board (the "Board") of 25 directors who are appointed by the Governor for six-year terms.

THE BONDS................................... The Bonds are issued as $19,555,000 Red Oak Creek System Revenue Improvement and Refunding Bonds, Series 2016. The Bonds are issued as serial bonds maturing on February 1 in each of the years 2017 and 2019 through 2037, inclusive (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date they are initially delivered to the Underwriters, and is payable February 1, 2017, and each August 1 and February 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the provisions of Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended, Chapter 30, Texas Water Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws, and a bond resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board on August 24, 2016. In the Bond Resolution, the Board delegated to an officer of the Authority (the "Authorized Officer") the authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate" which has been approved and executed by the Authorized Officer and completes the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to as the "Resolution") (see "THE BONDS - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds constitute special obligations of the Authority, payable both as to principal and interest, and secured by a first lien on a pledge of the Pledged Revenues of the Authority under the Contract entered into with the Cities of Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla and Red Oak (the "Contracting Parties") (see "THE BONDS - Security and Source of Payment").

REDEMPTION .... The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2026 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Redemption – Optional Redemption").

TAX EXEMPTION........................... In the opinion of Bond Counsel, the 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 the caption "TAX MATTERS" herein, including the alternative minimum tax on corporations.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to acquire and construct improvements and extensions to the Authority's Red Oak Creek Regional Wastewater System (the "System"); (ii) to refund certain of the Authority's outstanding revenue bonds related to the System (see SCHEDULE I); and (iii) to pay costs associated with the issuance of the Bonds.

RATINGS .... The Bonds are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The outstanding Parity Bonds of the System are rated "AA-" by S&P, without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM....... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

PAYMENT RECORD .... Neither the Authority nor any of the Contracting Parties have ever defaulted in payment of their bonds.

For additional information regarding the Authority, please contact:

Ms. Alison A. Mackey, C.P.A. Trinity River Authority of Texas P.O. Box 60 Arlington, Texas 76004 (817) 493-5118	or	Mr. W. Boyd London, Jr. Ms. Mary Williams FirstSouthwest, a Division of Hilltop Securities Inc. 1201 Elm Street, Suite 3500 Dallas, Texas 75270 (214) 953-4000

AUTHORITY OFFICIALS, STAFF AND CONSULTANTS

Board Members	Position	Area Represented
David B. Leonard	President and Member, Executive Committee	Liberty County
Christina Melton Crain	Vice President and Member, Executive Committee	Dallas County
Kim C. Wyatt	Chair and Member, Executive Committee	Navarro County
Jess A. Laird	Chairman, Resources Dev. Comm. and Member, Executive Committee	Henderson County
Harold L. Barnard	Chairman, Legal and Public Policy Comm. and Member, Executive Committee	Ellis County
Valerie E. Ertz	Chair, Administration and Audit Committee and Member, Executive Committee	Dallas County
Kevin Maxwell	Chairman, Utility Services Committee, Member, Executive Committee	Houston County
Henry Borbolla III	Member, Utility Services Committee	Tarrant County
William W. Collins Jr.	Member, Resources Development Committee	Tarrant County
Steve Cronin	Member, Resources Development Committee	San Jacinto County
Amanda B. Davis	Member, Administration and Audit Committee	Leon County
Tommy G. Fordyce	Member, Resources Development Committee	Walker County
Ronald J. Goldman	Member, Legal and Public Policy Committee	Director at Large
Martha A. Hernandez	Member, Legal and Public Policy Committee	Tarrant County
John W. Jenkins	Member, Administration and Audit Committee	Director at Large
Dennis “Joe” McCleskey	Member, Utility Services Committee	Trinity County
James W. Neale	Member, Administration and Audit Committee	Dallas County
Manny Rachal	Member, Utility Services Committee	Polk County
Amir A. Rupani	Member, Utility Services Committee	Director at Large
Ana Laura Saucedo	Member, Legal and Public Policy Committee	Dallas County
Shirley K. Seale	Member, Resources Development Committee	Chambers County
Dudley K. Skyrme	Member, Administration and Audit Committee	Anderson County
C. Dwayne Somerville	Member, Utility Services Committee	Freestone County
J. Carol Spillars	Member, Legal and Public Policy Committee	Madison County
Vacancy		Kaufman County

Management Officers

J. Kevin Ward .... General Manager
Fiona M. Allen, P.E. .... Regional Manager, Northern Region
Jimmie R. Sims. .... Regional Manager, Southern Region
Alison A. Mackey, CPA .... Chief Financial Officer
Don A. Tucker .... General Services Manager
Glenn C. Clingenpeel .... Planning and Environmental Services Manager
Howard S. Slobodin .... Secretary, Board of Directors and General Counsel

Consultants and Advisors

Authority Counsel .... Booth, Ahrens & Werkenthin, P.C. .... Austin, Texas
Independent Auditors .... Weaver and Tidwell, LLP .... Dallas, Texas
Bond Counsel .... McCall, Parkhurst & Horton L.L.P .... Dallas, Texas
Financial Advisor .... FirstSouthwest, a Division of Hilltop Securities Inc. .... Dallas, Texas

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OFFICIAL STATEMENT

RELATING TO

$19,555,000
TRINITY RIVER AUTHORITY OF TEXAS
RED OAK CREEK SYSTEM
REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 2016

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $19,555,000 Trinity River Authority of Texas Red Oak Creek System Revenue Improvement and Refunding Bonds, Series 2016 (the "Bonds"). Capitalized terms used but not defined in this Official Statement have the same meanings assigned to such terms in the Resolution (defined herein), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE RESOLUTION").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Trinity River Authority of Texas (the "Authority" or "Issuer") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Authority's Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc., Dallas, Texas.

Description of the Authority

The Authority is a governmental agency of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Constitution pursuant to Chapter 518, Acts of the 54th Legislature of Texas, Regular Session, 1955, as amended. Under the Constitution and the statutes of the State of Texas, the Authority has broad powers to effectuate flood control and the conservation and use, for all beneficial purposes, of storm and flood waters and unappropriated flow waters in the Trinity River watershed, and as necessary aid to these purposes, the Authority has specific authority to construct, own and operate water supply, treatment and distribution facilities, and to make contracts in reference thereto with municipalities and others.

The Authority consists of all the territories in the Counties of Dallas, Tarrant, Ellis, Navarro and Chambers, and the principal watershed portions of Anderson, Freestone, Henderson, Houston, Kaufman, Leon, Madison, Polk, San Jacinto, Trinity, Walker and Liberty Counties. The Authority is governed by a Board (the "Board") of 25 directors who are appointed by the Governor with the advice and consent of the Texas Senate. The first directors were appointed for staggered terms, and directors thereafter have served six-year terms. Three of the directors are appointed from the area-at-large; three directors are from Tarrant County; four are from Dallas County; and one director is from each of the other counties.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to acquire and construct improvements and extensions to the Authority's Red Oak Creek Regional Wastewater System (the "System"); (ii) to refund certain of the Authority's outstanding revenue bonds related to the System, as described in SCHEDULE I hereto (the "Refunded Bonds"); and (iii) to pay costs associated with the issuance of the Bonds.

Refunded Bonds

A description and identification of the Refunded Bonds appears in SCHEDULE I.

The principal and interest due on the Refunded Bonds are to be paid on each interest payment date and the redemption date of the Refunded Bonds from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the Authority and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"). The Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriters and other available Authority funds, the Authority will deposit with the Escrow Agent the amount when invested that will be sufficient to pay all amounts coming due on the Refunded Bonds to their redemption date and to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America or obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent (the "Escrow Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Causey Demgen & Moore P.C., a nationally recognized accounting firm, will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrow Securities will not be available to pay the Bonds.

By the deposit of the Escrow Securities and cash, with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have effected the defeasance of all of the Refunded Bonds in accordance with State law and in reliance upon the Report. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Securities and cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the Authority payable from Net Revenues of the System nor for the purpose of applying any limitation on the issuance of debt, and the Authority will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payments when due on the Escrow Securities.

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Sources and Uses of Bond Proceeds

Proceeds from the sale of the Bonds are expected to be applied approximately as follows:

Sources of Funds		
Par Amount of Bonds	$	19,555,000.00
Reoffering Premium		3,752,749.05
Transfer from Debt Service Reserve Fund		656,705.19
Total Sources of Funds	$	23,964,454.24
Uses of Funds:		
Deposit to Project Fund	$	3,685,490.00
Deposit to Escrow Fund		19,914,223.63
Underwriters Discount		108,387.85
Costs of Issuance		256,352.76
Total Uses of Funds	$	23,964,454.24

THE BONDS

Description of the Bonds

The Bonds are dated September 1, 2016, and mature on February 1 in each of the years and in the amounts shown on page ii hereof. Interest will accrue from the date they are initially delivered to the Underwriters, will be payable on February 1, 2017, and on August 1 and February 1 of each year thereafter until maturity or prior redemption, and will be computed on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. Principal of and interest on the Bonds at maturity will be payable upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Authority For Issuance

The Bonds are being issued pursuant to the provisions of Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended, Chapter 30, Texas Water Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws, and a bond resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board on August 24, 2016. In the Bond Resolution, the Board delegated to an officer of the Authority (the "Authorized Officer") the authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate" which has been approved and executed by the Authorized Officer and completes the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to as the "Resolution"). The Bonds are "Additional Bonds" permitted to be issued by the resolutions of the Board authorizing the issuance of the currently outstanding Red Oak Creek System Revenue Bonds.

Security and Source of Payment

The Authority has entered into the Contract with the Contracting Parties to construct facilities to enable the Authority to provide wastewater treatment for the benefit of the Contracting Parties (see "THE SYSTEM"). The Bonds, and interest thereon, are payable solely from Pledged Revenues to be received by the Authority under the terms of the Contract, and the Authority has pledged these Pledged revenues to the punctual payments of these Bonds, when due.

The expense of operating the System, including administrative overhead, the amount necessary to pay debt service on any outstanding bonds, the amount required to establish or maintain any special funds required by the provisions of the Resolution, and the amount necessary to restore any deficiencies in such special funds, is the Annual Requirement, and each Contracting Parties' proportionate share of said Annual Requirement will constitute Contracting Party's Annual Requirement.

Each Contracting Party's proportionate share of the Annual Requirement shall be a percentage obtained by dividing such Contracting Party's estimated annual flow of wastewater discharged into the System for the upcoming year by the total estimated volume of wastewater discharged into the System by all Contracting Parties for the same year.

Each Contracting Party is then billed monthly according to their estimated annual usage with provisions for annual adjustment based on actual metered usage.

Additionally, the Contract established flows of wastewater for each Contracting Party. The contributing flow of wastewater into the System for each Initial Contracting Party, during each Annual Payment Period, shall be deemed to be not less than the minimum amount (regardless of whether or not such amount was actually discharged into the System) specified for each Initial Contracting Party as follows:

City of Cedar Hill	127,750,000 gallons
City of DeSoto	18,250,000 gallons
City of Glenn Heights	164,250,000 gallons
City of Lancaster	18,250,000 gallons
City of Ovilla	7,300,000 gallons
City of Red Oak	73,000,000 gallons

The Fiscal Provisions of the Contracting Parties' Contract with the Authority are summarized in this Official Statement. See "SELECTED CONTRACT PROVISIONS."

Reserve Fund

As additional security for the Bonds and any Additional Bonds there has been established a Reserve Fund. The Resolution provides that the Required Reserve for the Reserve Fund may be satisfied in whole or in part with cash, investments or one or more Reserve Fund Obligations (defined as qualifying credit facilities such as a bond insurance policy, a surety bond or a letter or line of credit). The Required Reserve is defined as an amount equal to the lesser of (i) the average annual principal and interest requirements on the Bonds or Additional Bonds or (ii) the amount determined by the Internal Revenue Code of 1986, as amended, and the regulations thereunder, as of the date of issuance of any hereafter issued Bonds or Additional Bonds issued with the intent that interest thereon will be excludable from the gross income of the registered owners thereof for federal income tax purposes, to be a reasonably required reserve or replacement fund. At delivery of the Bonds, the Authority will confirm that the Required Reserve is fully funded and no additional deposit will be required in connection with the issuance of the Bonds.

Redemption

Optional Redemption. The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2026 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Authority may select the maturities of the Bonds to be redeemed. If less than all of the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the day such notice of redemption is mailed and to major securities depositories, national bond rating agencies and any national information service that disseminates redemption notices; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of $5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Resolution.

If at the time of mailing of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Bonds called for redemption, such notice must state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited on or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within 5 days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

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

Defeasance

The Resolution provides for the defeasance of the Bonds when the payment of all amounts due with respect to the Bonds to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Resolution provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. In the Pricing Certificate, the Authorized Officer has restricted such Defeasance Securities to: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Authority has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Authority moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Authority to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption (to the extent the Bonds are subject to redemption) is not extinguished if the Authority: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 Authority and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Authority and the Underwriters cannot and do 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 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 “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate for each maturity will be issued for the Securities, in the aggregate principal amount of such 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 instrument (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Securities 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 Authority or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Authority or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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 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 Resolution will be given only to DTC.

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 Authority or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the Authority, printed Bond certificates will be issued to the respective holders of the Bonds, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Resolution, summarized under "THE BONDS - Registration, Transfer and Exchange" below.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Resolution, the Authority retains the right to replace the Paying Agent/Registrar. The Authority covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Authority agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange And Registration

In the event the Book Entry Only System should be discontinued, the Bonds will be printed and delivered to the beneficial owners thereof, and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book Entry Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the fifteenth calendar day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Authority. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Bondholders' Remedies

The Resolution does not specify events of default with respect to the Bonds. If the Authority defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the Authority defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of mandamus to compel the Authority or Authority officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Authority's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the Authority to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Authority's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the Authority for breach of the Bonds or Resolution covenants in the absence of Authority action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the Authority, permits the Authority to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the Authority has not waived sovereign immunity. Even if a judgment against the Authority could be obtained, it could not be enforced by direct levy and execution against the Authority's property. Further, the registered owners cannot themselves foreclose on property within the Authority or sell property within the Authority to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the Authority is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Authority avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

THE SYSTEM

The Red Oak Creek Regional Wastewater System (the "System") consists of a 4.6 million gallon per day ("MGD") wastewater treatment plant and interceptor lines which will service the cities of Glenn Heights, Ovilla and Red Oak and portions of Cedar Hill, DeSoto and Lancaster. The collection system covers approximately 36 square miles which includes the Little Creek drainage basin and the upper portions of the Bear Creek and Red Oak Creek drainage basins. The plant location is approximately one mile south of the City of Red Oak adjacent to the Red Oak Creek.

The plant is designed to treat an average now of 4.6 MGD with a two-hour peak flow of 11.499 MGD. Activated sludge biological treatment process for organic removal and nitrification process is designed to discharge effluent with the following parameters:

Biochemical Oxygen Demand	(10 mg/1)
Total Suspended Solids	(15 mg/1)
Ammonia	(2 mg/1 in summer and 4 mg/1 in winter)

Each of the six cities are Contracting Parties of the System. Each Contracting Party will pay a percentage of the total annual obligation (debt service plus operation and maintenance cost) of the System based on the percentage of each Contracting Parties' flow of wastewater into the System taken as a part of the total annual amount of flow of wastewater into the System from the Contracting Parties.

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Contracting Party's Annual Payment for the Fiscal Year 2015

The following tabulation was applied for the Fiscal Year ending November 30, 2015. Each Contracting Party's Annual payment was calculated by multiplying said Contracting Party's percentage from the following tabulation times the Annual Requirement.

Contracting Party	2015 Annual Contributing Flow (million gallons)	Percentage of Total
Cedar Hill	0.960	22.483%
Desoto	0.429	10.046%
Glenn Heights	1.203	28.189%
Lancaster	0.050	1.172%
Ovilla	0.169	3.967%
Red Oak	1.457	34.143%
	4.268	100%

(For additional information see "SELECTED CONTRACT PROVISIONS" and "SELECTED PROVISIONS OF BOND RESOLUTION").

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DEBT INFORMATION

Debt Service Requirements for System

Year Ended 11/30	Outstanding Parity Bonds Debt Service[1] Principal	Interest	Total	Less: Refunded Bonds Debt Service[2]	The Bonds Principal	Interest	Total	Total Outstanding Debt Service
2017	$2,985,000	$1,550,048	$4,535,048	$ 683,003	$60,000	$731,860	$791,860	$4,643,905
2018	3,070,000	1,476,485	4,546,485	683,003	-	869,050	869,050	4,732,532
2019	2,990,000	1,398,621	4,388,621	2,179,063	1,395,000	855,100	2,250,100	4,459,658
2020	3,070,000	1,317,005	4,387,005	2,179,610	1,440,000	812,350	2,252,350	4,459,745
2021	3,185,000	1,228,963	4,413,963	2,176,963	1,495,000	753,650	2,248,650	4,485,651
2022	3,275,000	1,134,704	4,409,704	2,175,934	1,555,000	692,650	2,247,650	4,481,420
2023	3,380,000	1,034,505	4,414,505	2,181,590	1,555,000	622,675	2,177,675	4,410,590
2024	3,505,000	927,065	4,432,065	2,178,290	1,630,000	543,050	2,173,050	4,426,825
2025	3,625,000	811,784	4,436,784	2,175,938	1,710,000	459,550	2,169,550	4,430,396
2026	3,775,000	689,025	4,464,025	2,170,248	1,790,000	372,050	2,162,050	4,455,828
2027	3,955,000	554,104	4,509,104	2,788,995	2,520,000	264,300	2,784,300	4,504,409
2028	4,120,000	406,863	4,526,863	2,786,965	2,650,000	135,050	2,785,050	4,524,948
2029	2,395,000	287,141	2,682,141	-	160,000	64,800	224,800	2,906,941
2030	2,515,000	195,556	2,710,556	-	170,000	56,550	226,550	2,937,106
2031	2,630,000	97,580	2,727,580	-	180,000	47,800	227,800	2,955,380
2032	790,000	32,328	822,328	-	190,000	39,500	229,500	1,051,828
2033	415,000	8,800	423,800	-	200,000	31,700	231,700	655,500
2034	-	-	-	-	205,000	23,600	228,600	228,600
2035	-	-	-	-	210,000	16,350	226,350	226,350
2036	-	-	-	-	215,000	9,975	224,975	224,975
2037	-	-	-	-	225,000	3,375	228,375	228,375
	$49,680,000	$13,150,575	$62,830,575	$24,359,599	$19,555,000	$7,404,985	$26,959,985	$65,430,962

(1) Outstanding Principal by Series as of September 1, 2016

Series 2008	$22,005,000[2]
Series 2009	$7,470,000
Series 2011	$11,100,000
Series 2013	$3,935,000
Series 2015	$5,170,000
Total	$49,680,000

(2) See SCHEDULE I.

Anticipated Issuance of Additional System Revenue Bonds

The Authority has plans to issue an estimated $77,480,000 in bonds (excluding the Bonds) for certain treatment plant and collection system improvements for the System from 2017 through 2021.

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SELECTED CONTRACT PROVISIONS

The following is a summary of certain selected provisions contained in the contract (the "Contract") between the Authority and the Cities of Cedar Hill, Desoto, Glenn Heights, Lancaster, Ovilla and Red Oak (collectively, the "Initial Contracting Parties") with respect to the System. References in this section to "Project" refer to the "System."

Reference is hereby made to each full and complete Contract for further information, copies of which are available upon request from the Financial Advisor. Certain provisions, including dates and other time references discussed below, are as expressly specified in the Contract and have not been revised to reflect more recent dates or time periods.

Selected provisions of the Contract are as follows:

Section 1. DEFINITION OF TERMS. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

(a) "Additional Contracting Party" means any party not defined as one of the Initial Contracting Parties with which the Authority makes a contract similar to this Contract for providing services of the System, provided that after execution of any such contract such party shall become one of the Contracting Parties for all purposes of the Contract, unless otherwise specifically provided herein.

(b) "Adjusted Annual Payment" means the Annual Payment, as adjusted during or after each Annual Payment Period, as provided by this Contract.

(c) "Advisory Committee" means the committee to be created to consult with and advise the Authority with respect to the System as provided in Section 10 of this Contract.

(d) "Annual Payment" means the amount of money to be paid to the Authority by each of the Contracting Parties during each Annual Payment Period as its proportionate share of the Annual Requirement.

(e) "Annual Payment Period" means the Authority's Fiscal Year, which currently begins on December 1 of each calendar year and ends on the last day of November of the next calendar year, and the first Annual Payment Period under this Contract is estimated to be the period of December 1, 1988, through November 30, 1989.

(f) "Annual Requirement" means the total amount of money required for the Authority to pay all Operation and Maintenance Expenses of the System, to pay the debt service on its Bonds, to pay or restore any amounts required to be deposited in any special, contingency, or reserve funds required to be established and/or maintained by the provisions of the Bond Resolutions, all as further described in Section 11 (a) of this Contract.

(g) "B.O.D." (denoting Biochemical Oxygen Demand) means the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedure in five days at 20˚C., expressed in milligrams per liter.

(h) "Bond Resolution" means any resolution of the Authority which authorizes any Bonds.

(i) "Bonds" means all bonds hereafter issued by the Authority, whether in one or more series or issues, and the interest thereon, to acquire and construct the System, and/or subsequently to improve and/or extend the System, and any bonds issued to refund any Bonds or to refund any such refunding bonds.

(j) "Contracting Parties" means the "Initial Contracting Parties", as defined in the first paragraph of this Contract, together with any other party or parties which hereafter becomes one of the Contracting Parties by becoming an Additional Contracting Party.

(k) "Contracting Party" means any one of the Contracting Parties.

(l) "Engineering Report" means the "Engineering Report" as defined in the preamble to this Contract.

(m) "Garbage" means solid wastes from the preparation, cooking, and dispensing of food, and from handling, storage, and sale of produce.

(n) “Grease” means fats, waxes, oils, and other similar nonvolatile materials in Wastewater, which are extracted by hexane from an acidified sample using the Soxhlet method.

(o) “Industrial User (IU)” means any person, including but not limited to, any individual, firm, partnership, corporation, association, municipality, or any other group or combination acting as a unit, or any other legal entity, who discharges or desires to discharge Industrial Wastes into the System.

(p) “Infiltration water” means the water which leaks into a sewer.

(q) “Operation and Maintenance Expenses” means all costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements for which no special fund is created in the Bond Resolutions, operating personnel, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, supplies, services, administration of the System, including the Authority's general overhead expenses attributable to the System, insurance premiums, equipment necessary for proper operation and maintenance of the System, and payments made by the Authority in satisfaction of judgments resulting from claims not covered by the Authority's insurance arising in connection with the operation and maintenance of the System. The term also includes the charges of the bank or banks and other entities acting as paying agents and/or registrars for any Bonds. The term does not include depreciation.

(r) “pH” means the common logarithm of the reciprocal of the weight of hydrogen ions in grams per liter of solution.

(s) “Project” means the “Project” as defined in the preamble to this Contract, and as generally described in the Engineering Report.

(t) “POTW” means Publicly Owned Treatment Works as defined in 40 CFR 403.

(u) “Properly Shredded Garbage” means garbage that has been shredded to such degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than 1/2 inch in any dimension.

(v) “Significant Industrial User (SIU)” means any industrial user who is connected or desires to connect to the City's domestic wastewater collection system and meets at least one of the following criteria:

(1) Average industrial wastewater discharge rate greater than 50,000 gpd.

(2) BOD and/or suspended solids concentrations in industrial wastewater greater than 250 mg/1.

(3) Industrial category regulated by National Pretreatment Standards as promulgated by the United States Environmental Protection Agency.

(w) “Suspended Solids” means solids that either float on the surface or are in suspension in water, sewage, or other liquids, and which are removable by laboratory filtering, expressed in milligrams per liter.

(x) “System” and “Red Oak Creek System” means the regional wastewater transportation and treatment system described in the preamble to this Contract and in the Engineering Report, and all improvements and additions to and extensions, enlargements, and replacements of such facilities which are deemed necessary and feasible by the Authority in order to receive, transport, treat, and dispose of Wastewater from Contracting Parties and to comply with the requirements of the Wastewater regulatory agencies of the State of Texas and the United States of America. Said terms do not include any facilities acquired or constructed by the Authority with the proceeds from the issuance of “Special Facilities Bonds,” which are hereby defined as being revenue obligations of the Authority which are not secured by or payable from Annual Payments made under this Contract and similar contracts with Additional Contracting Parties, and which are payable solely from other sources.

(y) “Total Toxic Organics” means the sum of all detected concentrations greater than 10 micrograms per liter for all organic compounds classified as priority pollutants by the United States Environmental Protection Agency.

(z) "Trunk Sewer" means any sewer in which sewage from collecting and lateral sewers is concentrated and conveyed to the Red Oak Creek System.

(aa) "Wastewater" means Sewage, Industrial Waste, Municipal Waste, Recreational Waste, and Agricultural Waste, as defined in the Texas Water Code, together with Properly Shredded Garbage and such Infiltration Water that may be present.

Section 2. CONSULTING ENGINEERS; CONSTRUCTION OF PROJECT. The Authority and the Contracting Parties agree that Espey, Huston & Associates shall be the Consulting Engineers for the System, provided that the Consulting Engineers may be changed at the option of the Authority. The Authority agrees to use its best efforts to issue its Bonds, payable from and secured by Annual Payments made under this Contract, to and to acquire and construct the System, and agrees that the System will be acquired and constructed in general accordance with the Engineering Report. It is anticipated that such acquisition and construction will be financed by the Authority through the issuance of one or more series or issues of its Bonds payable from and secured by Annual Payments made under this Contract, and the Authority agrees to use its best efforts to issue its Bonds for such purpose. The proceeds from the sale and delivery of such Bonds also will be used for the payment of the Authority's expenses and costs in connection with the refunding, the System, and the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs related to the issuance of such Bonds and the System.

Section 3. QUANTITY AND POINTS OF ENTRY. (a) In consideration of the payments to be made by each Contracting Party under this Contract, each such Contracting Party is entitled, during each Annual Payment Period while the System is in operation, to discharge into the Red Oak Creek System at its Point or Points of Entry hereinafter described, all of the Wastewater which is generated within its boundaries which are within the watershed or drainage basin of Red Oak Creek, subject to the restrictions hereinafter stated; and provided that each such Contracting Party must transport such Wastewater to its Point or Points of Entry. Further, each Initial Contracting Party shall be obligated to transport and discharge into the System at its Points of Entry all Wastewater which is generated within its boundaries which are within the watershed or drainage basin of Red Oak Creek, except for reasonably small fringe areas which could be more cost effectively served by other means, and which are approved by a majority vote of the Advisory Committee and approved by the Authority, and further except for not to exceed 750,000 gallons of Wastewater per day average daily flow which currently is being discharged by the City of Cedar Hill into the Authority's Ten Mile Creek Regional Wastewater System.

(b) The combined maximum rate at which Wastewater is discharged by each Contracting Party at all of its Points of Entry shall not exceed a rate which, if continued for a period of twenty-four hours would equal 3.50 times such Contracting Party's estimated average daily contributing flow of Wastewater for the then current Annual Payment Period. The total quantity of Wastewater discharged into the System shall never exceed the amount which the System is capable of receiving, treating, and disposing, unless approved by a majority vote of the Advisory Committee and approved by the Authority, subject to terms and conditions to be established by the Authority. Notwithstanding the foregoing, no Contracting Party shall ever make any discharge into the System which would cause it to be overloaded or be in violation of its permits from the State of Texas and/or the United States of America.

(c) Wastewater meeting the quality requirements of Section 4 of this Contract will be received into the Red Oak Creek System at the Points of Entry, respectively, shown for each Initial Contracting Party, respectively, in the Engineering Report, or at such other or additional Points of Entry that may be established by mutual agreement between the Authority and a Contracting Party in the future, if such other or additional Points of Entry are determined by the Authority to be economical and beneficial to the System, and such Contracting Party pays any costs related thereto which the Authority determines should be paid by such Contracting Party.

(d) It is the intention of the parties hereto that the System shall be acquired, constructed, extended, and improved so that at all reasonable times it will be capable of receiving, transporting, treating, and disposing of all eligible Wastewater generated within the boundaries of each Contracting Party which are within the watershed or drainage basin of Red Oak Creek and which such Contracting Party delivers to its Point or Points of Entry, and that the Authority will from time to time issue its Bonds in such amounts as are, within its judgment and discretion, sufficient to achieve such results.

Section 4. QUALITY. The obligation of the Authority to receive into the Red Oak Creek System such Wastewater depends upon compliance by each Contracting Party with the provisions of this Section.

General Objectives of Quality Requirements

In order to permit the Authority to properly treat and dispose of each Contracting Party's Wastewater; to protect the public health; and to permit cooperation with other agencies which have requirements for the protection of the physical, chemical, and bacteriological quality of public water and water courses, and to protect the properties of the Red Oak Creek System, each Contracting Party agrees:

(a) Admissible Discharges into Authority's Red Oak Creek System. Discharges into the Red Oak Creek System shall consist only of Wastewater and other waste free from the prohibited constituents listed in Subsection (b) and limited in B.O.D., Suspended Solids, dissolved sulfides, and pH as hereinafter provided.

(b) Wastes Not Admissible. Gasoline; cleaning solvents; oils, greases; mineral oils; ashes; cinders; sand; gravel; tar; asphalt; ceramic wastes; plastics; other viscous substances; feathers; hair; rags; metal; metal filings; glass; wood shavings; sawdust; unshredded garbage; toxic, corrosive, explosive or malodorous gases; acetylene generation sludge; cyanides or cyanides or cyanogen compounds capable of liberating hydrocyanic gas on acidification in excess of 2 mg/1 by weight as CN; radioactive materials which will permit a transient concentration higher than 100 microcuries per liter; emulsified oil and grease, exclusive of soaps, exceeding on analysis an average of 100 mg/1 of ether-soluble matter; acids or alkalis having a pH value lower than 6.0 or higher than 10.0; and Wastewater containing specific pollutant concentrations in excess of any of the numerical limitations named hereunder be prohibited from discharge to the Red Oak Creek System:

Maximum Allowable Pollutant	Concentration (mg/1)
Arsenic	100
Barium	1,000
Cadmium	100
Chromium	1,000
Copper	1,500
Lead	1,000
Manganese	1,500
Mercury	5
Nickel	1,000
Selenium	50
Silver	100
Zinc	2,000
Total Toxic Organics	1,000

(c) Biochemical Oxygen Demand. B.O.D. of Wastewater delivered to the Red Oak Creek System, as determined by standard methods, shall not exceed 200 mg/1.

(d) Total Suspended Solids. Total Suspended Solids delivered to the System, as determined by Standard methods, shall not exceed 200 mg/1.

(e) Hydrogen Ion Concentration (pH). The pH of Wastewater delivered to the Red Oak Creek System shall be not lower than 6.0 nor higher than 10.0. No acids shall be discharged into the Authority's System unless neutralized to a pH of 6.0 or more.

(f) Hydrogen Sulfide Concentration. Dissolved sulfides in Wastewater at the point of delivery to the Red Oak Creek System shall not exceed 0.1 mg/1.

(g) Prohibited Discharge Limitations Subject to Change. Notwithstanding the foregoing provisions of this Section, the parties hereto agree and understand that Federal and State Regulatory Agencies periodically modify standards on prohibited discharges; therefore, revisions to, additions to, or deletions from the items listed in this Section may become necessary in the future to comply with these latest standards. It is the intention of this Contract that prohibited discharge requirements be reviewed periodically by the Authority and revised in accordance with the latest standards of any Federal or State Agency having regulatory powers. Any required revisions shall be made and written notice thereof given to each Contracting Party. Each Contracting Party shall be responsible for integrating such changes into the local industrial waste ordinance and notifying all affected users of the change within ninety days following written notice to the Contracting Party of such changes.

(h) To determine normal quality of Wastewater, the Authority will collect twenty-four hour composite samples of Wastewater at each Point of Entry and cause same to be analyzed in accordance with testing procedures as set forth in the latest edition of Standard Methods of Examination of Water and Wastewater, published by American Public Health Association, Inc. Composite samples will normally be taken once a month, or at more frequent intervals if necessary to determine Wastewater quality. As provided above, such Wastewater shall not exceed the limits of concentration specified for Normal Wastewater as follows:

Normal Wastewater Concentration	
B.O.D.	200 mg/1
TSS	200 mg/1
pH	not less than 6 nor greater than 10
Hydrogen Sulfide	0.1 mg/1

Should the analysis disclose concentrations higher than those listed, the Authority immediately will inform the Contracting Party which made the discharges resulting in the violation of this Section, and such discharges shall cease immediately. However, with the approval of the Authority, Wastewater with concentrations of BOD and TSS greater than specified above may be discharged by a Contracting Party into the System on an emergency and temporary basis, subject to the payment of a surcharge (in addition to all other payments required by this Contract), which surcharge shall be determined by the Authority and shall be in an amount sufficient to cover and pay for all additional costs of transportation, treatment, and disposal related to such discharges.

Section 5. METERING OF WASTEWATER. The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices of standard type required for measuring properly all Wastewater discharged into the System by each Contracting Party, respectively, through its Point or Points of Entry, respectively. Such meters and other equipment shall remain the property of the Authority. Each Contracting Party shall have access to such metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority in the presence of a representative of the affected Contracting Party or Parties if requested by such Contracting Party or Parties. All readings of meters will be entered upon proper books of record maintained by the Authority. Upon written request any Contracting Party may have access to said record books during reasonable business hours. Not more than three times in each year of operation, the Authority shall calibrate its meters, if requested in writing by the affected Contracting Party or Parties to do so, in the presence of a representative of such Contracting Party or Parties, and such parties shall jointly observe any adjustments which are made to the meters in case any adjustment is found to be necessary. If, for any reason, any meters are out of service or out of repair, or if, upon any test, the percentage of inaccuracy of any meter is found to be in excess of five (5%) per cent, registration thereof shall be corrected for a period of time extending back to the time when such inaccuracy began, if such time is ascertainable, and if not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months. Any Contracting Party may, at its option and its own expense, install and operate a check meter to check each meter installed by the Authority, but the measurement for the purpose of this agreement shall be solely by the Authority's meters, except as in this Section specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the Authority, but the reading, calibration, and adjustment thereof shall be made only by the Contracting Party or Parties, except during any period when a check meter may be used under specific written consent by the Authority for measuring the amount of Wastewater delivered into the Red Oak Creek System, in which case the reading, calibration, and adjustment thereof shall be made by the Authority with like effect as if such check meter or meters had been furnished or installed by the Authority.

Section 6. UNIT OF MEASUREMENT. The unit of measurement for Wastewater discharged into the System hereunder shall be 1,000 gallons, U. S. Standard Liquid Measure.

Section 7. LIABILITY FOR DAMAGES AND RESPONSIBILITY FOR TREATMENT AND DISPOSAL OF WASTEWATER. Liability for damages arising from the transportation, delivery, reception, treatment, and/or disposal of all Wastewater discharged into the System hereunder shall remain in each Contracting Party to its Point or Points of Entry, respectively, and title to such Wastewater shall be in such Contracting Party to such Point or Points, and upon passing through Points of Entry liability for such damages shall pass to the Authority. As between the Authority and each Contracting Party, each party agrees to indemnify and to save and hold the other party harmless from any and all claims, demands, causes of action, damages, losses, costs, fines, and expenses, including reasonable attorney's fees, which may arise or be asserted by anyone at any time on account of the transportation, delivery, reception, treatment, and/or disposal while title to the Wastewater is in such party, or on account of a prohibited discharge by a Contracting Party. The Authority has the responsibility as between the parties for the proper reception, transportation, treatment, and disposal of all Wastewater discharged into the System, but not for prohibited discharges discharged by any party at any Point of Entry.

Section 8. REPORTING REQUIREMENTS. (a) Approximately thirty days after the end of each Annual Payment Period each Contracting Party, respectively, shall furnish in writing to the Authority the following information with respect to such Contracting Party

(1) The number of active domestic sewer connections tributary to the Red Oak Creek System and which will be served by the Red Oak Creek System;

(2) The number of commercial and business sewer connections to be served by the Red Oak Creek System;

(3) The number of industrial connections to be served by the Red Oak Creek System, with name and location of each.

The purpose of this provision is to permit the Authority to accumulate statistical data which will enable it to render better service and facilitate plans for betterment and future facilities expansion.

(b) Industrial Waste. The effects of certain types of Industrial Waste upon sewers and sewage treatment processes are such as to require that careful consideration be made of each industrial connection. This is a matter of concern both to the Authority and to the Contracting Parties. Accordingly, each Contracting Party shall regulate the discharge of Industrial Waste into its sewer system, and will authorize discharge of Industrial Waste to its sewers subject to the general provision that no harm will result from such discharge and subject to the filing by applicant industry of a statement, copy of which shall be forwarded to the Authority, containing the following information:

(1) Name and address of applicant;

(2) Type of industry;

(3) Quantity of plant waste;

(4) Typical analysis of the waste;

(5) Type of pre-treatment proposed.

To facilitate inspection and control of Industrial Waste, each Contracting Party will require industries to separate Industrial Waste from Sanitary Sewage until such Industrial Waste has passed through an inspection manhole which shall be located so as to be accessible at all times to inspectors of such Contracting Party. If inspection indicates that damage might result from the discharge the permit shall be revoked unless and until the industry promptly establishes acceptable remedial measures. At regular intervals the Authority will collect twenty-four hours composite samples of all Wastewater at each Point of Entry and cause same to be analyzed by American Public Health Association Standard Methods. Such Wastewater shall not exceed the limits of concentration specified in Section 4 of this Contract. Should the analysis disclose concentrations higher than those stipulated the Authority immediately will inform the affected Contracting Party of such disqualification. It shall be the obligation of such Contracting Party to require the offending originator of said highly concentrated materials to immediately initiate and undertake remedial pre-treatment or other legal means before discharge into such Contracting Party's sewers.

(c) Ordinances. Each Contracting Party, respectively, agrees that it has enacted or will enact ordinances as necessary to include the following provisions:

(1) For each existing and future SIU, the Contracting Party shall require said user to complete and submit a permit application containing that information specified in the sample application form which is attached hereto as Exhibit 1 immediately following this Section 8 (c). The Authority shall be provided a copy of the permit application within thirty days after receipt by the Contracting Party. The Authority shall provide comments on said application within thirty days of receipt and return comments to the Contracting Party. Failure to comment shall be construed as concurrence by the Authority.

After approval of the Permit Application by both the Contracting Party and the Authority, the Contracting Party shall issue a permit to discharge which shall be as shown on the form which is attached hereto as Exhibit 2 immediately following Exhibit 1 at the end of this Section 8 (c). Said permit to discharge shall be required of all SIUs before said user will be allowed to discharge industrial wastes into the sewage system. A copy of the permit to discharge shall be forwarded to the Authority.

(2) The Contracting Party shall require significant industrial users to comply with applicable Federal Categorical Pretreatment Standards as well as any applicable state and local standards.

(3) The Contracting Party shall maintain certain information contained in permit applications as confidential at SIU's request.

(4) The Contracting Party shall disallow dilution as a means of reducing pollutant concentrations in an SIU's waste stream.

(5) The Contracting Party shall be authorized to enter SIU premises at any time for independent monitoring, inspection, or review of applicable records to determine compliance.

(6) The Contracting Party shall develop and require adherence to SIU compliance schedules.

(7) The Contracting Party shall require self-monitoring and reporting at SIU's expense.

(8) The Contracting Party shall choose or approve laboratory to analyze industrial wastes.

(9) The Contracting Party shall require SIU's to pay applicable fees for:

(i) sampling and testing to determine compliance

(ii) disconnection/reconnection of service resulting from noncompliance

(iii) abnormal strength wastes

(iv) additional costs incurred by Contracting Party or POTW in transporting or treating wastes

(v) filing, revision, or renewal of Permit Application

(10) The Contracting Party shall provide public notification for instances of violation.

(11) The Contracting Party shall deny/revoke permit, disallow/disconnect service, assess civil or criminal penalties, and seek other available legal and equitable remedies against SIU for:

(i) discharge to sewerage system resulting in violation of POTW's discharge permit conditions

(ii) hazard to health or life of POTW personnel or users of receiving waters

(iii) violation of any applicable ordinance or regulation

(iv) false information transmitted to approving authority through Permit Application, monitoring reports, etc.

The Contracting Party shall furnish to the Authority all documents and records, in addition to those outlined herein, as necessary to demonstrate compliance by all industries.

Section 9. OTHER CONTRACTS. (a) The Authority reserves the right, with the approval by a majority vote of the Advisory Committee, to enter into contracts to provide the Wastewater services of the System to Additional Contracting Parties under contracts similar to this Contract, subject to the requirements concerning "minimums" as hereinafter provided. Each contract with any Additional Contracting Party shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Contracting Party will substantially adopt the provisions of this Contract, as supplemented and necessarily changed by its contract. However, the Authority shall not obligate itself to receive Wastewater into the System from any future Additional Contracting Party if, in the judgment and discretion of the Authority, such obligation would jeopardize the Authority's ability to meet its obligation to receive, transport, treat, and dispose of Wastewater discharged into the System by prior Contracting Parties, including specifically the Initial Contracting Parties.

(b) It is further recognized and agreed that in the future the Authority may provide services of the System to parties which are not Additional Contracting Parties, provided that all such services of the System to parties which are not Additional Contracting Parties shall in all respects be subordinate to the prior rights of the Contracting Parties, and all contracts or other arrangements relating to such services shall recognize, and be made subordinate to, such prior rights.

(c) Each Contracting Party shall have the right, with the approval of a majority of the Advisory Committee and the approval of the Authority, to negotiate and enter into sub-contracts with any other city or other entity under which such other city or entity may discharge Wastewater generated outside the boundaries of such Contracting Party into such Contracting Party's sewers, to be transported into the System at such Contracting Party's Point or Points of Entry along with such Contracting Party's other Wastewater. In such case such additional Wastewater shall be regarded as being the Wastewater of such Contracting Party for all purposes of this Contract. The consideration as between or among such cities or other entities may be determined by such parties, but no such transaction shall relieve the Contracting Party of its obligations to the Authority under the terms of this Contract.

Section 10. ADVISORY COMMITTEE. (a) The governing body of each of the Contracting Parties annually shall appoint one of the members of its governing body or one of its employees as a voting member of the Advisory Committee for the System, which Advisory Committee is hereby created and established. The Advisory Committee, at its first meeting, shall elect a Chairman, a Vice Chairman, and a Secretary. The Advisory Committee may establish bylaws governing the election of officers, meeting dates, and other matters pertinent to the functioning of the Advisory Committee. The Advisory Committee shall consult with and advise the Authority, through its General Manager or his designated representative, with regard to the following matters pertaining to the System:

(i) The issuance of Bonds;

(ii) The operation and maintenance of the System;

(iii) Additional Contracting Parties and the terms and conditions of the contracts with such parties, consistent with the provisions of this Contract;

(iv) Contracts for services to entities which are not Additional Contracting Parties, and the prices, terms, and conditions of such contracts consistent with the provisions of this Contract;

(v) The Authority's Annual Budget, prior to its submission by the Authority's General Manager to the Authority's Board;

(vi) Review of the Authority's Annual Audit;

(vii) All other pertinent matters relating to the management of the System; and

(viii) Improvements and extensions of the System.

The Advisory Committee shall have access to and may inspect at any reasonable times all physical elements of the System and all records and accounts of the Authority pertaining to the System. A copy of the minutes of the meetings of the Advisory Committee and all other pertinent data, shall be provided to the members of the Advisory Committee.

(b) The term of membership on the Advisory Committee shall be at the pleasure of each governing body represented, respectively, and each member shall serve until replaced by such governing body. All expenses of the Advisory Committee in discharging its duties under this Section shall be considered as an Operation and Maintenance Expense of the System.

Section 11. FISCAL PROVISIONS. (a) Subject to the terms and provisions of this Contract, the Authority will provide and pay for the cost of the acquisition and construction of the System and all System facilities, by using its best efforts to issue its Bonds in amounts which will be sufficient to accomplish such purposes, and the Authority will own and operate the System. It is acknowledged and agreed that payments to be made under this Contract and similar contracts with Additional Contracting Parties, if any, will be the primary source available to the Authority to provide the Annual Requirement, and that, in compliance with the Authority's statutory duty to fix and from time to time revise the rates of compensation or charges for services of the System rendered and made available by the Authority, the Annual Requirement will change from time to time, and that each such Annual Requirement shall be allocated among the Contracting Parties as hereinafter provided, and that the Annual Requirement for each Annual Payment Period shall be provided for in each Annual Budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of:

(A) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expenses of the System; and

(B) A "Bond Service Component" equal to:

(1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and all amounts required to redeem any Bonds prior to maturity when and as provided in any Bond Resolution; and

(2) the proportionate amount of any special, contingency, or reserve funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

(3) any amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution.

Section 12. ANNUAL BUDGET. Each Annual Budget for the System shall always provide for amounts sufficient to pay the Annual Requirement. The Annual Budget for the System for all or any part of the Annual Payment Period during which the System is first placed into operation shall be prepared by the Authority based on estimates made by the Authority after consultation with the Advisory Committee. On or before August 1 of each year after the System is first placed in operation, the Authority shall furnish to each Contracting Party a preliminary estimate of the Annual Payment required from each Contracting Party for the next following Annual Payment Period. Not less than forty days before the commencement of the Annual Payment Period after the System is first placed into operation, and not less than forty days before the commencement of each Annual Payment Period thereafter, the Authority shall cause to be prepared as herein provided its preliminary budget for the Red Oak Creek System for the next ensuing Annual Payment Period, which budget shall specifically include the Operation and Maintenance Component and the Bond Service Component. A copy of such preliminary budget shall be filed with each Contracting Party. The preliminary budget shall be subject to examination, at reasonable times during business hours, at the office of the City Secretary of each Contracting Party. If no protest or request for a hearing on such preliminary budget is presented to the Authority within ten days after such filing of the preliminary budget by one or more Contracting Parties or by the owners of a minimum of 25% in principal amount of the Bonds then outstanding, the preliminary budget for the Red Oak Creek System shall be considered for all purposes as the "Annual Budget" for the next ensuing Annual Payment Period. But if protest or request for a hearing is duly filed, it shall be the duty of the Authority to fix the date and time for a hearing on the preliminary budget, and to give not less than ten days notice thereof to the Contracting Parties. An appropriate Committee of the Authority shall consider the testimony and showings made in such hearing and shall report its findings to the Board of Directors of the Authority. The Board of Directors may adopt the preliminary budget or make such amendments thereof as to it may seem proper. The budget thus approved by the Board of Directors of the Authority shall be the Annual Budget for the next ensuing Annual Payment Period. The Annual Budget (including the first Annual Budget) may be amended by the Authority at any time to transfer from one division thereto to another funds which will not be needed by such division. The amount for any division, or the amount for any purpose, in the Annual Budget may be increased through formal action by the Board of Directors of the Authority even though such action might cause the total amount of the Annual Budget to be exceeded; provided that such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in a resolution at the time such action is taken by the Board of Directors. Certified copies of the amended Annual Budget and resolution shall be filed immediately by the Authority with each Contracting Party.

Section 13. PAYMENTS BY CONTRACTING PARTIES. (a) For the Wastewater services to be provided to the Contracting Parties under this Contract, each of the Contracting Parties agrees to pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as herein described and shall constitute a Contracting Party's Annual Payment. Each of the Contracting Parties shall pay its part of the Annual Requirement for each Annual Payment Period directly to the Authority, in monthly installments, on or before the 10th day of each month, in accordance with the schedule of payments furnished by the Authority, as hereinafter provided.

(b) For each Annual Payment Period each Contracting Party's proportionate share of the Annual Requirement shall be a percentage obtained by dividing the number of gallons of contributing flow of Wastewater estimated to be discharged into the System by such Contracting Party during such Annual Payment Period, as determined by the Authority after consultation with such Contracting Party, by the aggregate total number of gallons of contributing flow of Wastewater estimated to be discharged into the System by all Contracting Parties during such period, as determined by the Authority after consultation with all of the Contracting Parties. It is provided, however, that in estimating costs for services the Authority is specifically authorized, in its discretion, to estimate such costs based on an arbitrary assumption that the Annual Payment Period for which the calculation is being made will be an extremely dry year, rather than a normal or average year, and that accordingly the contributing flow of Wastewater discharged into the System will be less than expected normally or on an average, all with the result that the monthly payments made by the Contracting Parties may be higher than would have been required on the basis of a normal or average year, and with the further result that the total amount required to meet the then current Annual Budget for the System may be collected by the Authority before the end of the then current Annual Payment Period. This result is expressly approved by the Contracting Parties and is deemed by the parties hereto to be beneficial in the fiscal management of the System, and will assure the timely availability of funds even under unexpected circumstances. However, upon receipt during any Annual Payment Period of an amount sufficient to meet the then current Annual Budget of the System for the remainder of the then current Annual Payment Period, the Authority immediately shall notify the Contracting Parties, and they shall not be obligated to make further payments under this Section for the remainder of that Annual Payment Period, unless otherwise specifically hereinafter provided in the event of unexpected or additional Annual Budget requirements. It is further provided that the Authority may revise its estimates of contributing flow either monthly or for any other period within an Annual Payment Period, as determined by the Authority, and such revised estimates may be made on the basis of actual metered contributing flow during the preceding month or other period, to the end that the Authority may use its best efforts to avoid to the extent practicable unnecessary final adjustments among the Contracting Parties for each Annual Payment Period. All such payments for each Annual Payment Period shall be made in accordance with a written schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Contracting Parties by the Authority. Such schedule of payments may be revised by the Authority periodically based on any changes in its estimates of contributing flow as provided above, and each revised schedule of payments shall be supplied to each Contracting Party before the beginning of the period to which it is applicable. At the close of each Annual Payment Period the Authority shall determine the actual metered number of gallons of contributing flow of Wastewater discharged into the System by each Contracting Party during said period and determine each Contracting Party's actual percentage of the Annual Requirement by dividing such Contracting Party's actual metered contributing flow by the actual metered contributing flow of all Contracting Parties. Each Contracting Party's Adjusted Annual Payment shall be calculated by multiplying each such Contracting Party's redetermined percentage times the actual Annual Requirement. The difference between the amounts which actually have been paid by each Contracting Party and the amounts actually due from such Contracting Party hereunder shall be applied as a credit or a debit to such Contracting Party's account with the Authority and shall be credited or debited to such Contracting Party's next monthly payment, or as otherwise agreed between the Authority and the affected Contracting Party, provided that all such credits and debits shall be made in a timely manner not later than the end of the next following Annual Payment Period.

(c) Notwithstanding the provisions of (b), above, and as an exception thereto, it is agreed that if, during any Annual Payment Period, the estimated and/or actual metered contributing flow of Wastewater into the System of any Contracting Party is, for any reason whatsoever, less than the minimum amount hereinafter prescribed and provided for it, such Contracting Party shall pay its share of each Annual Requirement as if its estimated and/or actual metered contributing flow of Wastewater into the System were such minimum amount. However, if such Contracting Party's estimated and/or actual metered contributing flow of Wastewater into the System is equal to or in excess of such minimum amount, its share of all of each Annual Requirement shall be calculated on the basis of estimated and actual contributing flow as provided in (b), above. All contracts with Additional Contracting Parties shall provide for equitable minimums similar to those provided for below. Such minimums shall be fixed in amounts at least sufficient, as determined by the Authority, to assure an initial annual payment by such Additional Contracting Party for not less than the amount of its estimated contributing flow of Wastewater into the System during the first year of service under such contract. For the purpose of calculating the minimum percentage of each Annual Requirement for which each Initial Contracting Party is unconditionally liable, without offset or counterclaim (also see Section 16 hereof), the contributing flow of Wastewater into the System of each Initial Contracting Party, during each Annual Payment Period, shall be deemed to be not less than the minimum amount (regardless of whether or not such amount was actually discharged into the System) specified for such Initial Contracting Party as follows:

City of Cedar Hill:	127,750,000 gallons
City of De Soto:	18,250,000 gallons
City of Glenn Heights:	164,250,000 gallons
City of Lancaster:	18,250,000 gallons
City of Ovilla:	7,300,000 gallons
City of Red Oak:	73,000,000 gallons

(d) Notwithstanding the foregoing, the Annual Requirement, and each Contracting Party's share thereof, shall be redetermined, after consultation with each of the Contracting Parties, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the Authority, if:

(i) The Authority commences furnishing services of the System to an Additional Contracting Party or Parties;

(ii) Unusual, extraordinary, or unexpected expenditures for Operation and Maintenance Expenses are required which are not provided for in the Authority's Annual Budget for the System or in any Bond Resolution;

(iii) Operation and Maintenance Expenses are substantially less than estimated;

(iv) The Authority issues Bonds which require an increase in the Bond Service Component of the Annual Payment; or

(v) The Authority receives either significantly more or significantly less revenues or other amounts than those anticipated.

(e) During each Annual Payment Period all revenues received by the Authority from providing services of the System to parties which are not Contracting Parties, and all surcharges collected from any Contracting Party under Section 4, above, shall (i) first be credited to the Operation and Maintenance Component of the Annual Requirement, and (ii) then any remainder credited to the Bond Service Component of the Annual Requirement, with the result that such credits under (i) and (ii), respectively, shall reduce, to the extent of such credits, the amounts of such Components, respectively, which otherwise would be payable by the Contracting Parties pursuant to the method prescribed in (b) and (c), above. The Authority may estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(f) Each Contracting Party hereby agrees that it will make payments to the Authority required by this Section on or before the 10th day of each month of each Annual Payment Period. If any Contracting Party at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such complaining party should have been less, or more, the Authority shall promptly revise and reallocate the charges among all Contracting Parties in such manner that such complaining party will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by each Contracting Party or due and owing to any Contracting Party by the Authority shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid. The Authority shall, to the extent permitted by law, discontinue the services of the System to any Contracting Party which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume such services while such Contracting Party is so delinquent. It is further provided and agreed that if any Contracting Party should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Contracting Party's minimum amount of gallons of Wastewater specified and described in (c), above, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Contracting Parties, and the Authority shall redetermine such percentage on that basis in such event so that the non-delinquent Contracting Parties collectively shall be required to pay all of the Annual Requirement. However, the Authority shall pursue all legal remedies against any such delinquent Contracting Party to enforce and protect the rights of the Authority, the other Contracting Parties, and the holders of the Bonds, and such delinquent Contracting Party shall not be relieved of the liability to the Authority for the payment of all amounts which would have been due hereunder, in the absence of the next preceding sentence. It is understood that the foregoing provisions are for the benefit of the holders of the Bonds so as to insure that all of the Annual Requirement will be paid by the non-delinquent Contracting Parties during each Annual Payment Period regardless of the delinquency of a Contracting Party. If any amount due and owing by any Contracting Party to the Authority is placed with an attorney for collection, such Contracting Party shall pay to the Authority all attorneys' fees, in addition to all other payments provided for herein, including interest.

(g) If, during any Annual Payment Period, any Contracting Party's Annual Payment is redetermined in any manner as provided or required in this Section, the Authority will promptly furnish such Contracting Party with an updated schedule of monthly payments reflecting such redetermination.

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Section 14. SPECIAL PROVISIONS. (a) The Authority will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense.

(b) The Authority agrees to carry fire, casualty, public liability, and other insurance on the System for purposes and in amounts which ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Authority shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

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(d) The Authority shall never have the right to demand payment by any Contracting Party of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require any of the Contracting Parties to levy and collect a tax to discharge such obligation.

(e) Each of the Initial Contracting Parties, respectively, represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its combined waterworks and sewer system, or its sewer system in the case of the City of Ovilla, as defined in Vernon's Ann. Tex. Civ. St. Article 1113, and that all such payments will be made from the revenues of its combined waterworks and sewer system, or its sewer system in the case of the City of Ovilla. Each of the Contracting Parties, respectively, represents and has determined that the services to be provided by the Red Oak Creek System are absolutely necessary and essential to the present and future operation of its aforesaid system, and that the Red Oak Creek System constitutes the only available and adequate method for discharging, receiving, transporting, treating, and disposing of its Wastewater, and, accordingly, all payments required by this Contract to be made by each Contracting Party shall constitute reasonable and necessary operating expenses of its systems, respectively, as described above, with the effect that the obligation to make such payments from revenues of such systems, respectively, shall have priority over any obligation to make any payments from such revenues of principal, interest, or otherwise, with respect to all bonds or other obligations heretofore or hereafter issued by such Contracting Party.

(f) Each of the Contracting Parties agrees throughout the term of this Contract to continuously operate and maintain its combined waterworks and sewer system, or sewer system in the case of the City of Ovilla, and to fix and collect such rates and charges for water and sewer services and/or sewer services to be supplied by its system as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system, including specifically its payments under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

(g) The City of Ovilla specifically covenants and agrees that it will provide, improve, and expand its sewer system to furnish adequate sewer services to its inhabitants and to produce adequate revenues as required above.

(h) As permitted and authorized by Section 30.04, Texas Water Code, the Authority Act, and other provisions of law, this subsection shall constitute an operating agreement between the Authority and the City of Red Oak with respect to the existing City of Red Oak Wastewater Treatment Plant (the "Red Oak Plant"), which is capable of serving the Red Oak Creek drainage area within the boundaries of the City of Red Oak. During the term of this Contract the Authority will manage, administer, operate, maintain, and use the Red Oak Plant as part of the System, as and when required, as determined by the Authority, for the proper operation of the System. In consideration for the right to use the Red Oak Plant during the term of this Contract it is agreed that the Authority shall pay to the City of Red Oak, as an Operation and Maintenance Expense of the System, semiannual amounts, commencing during the first Annual Payment Period in which the System first begins operation, equal to the respective amounts of principal and interest, when due, on that issue of Trinity River Authority of Texas-City of Red Oak Waste Disposal Contract Revenue Bonds, Series 1973, until such bonds have been paid and retired.

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Section 16. UNCONDITIONAL OBLIGATION TO MAKE PAYMENTS. Recognizing the fact that the Contracting Parties urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the Authority will use payments received from the Contracting Parties to pay and secure its Bonds, it is hereby agreed that each of the Contracting Parties shall be unconditionally obligated to pay, without offset or counterclaim, its proportionate share of the Annual Requirement, as provided and determined by this Contract (including the obligations for paying for "minimums" as described in Section 13 hereof), regardless of whether or not the Authority actually acquires, constructs, or completes the System or is actually operating or providing services of the System to any Contracting Party hereunder, or whether or not any Contracting Party actually uses the services of the System whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Contracting Parties shall be for the benefit of and enforceable by the holders of the Bonds and/or the Authority.

Section 17. TERM OF CONTRACT; MODIFICATION; NOTICES; STATE OR FEDERAL LAWS, RULES, ORDERS, OR REGULATIONS. (a) This Contract shall be effective on and from the Contract Date, subject to its execution by all of the Initial Contracting Parties and the Authority, and this Contract shall continue in force and effect until the principal of and interest on all Bonds shall have been paid, and thereafter shall continue in force and effect during the entire useful life of the System. This Contract constitutes the sole agreement between the parties hereto with respect to the System.

(b) Modification. No change, amendment, or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all moneys required to be paid by each Contracting Party under the terms of this Contract and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

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(d) State or Federal Laws, Rules, Orders, or Regulations. This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 19. REMEDIES UPON DEFAULT. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that the Authority's undertaking to provide and maintain the services of the System is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Contracting Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Contracting Party's obligations under the Contract could not be adequately compensated in money damages alone, each Contracting Party agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstances.

SELECTED PROVISIONS OF THE RESOLUTION

THE FOLLOWING ARE SELECTED PROVISIONS OF THE RESOLUTION. THE SELECTED PROVISIONS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE FULL AND COMPLETE DOCUMENT.

References to “Sections” and “this Bond Resolution” in the below provisions refer to the document from which such selected provisions were taken unless the context requires otherwise.

Section 5. DEFINITIONS. As used in this Bond Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term “Additional Bonds” means the additional parity bonds permitted to be authorized in this Bond Resolution.

The terms “Authority” or “Issuer” means Trinity River Authority of Texas.

The term “Board” means the Board of Directors of the Issuer, being the governing body of the Issuer, being the governing body of the Issuer and it is further resolved that the declarations and covenants of the Issuer contained in this Bond Resolution are made by, and for and on behalf of the Board and the Issuer, and are binding upon the Board and the Issuer for all purposes.

The term “Bond Insurance Policy” means an insurance policy issued by a Bond Insurer insuring or guaranteeing the payment of principal of and interest on any Bonds or Additional Bonds.

The term “Bond Insurer” means an entity that insures or guarantees the payment of principal of and interest on any of the Bonds or Additional Bonds.

The term “Bond Resolution” means this resolution adopted by the Board on August 24, 2016, authorizing the issuance of the Bonds.

The term “Bonds” means collectively the initial Bonds as described and defined in Section 2 of this Bond Resolution, and all substitute bonds exchanged therefor and other substitute bonds as provided for in this Bond Resolution.

The term “Code” means the United State Internal Revenue Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto.

The term “Contracting Parties” means the Initial Contracting Parties and any other entity which becomes an Additional Contracting Party and therefore a Contracting Party pursuant to the Initial Contract.

The term “Contracts” means collectively (a) the Initial Contract, (b) any contracts with any entity which becomes an Additional Contracting Party and therefore a Contracting Party pursuant to the Initial Contract, and (c) all other contracts and agreements executed between the Issuer and other entities in connection with the services of the System.

The term “Credit Facility” means a Bond Insurance Policy, a surety bond (including any Supporting Insurance Agreement), or a letter of line or line of credit issued in support of any Bonds or Additional Bonds by a Credit Facility Provider at the request of the Issuer.

The term “Credit Facility Provider” means (i) with respect to any Credit Facility consisting of a policy of municipal bond insurance or a surety bond, an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations such as the Bonds, Parity Bonds or Additional Bonds, provided that a Rating Agency having an outstanding rating on the Bonds, Parity Bonds or Additional Bonds would rate the Bonds, Parity Bonds or Additional Bonds upon delivery of the Bonds, Parity Bonds or Additional Bonds fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) with respect to any Credit Facility consisting of a letter or line of credit, any financial institution, provided that a Rating Agency having an outstanding rating on the Bonds, Parity Bonds or Additional Bonds would rate the Bonds, Parity Bonds or Additional Bonds in one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the series of Bonds, Parity Bonds or Additional Bonds and the interest thereon.

The term "Fiscal Year" shall mean the Authority's fiscal year, which initially shall be the year commencing December 1 or each calendar year and ending on November 30 of the following calendar year, but which subsequently may be any other 12 month period hereafter established by the Issuer as a fiscal year.

The term "Fitch" means Fitch Ratings Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall not longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

The term "Gross Revenues of the System" means all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Issuer from the operation and/or ownership of the System, including specifically all payments and amounts received by the Issuer from Contracts, and any interest income from the investment of money in any Funds confirmed by this Bond Resolution.

The term "Initial Contract" means the Trinity River Authority of Texas-Red Oak Creek Regional Wastewater System Contract, dated June 1, 1986, among the Issuer and the Initial Contracting Parties.

The term "Initial Contracting Parties" means the Cities of Cedar Hill, De Soto, Glenn Heights, Lancaster, Ovilla, and Red Oak, Texas.

The term "Insurance Agreement" means an agreement between the Issuer and the Bond Insurer respecting a municipal bond debt service reserve insurance policy constituting a Reserve Fund Obligation.

The term "Moody's" means Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

The terms "Net Revenues of the Authority's System," "Net Revenues of the System" and "Net Revenues" shall mean the Gross Revenues of the System less the Operation and Maintenance Expenses of the System.

The term "Operation and Maintenance Expenses" means all costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements for which no special fund is created in this Bond Resolution, operating personnel, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, supplies, services, administration of the System, including general overhead expenses of the Issuer attributable to the System, insurance premiums, equipment necessary for proper operation and maintenance of the System, and payments made by the Issuer in satisfaction of judgments resulting from claims not covered by the Issuer's insurance arising in connection with the operation and maintenance of the System. The term also includes the charges of the bank or banks and other entities acting as paying agents and/or registrars for any Parity Bonds or Additional Bonds. The term does not include depreciation.

The term "Parity Bonds" means collectively (i) the Bonds and (ii) any of the Outstanding Bonds which will be outstanding and payable from the Pledged Revenues after the delivery of the Bonds and any Additional Bonds issued in parity with such Bonds.

The term "Pledged Revenues" means: (a) the Net Revenues of the System and (b) any additional revenues, income, receipts, donations, or other resources derived or received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the Issuer, be pledged to the payment of the Parity Bonds or the Additional Bonds.

The term "Rating Agencies" means S&P, Moody's and/or Fitch according to which of such rating agencies then rates the Bonds or Additional Bonds of the applicable series; and provided that if neither of such rating agencies then rates the Bonds or Additional Bonds of such series, the term "Rating Agencies" shall refer to any national rating agency (if any) which provides such rating.

The terms "Red Oak Creek System" and "System" mean all of the Issuer's wastewater reception, transportation, treatment, and disposal facilities, as described and defined in the Contract, serving the Contracting

Parties in the area of the watershed or drainage basin of Red Oak Creek (a tributary of the Trinity River) in Dallas and Ellis Counties, Texas, together with all improvements and additions to and extensions, enlargements, and replacements of such facilities. However, said terms do not include any facilities acquired or constructed by the Issuer with the proceeds from the issuance of Special Facilities Bonds.

The term "Required Reserve" means an amount equal to the lesser of (i) the average annual principal and interest requirements on the Bonds or Additional Bonds or (ii) the amount determined by the Internal Revenue Code of 1986, as amended, and the regulations thereunder, as of the date of issuance of any hereafter issued Bonds or Additional Bonds issued with the intent that interest thereon will be excludable from the gross income of the registered owners thereof for federal income tax purposes, to be a reasonably required reserve or replacement fund.

The term "Reserve Fund Obligation" means a Credit Facility satisfying the requirements of this section which is deposited in the Reserve Fund to meet all or part of the Required Reserve as provided in section.

The term "S&P" means Standard & Poor's Financial Services LLC,, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

The term "Special Facilities Bonds" means being revenue obligations of the Issuer which are not issued as Additional Bonds, and which are payable from any source, contract, or revenues whatsoever other than the Pledged Revenues; and Special Facilities Bonds may be issued for any lawful purpose and made payable from any source, contract, or revenues whatsoever other than the Pledged Revenues.

Section 6. PLEDGE. The Parity Bonds and any Additional Bonds, and the interest thereon, are and shall be secured equally and ratably on a parity by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund as provided in this Bond Resolution.

Section 7. REVENUE FUND. There has heretofore been created and there shall be maintained on the books of the Issuer, and accounted for separate and apart from all other funds of the Issuer, a special fund to be entitled the "Trinity River Authority of Texas Red Oak Creek System Revenue Bonds Revenue Fund" (hereinafter called the "Revenue Fund"). All Gross Revenues of the System (excepting investment income from any Fund other than the Revenue Fund) shall be credited to the Revenue Fund promptly after they become available. All Operation and Maintenance Expenses of the System shall be paid from the Gross Revenues of the System, as a first charge against same.

Section 8. INTEREST AND REDEMPTION FUND. For the sole purpose of paying the principal of and interest on all Parity Bonds and any Additional Bonds, as the same come due, there has heretofore been created and establish a separate fund to be maintained on the books of the Authority, and held at a Depository, entitled the "Trinity River Authority of Texas Red Oak Creek System Revenue Bonds Interest and Redemption Fund" (hereinafter called the "Interest and Redemption Fund").

Section 9. RESERVE FUND. There has heretofore been created and established a separate fund to be maintained on the books of the Authority, and held at a Depository entitled the "Trinity River Authority of Texas Red Oak Creek System Revenue Bonds Reserve Fund (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of any Parity Bonds or Additional Bonds, or for paying when due the principal of and interest on any Parity Bonds or Additional Bonds when and to the extent the amounts in the Interest and Redemption Fund and Contingency Fund are insufficient for such purpose.

Section 10. CONTINGENCY FUND. There has heretofore been created and established a separate fund to be maintained on the books of the Authority, and held at a Depository entitled the "Trinity River Authority of Texas Red Oak Creek System Revenue Bonds Contingency Fund" (hereinafter called the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying the costs of improvements, enlargements, extensions, or additions, or other capital expenditures relating to the System, and unexpected or extraordinary repairs or replacements of the System for which System funds are not otherwise available, or for paying unexpected or extraordinary Operation and Maintenance Expenses of the System for which System funds are not otherwise available, or for paying principal of and interest on any Parity Bonds or Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose.

Section 11. DEPOSITS OF PLEDGED REVENUES; INVESTMENTS. (a) The Pledged Revenues shall be deposited into the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund when and as required by this Bond Resolution.

(b) Money in any Fund maintained pursuant to this Bond Resolution may, at the option of the Issuer, be invested as permitted by sections 8(n) and 8-B, Article 8280-188, V.A.T.C.S., as amended, and in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, the Pubic Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, and the investment policy of the Issuer. Such deposits and investments shall be made consistent with the estimated requirements of such Funds, and any obligation in which money is so invested shall be kept and held for the benefit of the owners of the Parity Bonds and Additional Bonds, and shall be promptly sold and the proceeds of sale applied to the making of all payments required to be made from the Fund from which the investment was made. All earnings from the deposit or investment of any such Fund shall be credited to such Fund. All investment earnings on deposit in the Interest and Redemption Fund shall reduce the amounts which otherwise would be required to be deposited therein, with the result that the requirements of the Contracting Parities to pay principal and/or interest payments under the Contracts shall be reduced accordingly.

(c) Notwithstanding the foregoing provisions of this Section and of Sections 14 and 15, all investment income, if any, required by the United States Internal Revenue Code to be rebated by the Issuer to the Internal Revenue Service in order to prevent the Bonds from being or becoming taxable “arbitrage bonds” under said Code shall be withdrawn from each Fund created by this Bond Resolution and so rebated to the extent so required.

Section 12. FUNDS SECURED. Money in all Funds created by this Bond Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the Issuer.

Section 13. DEBT SERVICE REQUIREMENTS. (a) Promptly after the delivery of the Bonds the Issuer shall cause to be deposited to the credit of the Interest and Redemption Fund, from the proceeds received from the sale and delivery of the Bonds, all accrued interest received from such sale.

(b) The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Redemption Fund the amounts, at the times, as follows: on or before the first interest payment date on the Bonds, and semiannually thereafter, on or before each interest payment date, an amount sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest and/or principal and interest scheduled to accrue and come due on the Bonds on each interest payment date.

Section 14. RESERVE FUND. (a) Initially, the Required Reserve shall be funded, to the extent necessary, by a deposit of bond proceeds. Thereafter, no further deposits shall be made into the Reserve Fund as long as the money and investments, together with any Reserve Fund Obligation, in the Reserve Fund are at least equal in market value to the Required Reserve; but if and whenever the market value of money and investments, together with any Reserve Fund Obligation, in the Reserve Fund is reduced below said Required Reserve because of a decrease in market value of investments, then the Issuer shall require the Contracting Parties to increase payments under the Contract as soon as practicable, and in all events by the end of the next Fiscal Year, in an amount sufficient to restore the Reserve Fund to the Required Reserve; and in the event the Reserve Fund is used to pay the principal of or interest on the Bonds or Additional Bonds because of insufficient amounts being available in the Interest and Redemption Fund, then the Issuer shall require the Contracting Parties to increase payments under the Contract in an amount sufficient to restore the Reserve Fund to the Required Reserve in market value, and from such increased payments the Issuer shall deposit in the Reserve Fund, in approximately equal periodic installments, not less than annual, such amounts as are required to restore the Reserve Fund to the Required Reserve in market value as soon as practicable, but in any case, within one year from any date of the use of the Reserve Fund to pay such principal or interest. For purposes of calculating the amount on hand in the Reserve Fund, an amount equal to the maximum available amount which may be drawn under any Reserve Fund Obligation, as described in (e) below, will be deemed on deposit in the Reserve Fund. During any period in which the money and investments credited to the Reserve Fund, taking into account any Reserve Fund Obligation, are equal to or exceed the Required Reserve in market value then during such period all investment earnings and income from the Reserve Fund shall be deposited upon receipt to the credit of the Interest and Redemption Fund.

(b) The Reserve Fund shall be used only for the purpose of paying principal of or interest on the Bonds or Additional Bonds when there is not sufficient money available in the Interest and Redemption Fund for such payments, and shall be used finally to pay, redeem or retire the last of the outstanding Bonds or Additional Bonds.

(c) The Reserve Fund shall secure and be used to pay all Bonds or Additional Bonds, in the manner and to the extent provided herein. However, each resolution pursuant to which additional Bonds or Additional Bonds are issued shall provide and require that (i) the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to the Required Reserve required after the issuance of such additional Bonds or Additional Bonds; and (ii) the required additional amount, if any, shall be so accumulated by the deposit in the Reserve Fund of all of said required additional amount in cash or a Reserve Fund Obligation immediately after the delivery of the then proposed additional Bonds or Additional Bonds.

(d) Notwithstanding any other provisions of this Bond Resolution, an equivalent Reserve Fund Obligation may be substituted by the Issuer at any time and from time to time for all or any part of the money and/or investments held for the credit of the Reserve Fund, and such money and/or investments may be withdrawn and used for any lawful purpose, provided, however, that to the extent such funds were derived from the proceeds of Bonds or Additional Bonds, such funds may only be withdrawn and either (i) deposited into the Interest and Redemption Fund or (ii) applied for a purpose for which such Bonds or Additional Bonds were originally issued. If a Reserve Fund Obligation is used as provided above, any reimbursements required thereunder to be paid to a Credit Facility Provider as a result of a draw or demand thereunder and any interest thereon and expenses payable thereunder shall be made, as provided in the Reserve Fund Obligation, from moneys deposited into the Reserve Fund until fully paid. If it becomes necessary to pay interest on or principal of any Bonds from the Reserve Fund, money and investments held for the credit of the Reserve Fund shall be utilized first for such purpose, before any demand or draw is made on a Reserve Fund Obligation.

(e) A Reserve Fund Obligation permitted under (a), above, must be a Credit Facility in the form of a surety bond, insurance policy, or letter of credit meeting the requirements described below.

(1) A surety bond or insurance policy issued to the Issuer or other party, as agent of the registered owners, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Bonds (a "municipal bond insurer") if the claims paying ability of the issuer thereof shall, at the time of issuance, be rated by at least two of the following rating agencies in the indicated rating categories, to-wit, "AAA" by S&P or Fitch or "Aaa" by Moody's.

(2) A surety bond or insurance policy issued to the Issuer or other party, as agent of the registered owners, by an entity other than a municipal bond insurer, if the form and substance of such instrument and the issuer thereof shall be approved in writing by each Bond Insurer of record.

(3) An unconditional irrevocable letter of credit issued to the Issuer or other party, as agent of the registered owners, by a bank if the issuer thereof, at the time of issuance, is rated by at least two of the following rating agencies in the indicated rating categories, to-wit, at least "AA" by S&P or Fitch or "Aa" by Moody's. The letter of credit shall be payable in one or more draws upon presentation by the Issuer or other party of a sight draft accompanied by its certificate (which must be satisfactory in form and substance to the Issuer or other party and the issuer of the letter of credit) that the Issuer then holds insufficient funds to make a required payment of principal or interest on the Bonds or Additional Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years and shall be subject to an "evergreening" feature so as to provide the Issuer with at least 30 months' notice of termination. The issuer of the letter of credit shall be required to notify the Issuer not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the Reserve Fund, in accordance with this section, an amount sufficient to cause the money or investments on deposit in the Reserve Fund, together with any other qualifying Reserve Fund Obligations, to accumulate to the Required Reserve, unless the expired Reserve Fund Obligation is replaced by a Reserve Fund Obligation meeting the requirements in any of 1 through 3, above. The letter of credit shall permit a draw in full prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Issuer or other party shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Fund is fully funded to the Required Reserve.

(4) The obligation to reimburse the issuer of a Reserve Fund Obligation for any expenses, claims, or draws upon such Reserve Fund Obligation, including interest thereon, shall be made from the deposits made to the Reserve Fund as provided in this section and in accordance with the provisions of the Reserve Fund Obligation. The Reserve Fund Obligation shall provide for a revolving feature under which the amount

available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund Obligation to reimbursement will be subordinated to the cash replenishment of the Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund Obligation and the amount then available for further draws or claims. In the event (a) the issuer of a Reserve Fund Obligation becomes insolvent, or (b) the issuer of a Reserve Fund Obligation defaults in its payment obligations thereunder, or (c) the claims paying ability of the issuer of the insurance policy or surety bond falls below "AAA" by S&P or Fitch or "Aaa" by Moody's, or (d) the rating of the issuer of the letter of credit falls below the "AA" category by S&P or Fitch or the "Aa" category by Moody's, the obligation to reimburse the issuer of the Reserve Fund Obligation shall be subordinate to the cash replenishment of the Reserve Fund.

(5) In the event (a) the rating of the claims paying ability of the issuer of the surety bond or insurance policy is no longer rated at least in the "AA" category by S&P or Fitch or the "Aa" category by Moody's, or a higher category, or (b) the rating of the issuer of the letter of credit falls below the "AA" category by S&P or Fitch or the "Aa" category by Moody's, or (c) the issuer of the Reserve Fund Obligation defaults in its payment obligations hereunder, or (d) the issuer of the Reserve Fund Obligation becomes insolvent, the Issuer shall either (i) deposit into the Reserve Fund, in accordance with this section, amounts sufficient to cause the money or investments on deposit in the Reserve Fund to accumulate to the Required Reserve within twelve months of such occurrence, or (ii) replace such instrument with a surety bond, insurance policy, or letter of credit meeting the requirements in any of 1 through 3 above within twelve months of such occurrence.

(6) Where applicable, the amount available for draws or claims under a Reserve Fund Obligation may be reduced by the amount of money or investments deposited in the Reserve Fund pursuant to clause (i) of the preceding subparagraph 5.

(7) The Issuer shall ascertain the necessity for a claim or draw upon any Reserve Fund Obligation and provide notice to the issuer of the Reserve Fund Obligation in accordance with its terms not later than three days (or such appropriate time period as will, when combined with the timing of required payment under the Reserve Fund Obligation, ensure payment under the Reserve Fund Obligation on or before the interest payment date) prior to each interest payment date.

(8) Cash on deposit in the Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Fund Obligation. If and to the extent that more than one Reserve Fund Obligation is deposited in the Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(f) Any excess in the Reserve Fund over the Required Reserve in effect at any time shall be deposited to the credit of the Interest and Redemption Fund.

Section 15. CONTINGENCY REQUIREMENTS. There is currently on deposit in the Contingency Fund the sum of at least $25,000. No additional deposits are required to be made to the credit of the Contingency Fund unless and until such amount therein is reduced or depleted or unless the Issuer, upon the advice and recommendation of an independent engineer or firm of engineers, determines it necessary to increase such amount in order adequately to provide for contingencies related to the System, or unless the Issuer provides for an increase in such amount in any resolution authorizing Additional Bonds. If and when such amount in the Contingency Fund is reduced or depleted, or an increase in such amount has been provided for, then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund and the Reserve Fund, such reduction or depletion shall be restored, and/or such amount shall be increased, to the extent not otherwise funded, from amounts which shall be provided for such purpose in the Issuer's Annual Budget for the next ensuing fiscal year or years; provided that the Issuer is not required to budget more than one third of the amount to be accumulated for such purpose during any one Fiscal Year. So long as the Contingency Fund contains money and investments not less than the amount specified above (or the amount to which the Contingency Fund may be increased as aforesaid) in market value, any surplus in the Contingency Fund over said amount shall promptly after October 1 of each year, be deposited to the credit of the Interest and Redemption Fund.

Section 16. DEFICIENCIES; EXCESS PLEDGED REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Subject to making the required deposits to the credit of the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund, when and as required by this Bond Resolution, or any resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues may be used for any lawful purpose relating to the System.

Section 17. PAYMENT OF PARITY BONDS AND ADDITIONAL BONDS. On or before the first interest payment date on the Bonds, and semiannually on or before each interest payment date thereafter while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the Paying Agent/Registrar, out of the Interest and Redemption Fund, or the Reserve Fund or the Contingency Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on each interest payment date.

Section 18. ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in accordance with law, in any amounts, for any lawful purpose related to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with the provisions hereof, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds and Bonds, from a first lien on and pledge of the Pledged Revenues.

(b) The Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund established pursuant to this Bond Resolution shall secure and be used to pay all Additional Bonds as well as the Parity Bonds and Bonds, all on a parity. However, each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Bond Resolution and the provisions of each resolution authorizing Additional Bonds to be deposited to the credit of the Interest and Redemption Fund, the Issuer shall deposit to the credit of the Interest and Redemption Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount as a Reserve Fund Obligation or in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in five approximately equal annual installments, made on or before the 1st day of February of each year following the delivery of the then proposed Additional Bonds.

(c) All calculations of average annual principal and interest requirements made pursuant to this Section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on February 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on February 1 and August 1, and such interest must be fixed at a predetermined rate or rates in the authorizing bond proceedings; and for the purposes of this and all other Sections of this Bond Resolution, principal amounts of any Parity Bonds or Additional Bonds or portions thereof which are required to be prepaid or redeemed on any date prior to scheduled due date or maturity pursuant to any mandatory redemption requirements shall be deemed to be due and maturing amounts of principal on the date required to be prepaid or redeemed.

Section 19. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with the provisions hereof, but notwithstanding any provisions hereof to the contrary, no installment, series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board of Directors of the Issuer sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the resolutions authorizing the same, that the Interest and Redemption Fund and the Reserve Fund each contains the amount then required to be therein, and that either (1) based on a report of an independent engineer or firm of engineers, the Pledged Revenues, in each fiscal year thereafter, commencing with the third complete fiscal year following the date of such report, are estimated to be at least equal to 1.25 times the average annual principal and interest requirements of all Parity Bonds and Additional Bonds to be outstanding after the delivery of the then proposed Additional Bonds, or (2) based upon an opinion of legal counsel to the Issuer, there are Contracts then in effect pursuant to which the Contracting Parties and others, if any, which are parties to such Contracts are obligated to make payments to the Issuer during each Fiscal Year (including during periods when services of the System may not be available to such Contracting Parties and others) in such amounts as shall be necessary to provide to the Issuer Pledged Revenues sufficient to pay when due all principal of and interest on all Parity Bonds and Additional Bonds to be outstanding after the issuance of the proposed Additional Bonds, and to make the deposits into the Reserve Fund as required under this Bond Resolution.

Section 20. GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) PERFORMANCE; BOND INSURERS RIGHTS. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each resolution authorizing the issuance of the Parity Bonds and any Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Parity Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds, and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Redemption Fund and the Reserve Fund and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board of Directors, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of each resolution authorizing the issuance of the Parity Bonds and Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board of Directors, and its officials and employees.

(b) ISSUER'S LEGAL AUTHORITY. It is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59, of the Texas Constitution, and Chapter 518, Acts of the 54th Legislature, Regular Session, 1955, as amended, and is duly authorized under the laws of the State of Texas to create and issue the Bonds; that all action on its part of the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) TITLE. It has or will obtain lawful title to, or the lawful right to use and operate, the lands, buildings, and facilities constituting the System and will use its best efforts to acquire and construct the System as provided in the Contracts, that it warrants that it will defend the title to or lawful right to use and operate, all of the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the owners of the Parity Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) LIENS. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Issuer.

(e) OPERATION OF SYSTEM. That while the Parity Bonds or any Additional Bonds are outstanding and unpaid it will cause the System to be continuously and efficiently operated and maintained in good condition, repair, and working order, and at a reasonable cost.

(f) FURTHER ENCUMBRANCE. That while the Parity Bonds or any Additional Bonds are outstanding and unpaid the Issuer shall not additionally encumber the Pledged Revenues in any manner, except as permitted hereby in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements hereof and any resolution authorizing the issuance of Additional Bonds; but the right of the Issuer and the Board to issue revenue bonds for any lawful purpose payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) SALE OF PROPERTY. That while the Parity Bonds or any Additional Bonds, are outstanding and unpaid, the Issuer will maintain its current legal corporate status as a conservation and reclamation district, and the Issuer shall not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the entire System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary or advisable to dispose of any real or personal property, machinery, fixtures, or equipment, it may sell or otherwise dispose of such property, machinery, fixtures, or equipment if the Issuer determines that such property, machinery, fixtures, or equipment are not needed for System purposes, or if the Issuer has made arrangements to replace the same or provide substitutes therefor.

(h) INSURANCE. (1) That it will carry fire, casualty, public liability, and other insurance, including self-insurance on the System for purposes and in amounts which ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Issuer shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Issuer's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practical, for the restoration of damaged or destroyed properties and equipment to minimize the interruption of the services of such facilities. All such policies shall be open to the inspection of the owners of the Bonds and their representatives and any Bond Insurer of record at all reasonable times.

(2) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(a) for the redemption prior to maturity of the Parity Bonds and Additional Bonds, if any, ratably in the proportion that the outstanding principal of each Series or issue of Parity Bonds or Additional Bonds bears to the total outstanding principal of all Parity Bonds and Additional Bonds; provided that if on any such occasion the principal of any such Series or issue is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

(b) if none of the outstanding Parity Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said Parity Bonds and Additional Bonds, in the same proportion as prescribed in the foregoing clause (2), to the extent practicable; provided that the purchase price for any such Parity Bond or Additional Bond shall not exceed the redemption price of such Parity Bond or Additional Bond on the first date upon which it becomes subject to redemption; or

(c) to the extent that the foregoing clauses (a) and (b) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the Issuer, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (a) and/or (b) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(i) RATE COVENANT. It will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient, together with any other Pledged Revenues, (a) to pay all Operation and Maintenance Expenses of the System, and (b) to make all payments and deposits required to be made into the Interest and Redemption Fund and to maintain the Reserve Fund and the Contingency Fund, when and as required by the resolutions authorizing all Parity Bonds and Additional Bonds.

(j) RECORDS. Proper books of records and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and all Funds created pursuant to this Bond Resolution; and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of the owner of any Bond or any Bond Insurer of record.

(k) AUDITS. Each fiscal year while any of the Parity Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants. As soon as practicable after the close of each fiscal year, and when said audit has been completed and made available to the Issuer, a copy of such audit for the preceding fiscal year shall be mailed to each Bond Insurer of record, the Municipal Advisory Council of Texas, and to any owner of any Bond who shall so request in writing. Such annual audit reports shall be open to the inspection of each Bond Insurer of record and the owners of the Bonds and their agents and representatives at all reasonable times.

(l) GOVERNMENTAL AGENCIES. It will comply with all of the terms and conditions of any and all franchises and permits applicable to the System granted by any governmental agency, and all franchises, permits, and agreements applicable to the System and the Parity Bonds or Additional Bonds entered into between the Issuer and any governmental agency, and the Issuer will take all action necessary to enforce said terms and conditions; and the Issuer will obtain and keep in full force and effect all franchises, permits, and other requirements necessary with respect to the acquisition, construction, operation, and maintenance of the System.

(m) CONTRACTS. It will comply with the terms and conditions of the Contracts and will cause the Contracting Parties and others to comply with all of their obligations thereunder by all lawful means; and that the Contracts will not be changed, rescinded, modified, or amended in any way which would have a materially adverse effect on the operation and maintenance of the System by the Issuer or the rights of owners of the Bonds.

(n) ANNUAL BUDGET. The Issuer shall prepare and adopt an Annual Budget for the System for each Fiscal Year as required by the Contracts, and shall, promptly after its adoption, mail a copy thereof to each Bond Insurer of record.

Section 21. AMENDMENT OF RESOLUTION. (a) The owners of Parity Bonds and Additional Bonds aggregating a majority in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds (for purposes of this sentence only, 100% of the aggregate principal amount of Parity Bonds or Additional Bonds which are insured by a bond insurance provider at the time that the Issuer seeks approval of an amendment shall be deemed to be owned by such bond insurance provider) shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of any Parity Bonds or Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

(1) Make any change in the maturity of the outstanding Parity Bonds or Additional Bonds;

(2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;

(3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;

(4) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;

(5) Affect the rights of the owners of less than all of the Parity Bonds and Additional Bonds then outstanding; or

(6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent/Registrar for the Parity Bonds and Additional Bonds, for inspection by all owners of

Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to the owner of each of the Parity Bonds and Additional Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the Issuer shall receive an instrument or instruments executed by the owners of at least a majority in aggregate principal amount of all Parity Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Issuer may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Issuer and all the owners of then outstanding Parity Bonds and Additional Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the owner of a Parity Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon such owner and all future owners of the principal amount of such Parity Bond or Additional Bond and any bond issued in substitution and exchange therefor during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar for such Parity Bond or Additional Bond, and the Issuer, but such revocation shall not be effective if the owner of a majority in aggregate principal amount of then outstanding Parity Bonds and Additional Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, all matters relating to the ownership of Parity Bonds and Additional Bonds shall be determined from the Registration Books of the Issuer kept by the Paying/Registrar for such Parity Bonds and Additional Bonds.

(g) Notwithstanding the foregoing provisions of this Section 21, if there has been filed with the Paying Agent/Registrar a Bond Insurance Policy, or a certified copy thereof, with respect to any Parity Bond or Additional Bond, no consent by the registered owner of such Parity Bond or Additional Bond to the execution of any amendment or other modification of this Bond Resolution shall be effective unless the Bond Insurer consents in writing to the execution of such amendment or other modification. The Issuer further covenants that it will furnish to each Bond Insurer of record a transcript of the pertinent proceedings relating to each amendment or other modification of this Bond Resolution.

Section 22. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Bond Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, 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 in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Net Revenues as provided in this Bond Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Bond Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection 22(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 22(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(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 Issuer shall make proper arrangements to provide and pay for such services as required by this Bond Resolution.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

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Section 24. COVENANTS REGARDING TAX EXEMPTION. (a) <u>General Tax Covenants Regarding Tax Exemption of Interest on the Bonds</u>. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

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

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

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

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

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

In order to facilitate compliance with the above covenant (viii), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

The Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and the proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the General Manager of the Issuer, to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. This Bond Resolution is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

(b) <u>Interest Earnings on Bond Proceeds</u>. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be used along with other bond proceeds for the purpose for which the Bonds are issued set forth in Section 1 hereof; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall by deposited in the Interest and Redemption Fund. It is further provided, however, that any interest earnings on bond proceeds which are required to be rebated to the United States of America pursuant to Section 24(a) of this Bond Resolution in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of Section 24(b) of this Bond Resolution.

(c) <u>Disposition of Project</u>. The Issuer covenants that the property constituting the Project financed with the proceeds of the Bonds or the Refunded Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

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Section 27. CONTINUING DISCLOSURE OF INFORMATION. (a) As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

(b) Pursuant to a Continuing Disclosure Agreement by and between the Issuer and the Contracting Parties, the Issuer and the Contracting Parties have undertaken for the benefit of the beneficial owners of the Bonds, to the extent set forth therein, to provide continuing disclosure of financial information and operating data with respect to the Contracting Parties in accordance with the Rule as promulgated by the SEC.

(c) The Issuer shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of holders of the Bonds, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Issuer;

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

THE AUTHORITY

The Authority's Activities

1. Master Planning. After a series of public hearings, the Authority adopted the original master plan in April 1958. The purpose of the Master Plan is to define and provide a course of action for the Authority to achieve water and soil conservation goals for which purpose the Authority was established by the State of Texas Legislature. The Master Plan goals can generally be described as: to improve the quality of water within the Trinity River Basin in order to provide supplies of good quality water for all beneficial purposes, conserve water and soil resources, reduce flooding, promote water oriented recreation, preserve natural areas, promote the diversity and productivity of aquatic life, and foster an understanding of the complex interrelationships among people, resources, economy and the environment in the basin. The Authority's Board of Directors reviews the status of the master plan annually and amends the master plan periodically when it is deemed necessary.

2. Federal Projects. By various resolutions, the Authority has agreed to serve as the local sponsor of the Navarro Mills Reservoir, Bardwell Reservoir, Joe Pool Lake and the Wallisville Salt Water Barrier Project in cooperation with local municipalities or districts that benefit from these projects.

3. Revenue Based Projects. The Authority, without collecting any property taxes, has implemented service projects serving cities, communities and other special districts throughout the Trinity River Basin. The majority of these funds for these projects have come from the sale of tax exempt contract service revenue bonds, service payments from customers, federal grants and long term federal loans. The Authority has responsibility for operating certain of these projects (referred to below as "Operating"). Projects referred to below as "Non-Operating" require a limited amount of Authority personnel involvement and are primarily financing arrangements with the entities. These projects and those served include:

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The Authority's Revenue-Based Projects

Project Name (Operating)	Cities and Communities Serviced or to be Served
Central Regional Wastewater System	Addison, Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Dallas/Fort Worth International Airport Board, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, and Southlake
Ten Mile Creek Regional Wastewater System	Cedar Hill, DeSoto, Duncanville, Ferris, and Lancaster
Denton Creek Regional Wastewater Treatment System	Argyle, Circle T Municipal Utility District No. 1, Circle T Municipal Utility District No. 3, Flower Mound, Fort Worth, Haslet, Keller, Northlake, Roanoke, Southlake and Westlake.
Red Oak Creek Regional Wastewater Project	Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak
Mountain Creek Regional Wastewater System	Grand Prairie, Mansfield, Midlothian and Venus
Tarrant County Water Supply Project	Bedford, Colleyville, Euless, Grapevine, and North Richland Hills
Huntsville Regional Water Supply System	Huntsville
Livingston Regional Water Supply System	Livingston
Trinity County Regional Water Supply System	Glendale Water Supply Corp, Groveton, Riverside Water Supply Corp, Trinity, Trinity Rural Water Supply Corp and Westwood Shores MUD.
Lake Livingston—Wallisville Project	Houston, 21 lakeside communities (and two industries)
Livingston Recreation Facilities	Serving the General Public
Walker-Calloway Branches Outfall Line	Hurst and North Richland Hills
Northeast Lakeview Project	Cedar Hill, Grand Prairie
Lakeview Regional Water Supply Project	Cedar Hill, Duncanville, and Grand Prairie
Navarro Mills Reservoir	Coolidge, Corsicana, Dawson, and Hubbard (and one industry)
Bardwell Reservoir	Ennis and Ellis County WCID #1
Joe Pool Lake Project	Cedar Hill, Duncanville, Grand Prairie, and Midlothian
Ellis County Regional Water Supply Project	Cities of Ferris, Italy, Maypearl, Midlothian, Palmer and Red Oak; Ellis County WC&ID No. 1, Avalon Water and Sewer Service Corporation, Nash-Forreston, and Buena Vista-Bethel Water Supply Corporations.
Freestone Raw Water Supply Project	Freestone Power Generation LP
Ennis Raw Water Supply Project	Ennis
Midlothian Raw Water Supply Project	Midlothian
Huntsville Wastewater Treatment Facilities	Huntsville
Denton Creek Wastewater Interceptor System	Fort Worth, Haslet, and Roanoke
Denton Creek Wastewater Pressure Interceptor	Southlake
Cade Branch Interceptor	Fort Worth, Keller

Project Name (Operating)	Cities and Communities Serviced or to be Served
Denton Creek Wastewater Interceptor System (Fort Worth Project)	Fort Worth
Fort Worth Sendera Ranch Project	Fort Worth
Pollution Control Facilities	Community Waste Disposal, Inc and Texas Utilities Electric Co.
Denton Creek Wastewater Transportation Project	Argyle, Flower Mound and Northlake

The Future Role of the Authority

In recognition of the fact that the Authority does not exercise control over all facets of water resource management within the Trinity River watershed, the goals of the Authority's Basin Master Plan are objectives for the Trinity River Basin, regardless of the implementing agency.

1. Master Planning.

    a. The Authority will carefully monitor the progress being made as to each master plan goal.
    b. The Authority will support the accomplishments of all institutional and financial arrangements necessary to the achievement of the goals.
    c. The Authority will amend the master plan as needed.
    d. The Authority will continue its leadership in water quality planning in the basin.

2. Revenue-based Services. When desired by others and when an adequate revenue base and other finances are available, the Authority will exercise its powers to provide needed services in the areas of water supply, wastewater treatment, parks and recreational facilities, pollution control facilities and solid waste disposal.

3. Tributary Lakes. The revised master plan calls for the construction, as needed, of thirteen lakes on mid basin tributaries. Of these thirteen, the Authority will serve as the planning and implementing agency for eleven: Upper Keechi, Big Elkhart, Hurricane Bayou, Lower Keechi, Bedias, Nelson, Harmon, Gail, Mustang, Caney, and Long King.

4. Federal Projects. The Authority will continue to serve as local sponsor of the Navarro Mills Reservoir, Bardwell Reservoir, the Wallisville Salt Water Barrier Project and Joe Pool Lake.

5. Public Information. The Authority will continue to encourage the public's understanding of the complex interrelationships among the people, resources, economy and environment of the Trinity River Basin.

6. Tax based Services. If there is public support, the Authority will seek to obtain some form of tax-based support for specific programs which should be implemented for comprehensive management of the basin's soil and water resources: conservation of the use of water, soil conservation, water oriented recreation and adequate public access to the river and basin lakes, greenbelts, preservation of natural areas, fish and wildlife mitigation, coordination of floodwater reservoir releases, and full dissemination of flood plain information under the Flood Insurance Act throughout the Authority's territory. At this time the Authority has no plans to pursue any form of tax based support for these programs.

7. The Authority's Territory. In order to provide services on a truly basin wide basis, the Authority will support legislation to add to its territory those parts of the basin not presently within the Authority's defined territory if this is desired by any of the involved counties.

8. Financing of Flood Control and Navigation Projects. Implementation of flood control (by whatever means) and navigation projects should be through a combination of revenues, locally provided taxes and federal funds. The Authority's support of any navigation project is based on three conditions: public support, environmental soundness and economic feasibility.

Pension Plan

The Authority has a defined contribution pension plan for its employees. All full-time and permanent part time employees are eligible for participation after six months of service, provided that they work for the Authority at least 1,000 hours per year. The Authority contributes an amount equivalent to 12% of the employee's salary annually to the plan with each employee having the option to contribute up to 10% of annual salary. An employee becomes 20% vested in the plan after three years and 100% vested in the plan after seven years, or at age 55. An employee is 100% vested in all personal contributions to the plan when made.

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Other Outstanding Indebtedness of the Authority

The Authority has Outstanding Bonds which are listed below. The Outstanding Bonds are System or Project specific and payable from each of the related System's or Project's Pledged Revenues. See "Security and Source of Payment."

Total Outstanding Principal by System/Project:		Outstanding September 28, 2016	
Central Regional Wastewater System	$	796,890,000	*[3]
Denton Creek Regional Wastewater Treatment System		140,065,000	
Denton Creek Wastewater Interceptor(Fort Worth Project)		505,000	
Denton Creek Wastewater Pressure Interceptor System		385,000	
City of Fort Worth Water & Wastewater Transmission Contract (Sendera Ranch Project)		4,250,000	
Trinity River Authority of Texas (General Improvement Project of The Authority)		4,337,232	
Huntsville Regional Water Supply System		14,275,000	
Livingston Regional Water Supply Project		21,280,000	
Mountain Creek Regional Wastewater System		13,600,000	
Northeast Lakeview Wastewater Transportation Project		11,830,000	
Red Oak Creek Regional Wastewater System		30,590,000	[1]
Tarrant County Water Project		106,575,000	
Ten Mile Creek Regional Wastewater System		147,770,000	[4]
Town of Flower Mound Wastewater Transportation Project		3,710,000	
Trinity County Regional Water Supply System Project		820,000	
SUB-TOTAL	$	1,296,882,232	
The Bonds	$	19,555,000	
TOTAL	$	1,316,437,232	

The Authority has entered into agreements with various companies to issue debt for the benefit of the companies. The companies make payments to service the debt through a trustee. The Authority has no obligation for this debt.

Conduit Debt - Pollution Control Bonds		Outstanding September 28, 2016
Community Waste Disposal, Inc.	$	26,405,000
Texas Utilities Electric Company Pollution Control		51,075,000
TOTAL	$	77,480,000

In addition to the preceding statement of indebtedness, the Trinity River Authority has four outstanding contracts with the U. S. Army Corp of Engineers related to water rights and flood control. Contractual revenues collected annually from the entities identified next to the projects below are used to pay debt service on these contracts.

Project:		Outstanding September 28, 2016	
Bardwell Reservoir (City of Ennis and Ellis Co. WCID#1)	$	910,196	
Joe Pool Lake (Cities of Cedar Hill, Duncanville, Grand Prairie and Midlothian)		87,713,510	[2]
Wallisville Lake (City of Houston)		8,903,268	

* Does not include debt service on the $350,000,000 Extendable Commercial Paper Bonds ("ECP Bonds") program. The ECP Bonds are secured by and payable from a first lien on the Net Revenues of the System created in the resolution authorizing their issuance; provided that the pledge of Net Revenues securing the ECP Bonds is expressly made junior and subordinate to the pledge of Net Revenues securing First Lien Bonds as described herein. The ECP Bonds are and shall be secured by and payable only from the Net Revenues, from the proceeds from the sale of ECP Bonds to refinance maturing ECP Bonds (i.e., "roll") and the proceeds of Refunding Bonds to be issued by the Authority.

(1) Excludes the Refunded Bonds. See Schedule I.

(2) As llocal sponsor for Joe Pool Lake, the Authority serves as a financial intermediary between parties that have contracted to purchase water from the lake and the U.S. Army Corps of Engineers (USACE), which owns and operates the lake. The four parties that have contracted with the Authority to purchase water from Joe Pool Lake are the Cities of Cedar Hill, Duncanville, Grand Prairie, and the Midlothian Water District. The City of Grand Prairie and Midlothian Water District are currently diverting water from Joe Pool Lake, which obligates those parties to make payments to the Authority for both USACE capital costs (plus interest) associated with the project and annual operations and maintenance (O&M) expenses. The Authority in turn pays the amounts it collects from those parties to USACE. Pursuant to the Authority's USACE contract, the Authority's repayment obligations are contingent upon and proportionate to the amount of water diverted by the Authority's customers in Joe Pool Lake. The City of Cedar Hill has not initiated diversions from Joe Pool Lake, and the Authority is therefore not obligated to make debt service and O&M payments to USACE for the water contractually reserved for the City of Cedar Hill.

(3) The Regional Wastewater System is scheduled to issue and deliver $87,390,000 Series 2016 Revenue Refunding Bonds on September 28, 2016. The outstanding balance excludes the callable series 2007 maturities of $106,990,000 expected to be refunded.

(4) The Ten Mile Creek Regional Wastewater System is scheduled to issue and deliver $67,340 000 Series 2016 Revenue and Refunding Bonds on September 28, 2016. The outstanding balance excludes the callable series 2007 maturities of $29,475,000 expected to be refunded.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified 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 to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See APPENDIX D - Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) the Issuer's federal tax certificate, (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters, and (c) the escrow verification report of Causey Demgen & Moore P.C.. Failure of the Issuer 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.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law 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 Existing 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.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the Project. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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 may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at 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. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. 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 Bonds 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 (a) 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 (b) the amounts payable as current interest during such accrual period on such Original Issue Discount 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 interests 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, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. 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 OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE Bonds.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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 Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue 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.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In Continuing Disclosure Agreements entered into between the Authority and each of the Contracting Parties, each has made the following respective agreements for the benefit of the holders and beneficial owners of the Bonds. The Contracting Parties and the Authority are required to observe the agreements for so long as the Contracting Parties remain obligated to advance funds to pay the Bonds. Under the agreements, the Contracting Parties will be obligated to provide certain updated financial information and operating data annually, and the Authority and the

Contracting Parties will be obligated to provide timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The Authority and the Contracting Parties will provide certain updated financial information and operating data to the MSRB annually. The information to be provided and updated by the Contracting Parties includes all quantitative financial information and operating data with respect to the Contracting Parties of the general type included in APPENDIX B to this Official Statement and each Contracting Party's audited financial statements, when and if available. Each of the Contracting Parties will file such information with the MSRB through its Electronic Municipal Market ("EMMA") system within six months after the end of each respective Contracting Party's fiscal year, beginning with the fiscal year ending in 2016. Although not contractually obligated to do so as part of its undertaking, the Authority has historically filed and has indicated its current intent to continue filing its audited financial statements with the MSRB through its EMMA system within six months after the end of the Authority's fiscal year, beginning with the fiscal year ending in 2016.

The financial information and operating data to be provided and updated by the Contracting Parties may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the Contracting Parties commission an audit and it is completed by the required time. If audited financial statements are not available by the required time, the each Contracting Party will provide unaudited financial statements within the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with generally accepted accounting principles in effect at the time or that the Contracting Parties may be required to employ from time to time pursuant to State law or regulation.

The Authority's fiscal year end is November 30 and each of the Contracting Party's fiscal year end is September 30. Accordingly, each Contracting Party must provide updated information by March 31 in each year and the Authority has indicated it currently intends to provide updated information by May 31 in each year, unless any Contracting Party or the Authority, as applicable, changes its fiscal year. If any Contracting Party or the Authority change their fiscal year, such Contracting Party or the Authority, as applicable, will notify the MSRB of the change.

Disclosure Event Notices

The Authority and the Contracting Parties will provide timely notices of certain events to the MSRB. The Authority will provide notice in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event), of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

As used in clause (12) in the preceding paragraph, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Authority in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority. In addition, the Contracting Parties will provide timely notice of any failure by the Contracting Parties to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Authority or the Contracting Parties will provide each notice described in this paragraph to the MSRB.

Availability of Information

The Authority and the Contracting Parties have agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Authority and the Contracting Parties have agreed to update information and to provide notices of certain events only as described above. The Authority and the Contracting Parties have 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 Authority and the Contracting Parties make 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 Authority and the Contracting Parties disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of their continuing disclosure agreement or from any statement made pursuant to their agreement, although holders of Bonds may seek a writ of mandamus to compel the Authority or the Contracting Parties to comply with its agreement.

The Authority or the Contracting Parties may amend their continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Contracting Parties, if (i) 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 (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Authority or the Contracting Parties (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority or the Contracting Parties may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Authority or the Contracting Parties so amend the agreement, the Contracting Parties have agreed to include with the next financial information and operating data provided in accordance with their respective agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

Consistent with its prior continuing disclosure undertakings relating to its bonds, the Authority assumed certain responsibilities and the Contracting Parties assumed certain responsibilities for filing information, as described above. The Authority is responsible for making its filings in connection with the Rule but does not provide continuing disclosure filings for the Contracting Parties.

Authority. During the last five years, the Authority has complied in all material respects with all continuing disclosure undertakings made by it relating to bonds issued for the System in accordance with the Rule.

Contracting Parties. During the last five years, each of the Contracting Parties has complied in all material respects with its respective undertaking to provide financial information and operating data of the general type included in Appendix B to this Official Statement within six months of the end of its respective fiscal year.

With respect to the Contracting Parties' obligations to file their audited financial statements within six months of the end of the Contracting Party's fiscal year, if audited financial statements of a Contracting Party were not available to be filed within such time period, the Contracting Party typically provided certain financial information and operating data by the specified date but most of the Contracting Parties did not file formal unaudited financial statements by such date. The Contracting Parties timely filed their respective audited financial statements when available (after local government approval) except as to the following: the audited financial statements for the City of Cedar Hill, Texas for the fiscal years ending 2011, 2013 and 2014 were filed with EMMA on 8/6/2012, 8/21/2014 and 8/11/2015, respectively; the audited financial statements for the City of DeSoto, Texas for the fiscal years ending 2011 and 2013 were filed with EMMA on 7/9/2012 and 5/2/2014, respectively; the audited financial statements for the City of Glenn Heights, Texas for the fiscal years ending 2011 and 2014 were filed on 12/4/2012 and 5/7/2015, respectively; and the audited financial statements for the City of Ovilla, Texas for fiscal year ending 2014 was not filed until 5/28/2015. In most instances, the applicable Contracting Party did not file a notice of late filing. The referenced filing dates for the audited financial statements are the earliest dates for which such financial statements were filed on EMMA and such financial statements may not have been immediately linked to the applicable System revenue bonds.

The filings of audited financial statements noted above are also applicable to the Contracting Parties non-System related undertakings. In addition, during the last five years, the cities of Cedar Hill, DeSoto, Glenn Heights, and Ovilla did not provide timely notice of rating changes related to their respective underlying or insured revenue or general obligation debt. The City of Ovilla, Texas for the fiscal years ending 2011 through 2015 (inclusive) has not filed certain tables containing operating information under its non-System related undertakings. The cities of Cedar Hill and DeSoto did not timely file certain defeasance notices.

The information in the preceding paragraphs with respect to the Contracting Parties has been included based upon publicly filed information available on EMMA and other publicly available sources.

OTHER INFORMATION

Ratings

The Bonds are rated “AA-” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”). The outstanding Parity Bonds are rated “AA-” by S&P, without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such rating organization and the Authority makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Litigation

It is the opinion of the Authority Attorney and Authority Staff that there is no pending litigation against the Authority that would have a material adverse financial impact upon the Authority or its operations. No pending litigation against the Contracting Parties that would have a material adverse financial impact upon the Authority or its operations of the System has been brought to the attention of the Authority.

At the time of the initial delivery of the Bonds, the Authority will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

Registration And Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Authority assumes no responsibility for qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 Texas Government Code, provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Ratings" above). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, provides that the Bonds are eligible to secure deposits of any public funds of the State of Texas, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The Authority has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Authority has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The Authority will furnish a complete transcript of proceedings relating to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding special obligations of the Authority and, based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Authority in the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify and of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions "PLAN OF FINANCING" (excluding the information under the subcaption "Sources and Uses of Bond Proceeds"), "THE BONDS" (excluding the information under the subcaption "Book-Entry-Only System"), "SELECTED CONTRACT PROVISIONS," "SELECTED PROVISIONS OF THE RESOLUTION," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings"), and the subcaptions "Registration and Qualification of Bonds for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" (excluding the last sentence of the first paragraph thereof) under the caption "OTHER INFORMATION," and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas, whose legal fee for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

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

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from Authority records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Financial Advisor

FirstSouthwest ("FirstSouthwest"), a division of Hilltop Securities Inc., is employed as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. FirstSouthwest, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the Authority for the investment of bond proceeds or other funds of the Authority upon the request of the Authority.

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

Verification of Arithmetical Computations

Causey Demgen & Moore P.C., ("Causey") a firm of independent public accountants, will deliver to the Authority, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of (a) the adequacy of the cash and the maturing principal of and interest on the Escrow Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) yields on the Bonds and the Escrow Securities. Such verification will be relied upon by Bond Counsel in rendering its opinion with respect to the defeasance of the Refunded Bonds and with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes.

The verification performed by Causey will be solely based upon data, information and documents provided to Causey by FirstSouthwest on behalf of the Authority. Causey has restricted its procedures to recalculating the computations provided by FirstSouthwest on behalf of the Authority and has not evaluated or examined the assumptions or information used in the computations.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Authority at a purchase price of $23,199,361.20, which represents the par amount of the Bonds, plus a net premium of $3,752,749.05, less an Underwriters' discount of $108,387.85, and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed from time to time by the Underwriters.

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

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), the senior underwriter of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the Authority that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The Authority's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Miscellaneous

The Pricing Certificate (which was executed by an Authorized Officer of the Authority) is a part of the Resolution authorizing the issuance of the Bonds, and approves the form and content of this Official Statement and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Bonds by the Underwriters.

TRINITY RIVER AUTHORITY OF TEXAS

J. Kevin Ward
J. KEVIN WARD
General Manager

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

TRINITY RIVER AUTHORITY OF TEXAS
RED OAK CREEK SYSTEM REVENUE BONDS,
SERIES 2008

Original Maturity	Interest Rates	Amount Refunded	Redemption Date	Redemption Price
2/1/2019	3.150%	$ 1,520,000	2/1/2018	100%
2/1/2020	3.250%	1,570,000	2/1/2018	100%
2/1/2021	3.350%	1,620,000	2/1/2018	100%
2/1/2022	3.450%	1,675,000	2/1/2018	100%
2/1/2023	3.500%	1,740,000	2/1/2018	100%
2/1/2024	3.650%	1,800,000	2/1/2018	100%
2/1/2025	3.700%	1,865,000	2/1/2018	100%
2/1/2026	3.750%	1,930,000	2/1/2018	100%
2/1/2027	3.800%	2,635,000	2/1/2018	100%
2/1/2028	3.800%	2,735,000	2/1/2018	100%
		$ 19,090,000		

APPENDIX A

BIOGRAPHICAL INFORMATION

Board of Directors
and
Management Officers

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BOARD OF DIRECTORS

DAVID B. LEONARD of Liberty, Texas (president and member, executive committee). Leonard is the general manager and owner of Liberty-Dayton Chrysler, an auto dealership. He is a member of the Liberty-Dayton Chamber of Commerce and a member and past president of the Liberty Lions Club. Leonard is the director of the Knights of Columbus and a member of the Liberty Elks Lodge. He is past director of the Trinity Valley Exposition. He attended Lee College and was reappointed as director for Liberty County in 2013.

CHRISTINA MELTON CRAIN of Dallas, Texas (vice president and member, executive committee). Crain is an attorney and president of Christina Melton Crain, PC. She is a director of the State Bar of Texas and a trustee of the Dallas Bar Foundation. She is a member of the Texas Transportation Advisory Committee, the University of Texas at Austin Chancellor's Council and the College of Liberal Arts Advisory Council. Crain is an executive board member of Big Brothers Big Sisters Lone Star and co-founder of Amachi Texas, a mentoring program for children of the incarcerated. She is director of the Texas Regional Advisory Board for the National Center for Missing and Exploited Children. She is chairwoman of Dallas DOORS, a nonprofit organization serving the formerly incarcerated and their families. She is chairwoman of the Dallas County Criminal Justice Advisory Board Re-entry Council. Crain is a member of the University of Texas at Dallas Center for Vital Longevity Advisory Council and a member of Altrusa International Inc. of Downtown Dallas. Crain serves as the prison representative to the UT Southwestern Medical Center Institutional Review Board. She is director of the Oklahoma City University School of Law Executive Board as well as director of the Patriot PAWS Service Dogs Organization. Crain is past chairwoman of the Texas Board of Criminal Justice and of the Windham School District board of trustees. She is past president of the Dallas Bar Association, the Dallas Women Lawyers Association and the Dallas Association of Young Lawyers. She is a former member of the Texas Correctional Managed Healthcare Committee and an alumna of Leadership Texas and Leadership Dallas. She is a former director of the Baylor Healthcare System Foundation. Crain is a sustainer of the Junior League of Dallas and a former member of the Texas Exes Council of the University of Texas at Austin. Crain received a bachelor's degree from the University of Texas at Austin and a law degree from the Oklahoma City University School of Law. Crain was appointed as director for Dallas County in 2013.

KIM C. WYATT of Corsicana, Texas (chair, executive committee). Wyatt is president and chief executive officer of the Community National Bank & Trust of Texas. He holds a bachelor's degree from Texas A&M University and graduated from the Southwest Graduate School of Banking. He is a member of the First United Methodist Church, a member of the Corsicana Optimist Club and a member of the Independent Order of Odd Fellows. Wyatt is treasurer of the Corsicana Livestock and Agricultural Center, a board member of the Garitty Charity Association and a member of the board of the Navarro Community Foundation. He is a member of the board of Navarro Regional Hospital and a board member of Texas Healthcare Trustees. Wyatt is a former member of the planning and zoning board of the city of Corsicana, a past president of the Corsicana Area Chamber of Commerce, past president of the Navarro County United Way and past president of the Optimist Club. He is a past three-term chairman of the Navarro County Youth Exposition. He is also a past board member of Camp Fire Girls, the Navarro County Agency for Retarded Citizens and the Corsicana YMCA. Wyatt is past president of the Navarro College Booster Club and past board member and treasurer of the Navarro College Foundation. Wyatt was reappointed as director for Navarro County in 2009.

JESS A. LAIRD of Athens, Texas (member, executive committee and chairman, resources development committee). Laird is chief executive officer and president of First State Bank in Athens, Texas. He serves on the boards of directors of First State Bank in Athens, the Independent Bankers Association of Texas, the Athens Economic Development Corporation and the Trinity Valley Community College Foundation. He is also treasurer of the Henderson County Salvation Army. Previously, Laird served as president of the Athens Rotary Club, as president and director of the Cain Center and as president and director of the American Heart Association. He served on the board of managers for the East Texas Medical Center, and he has served on the board of directors for the Region VII Education Service Center, the Henderson County United Way and Keep Athens Beautiful. He earned a bachelor's degree from Texas A&M University and a master's degree from the University of Texas in Tyler. Laird was reappointed as director for Henderson County in 2013.

HAROLD L. BARNARD of Waxahachie, Texas (member, executive committee and chairman, legal and public policy committee). Barnard is president and managing officer of Ellis County Abstract and Title Company Inc. In addition to being a member of the Texas Land Title Association and the Texas Association of Abstract and Title Agents, he is past president of the Waxahachie Chamber of Commerce and past director and president of the Ellis County Museum board of directors. He is a past director and president of the Waxahachie Foundation Inc. Barnard earned a bachelor's degree from the University of Texas at Arlington. He was reappointed as director for Ellis County in 2013.

VALERIE E. ERTZ of Dallas, Texas (member, executive committee and chair, administration and audit committee). Valerie Ertz of Dallas is owner and president of VEE Services. She is a member of the State Commission on Judicial Conduct, the Society of St. Vincent DePaul, Military Order of St. John's, the Texas Women's Initiative, and the Southern Methodist University Alumni Association. She is also a past member of the Stephen F. Austin State University Board of Regents. Ertz received a bachelor's degree from Southern Methodist University and a master's degree in management from Troy State University. Ertz was appointed as director for Dallas County in 2013.

KEVIN MAXWELL of Crockett, Texas (member, executive committee and chair, utility services committee). Maxwell is president of S.C. Maxwell Co. Inc., a construction, real estate and ranching business. Maxwell is a member of the Texas Wildlife Association, a member of the Sharon Temple Shriners and a 32nd degree Scottish Rite mason. He is president of the Crockett Athletic Booster Club and a member of the Houston Livestock Show and Rodeo Go Texan Committee. In the past, Maxwell has been chairman of the Crockett Area Chamber of Commerce, president of the Crockett Merchants Little League, master of the Lothrop Masonic Lodge and member of the Crockett Rotary Club. He earned a bachelor's degree from Sam Houston State University. Maxwell was reappointed as director for Houston County in 2009.

HENRY BORBOLLA III of Fort Worth, Texas (member, utility services committee). Henry Borbolla is a Fort Worth native and graduate of TCU. He is a banker with BB&T - Branch Banking & Trust and provides a wide range of financing, treasury management and risk management services to business clients in the greater Tarrant County area. His community involvements include board or committee positions with Big Brothers Big Sisters, Bobby Bragan Youth Foundation, Casa Manana, Catholic Charities, Community Hospice of Texas, Fort Worth Stock Show, Tarrant County Housing Partnership, and the University of North Texas Health Science Center Foundation. Others include the Fort Worth Visitors and Convention Bureau, Downtown Design Review Board, and the Trinity River Authority. He is a member of the Rotary Club of Fort Worth and the Fort Worth Stock Show Syndicate. Borbolla was reappointed as director for Tarrant County in 2013.

WILLIAM W. COLLINS JR. of Fort Worth, Texas (member, resources development committee). Collins is an attorney in private practice. He is a member of the State Bar of Texas and the Tarrant County Bar Association. He has served as chairman of the Texas Motor Vehicle Commission, as a commissioner of the Texas Commission on the Arts, and as a member of the Executive Committee of the Fort Worth Transportation Authority. Collins is a former chairman of the American Cancer Society-Fort Worth and has served as a trustee of the Modern Art Museum of Fort Worth. He is a life member of the University of Texas Alumni Association and the Tarrant County Historical Society. Collins earned a Bachelor of Business Administration degree from the McCombs School of Business at the University of Texas at Austin and a law degree from the University of Tennessee. He was appointed as director for Tarrant County in 2010.

STEVE CRONIN of Shepherd, Texas (member, resources development committee). Cronin is an Agricultural Science teacher at Shepherd Independent School District and the owner of Magnolia Farms Sheep Farm. He is a member of the Vocational Agricultural Teachers Association of Texas. He is secretary/treasurer and past president of the County Farm Bureau, member of National Wild Turkey Federation an SJC, Advisor of Shepherd FFA Booster Club and on the San Jacinto County Fair Association Committee. He is a San Jacinto County 4-H leader, teaches hunter education classes through the Texas Parks and Wildlife Department. Cronin served more than seven years as an agriculture field representative for the Texas Farm Bureau and more than seven years as an agriculture extension agent for the Texas A&M University System. He received a bachelor's and a master's degree from Sam Houston State University. Cronin was reappointed as director for San Jacinto County in 2011.

AMANDA B. DAVIS of Buffalo, Texas (member, administration and audit committee). Davis is a retired school administrator in the Buffalo Independent School District and member of the Texas Association of School Administrators, Texas Association of Secondary School Principals, Texas Elementary Principals and Supervisors Association, and Texas Association of Mediators. She is also a member of the State Bar of Texas Alternative Dispute Resolution Section, Texas Mediation Trainers Roundtable and Texas Farm Bureau. Davis received a bachelor's degree from Sam Houston State University, a master's degree in educational leadership and conflict resolution from Abilene Christian University and completed her superintendent certification from the University of Texas at Tyler. She was reappointed to serve for Leon County until March 15, 2017.

TOMMY G. FORDYCE of Huntsville, Texas (member, resources development committee). Fordyce is a retired director of the Texas Criminal Justice Agribusiness Department. He is chair of the Huntsville Economic Development Council and vice president of the Lone Survivor Foundation. He is also a member of the Texas Assistive and Rehabilitative Services Council, the Kick Start for Kids program and the Huntsville Veterans' Affairs Advisory Board. He served in the U.S. Marine Corps and is a Vietnam War veteran. Fordyce earned a bachelor's degree from Sam Houston State University. Fordyce was reappointed as director for Walker County in 2013.

RONALD J. GOLDMAN of Fort Worth, Texas (member, legal and public policy committee). Goldman is president of Ronnie's LLC, a real estate management company, and also is director of Liberty Bancshares. Goldman is a member of the World President's Organization, the Fort Worth Airpower Council and the Texas Health Harris Methodist Foundation. Formerly, he was chairman of the Young President's Organization of West Texas and the Harris Methodist Development Board. He has served as a trustee for the Harris Methodist Health System and Harris Methodist, H.E.B. Goldman was founder, organizer and director of Summit Bancshares. He is past president of the Youth Orchestra of Greater Fort Worth and has served on the boards of the Fort Worth Symphony Orchestra, the Van Cliburn Association, the Arts Council of Fort Worth and Trinity Valley School. He is past president of the Seagram Family Association. Goldman earned a bachelor's degree from the University of Texas at Austin. He served in the Texas Army National Guard from 1965 to 1971. He was reappointed as director at large in 2009.

MARTHA A. HERNANDEZ of Burleson, Texas (member, legal and public policy committee). Hernandez is a retired nutritionist and jailor for the Tarrant County Sheriff's Department. She is a member of Congressman Joe Barton's Advisory Committee. Hernandez is past president of the Burleson Heritage Foundation and the Burleson Garden Club. She is also past chairman of the City of Burleson Parks Board and the Burleson Public Library Board, and she served on the Tarrant County Grand Jury. Hernandez volunteered for the U.S. Secret Service detail for a national political convention and has served at election polls since 1972. Hernandez served as a board member and organizer of the Fiesta de Burleson Cinco de Mayo Celebration from 1997 to 2003. She earned a bachelor's degree from Texas Wesleyan University. Hernandez was reappointed as director for Tarrant County in 2013.

JOHN W. JENKINS of Hankamer, Texas (member, administrative and audit committee). Jenkins is a self-employed partner in a major farming enterprise. He graduated from Southwest Texas State University in 1981 with a bachelor's degree. He is a member of the Anahuac Area Chamber of Commerce. He serves on the boards of the Anahuac National Bank, the Texas Rice Council and the American Plant Food Corporation. Jenkins is also a committee chair for the Texas Gatorfest Committee. He is a former board member of the Trinity Bay Conservation District, the Devers Canal Rice Producers Association, the Trinity Valley Exposition, the Texas Rice Festival and the Chambers County Farm Bureau. Jenkins was appointed as director for TRA's Chambers County in 1997. He was reappointed as director at large in 2009. Jenkins served as president of TRA's board of directors from 2003-2005 and as vice president from 2001-2003. He was chairman of the executive committee from 2005-2007 and chairman of the resources development committee from 2000-2002. He served as chairman of the administration committee from 2007-2009 and chairman of the legal committee from 2009-2013. Jenkins was reappointed as director at large in 2009.

DENNIS "JOE" MCCLESKEY of Apple Springs, Texas (member, utility services committee). McCleskey is owner of Angelina Excavating Inc. He is secretary/treasurer of the Piney Woods Chapter of the National Wild Turkey Federation and a member of the Texas Wildlife Association, the Lufkin Host Lions Club, and the Angelina County Youth Fair Buyers Group Committee. He is also past president of the Deep East Texas Association of Builders, a former committee member of the Hudson ISD Community Involvement Advisory Board, and a past volunteer with the Angelina County Habitat for Humanity. McCleskey was appointed director for Trinity County in 2013.

JAMES W. NEALE of Dallas, Texas (member, administration and audit committee). Neale is president and owner of Quorum Energy Company, an exploration and production company in the oil and gas business. He is chairman of the District 9 advisory council for the Dallas Independent School District and a member of the Trinity Trust Foundation. Neale served as executive assistant to Governor Bill Clements and as an executive committee member for the Dallas Blue Foundation. He served a term as foreman for the Dallas County Grand Jury in January 2005. Neale earned a bachelor's degree from the University of Texas in Austin. Neale was reappointed as director for Dallas County in 2013.

MANNY RACHAL of Livingston, Texas (member, utility services committee). Rachal is president of Shrimp Boat Manny's, an established seafood restaurant since 1985. He is a successful real estate developer in Polk and Angelina counties, creating both Rachal Properties and M&N Investments. He is a member of the Polk and Angelina County Chamber of Commerce. Rachal was previously an active member of the Lafayette, Louisiana, Jaycees and the Evangeline Area Boy Scouts Council. He attended the University of Southwestern Louisiana. Rachal was reappointed as director for Polk County in 2009.

AMIR RUPANI of Dallas, Texas (member, utility services committee). Rupani is chief executive officer and president of King Import Warehouse. He is also president and chief executive officer of Texas Prince Inc. He serves as chairman of the Greater Dallas Asian American Chamber of Commerce and on the board of directors for the World Affairs Council in Dallas/Fort Worth. Formerly, he served on the board of directors for the Dallas Convention and Visitor's Bureau, the Dallas Citizens Council, the Dallas Assembly and the Dallas Planning and Zoning Board. He is the founder, organizer and former president of One World Holding Inc. and former chairman of One World Bank. Rupani was named Businessman of the Year in 2005 by the Pakistan American Congress in Washington, D.C. He received the Pioneer Award in 2006 from the Dallas/Fort Worth Asian American Citizens Council and the Minority Business Leader Award in 2008 from the Dallas Business Journal. Under his leadership, King Import Warehouse was named Exemplary Importer/Exporter Firm of the Year in 2004 by the Minority Business Development Agency, a branch of the U.S. Department of Commerce. King Import Warehouse was named the Fastest Growing Company in Dallas by the Cox School of Business at Southern Methodist University in 2004. Rupani attended City College of Karachi in Pakistan. Rupani was reappointed as director at large in 2013.

ANA LAURA SAUCEDO of Dallas, Texas (member, legal and public policy committee). Saucedo invests in residential property. She is a former news reporter for KLIF and KRLD radio in Dallas. Saucedo worked for the Office of Minority Business Enterprise, and the Department of Commerce and was instrumental in developing the Texas Association of Mexican American Chambers of Commerce and the U. S. Hispanic Chamber of Commerce. She spent twelve years volunteering with the Parent Teacher Association and was awarded a Life Member Honor by the Socorro Independent School District in El Paso, Texas. She was elected trustee of Socorro ISD and was appointed to the Texas Commission on Human Rights. She is currently the president of the Pike Park Preservation League and coordinates cultural and historical activities at one of the oldest parks in Dallas. Saucedo was reappointed as director for Dallas County in 2013.

SHIRLEY K. SEALE of Anahuac, Texas (member, resources development committee). Seale is a financial advisor for Edward Jones, an investments company. Seale is a member of the Chambers County Economic Development Board and a member of the West Chambers County Chamber of Commerce. She was a member of the board of directors for the Gulf Coast Waste Disposal Authority from 1997 to 2007. Seale served as a board member for the Chambers County Industrial Development Board and as fundraiser chairman for the Chambers County American Heart Association. She is a member of the Chambers County Republican Women where she served as treasurer, vice president and delegate to the State Republican Women's Association. Seale is a member of the First Baptist Church of Anahuac and has served as church treasurer for ten years. Seale is a graduate of the Southwestern Graduate School of Banking and attended Lee College, Lamar University and Bank Operations School at East Texas State University. Seale was reappointed as director for Chambers County in 2009.

DUDLEY K. SKYRME of Palestine, Texas (member, administration and audit committee). Skyrme is a retired sales and construction manager for United Bilt Homes, LLC, and is a volunteer of the Palestine Community Food Pantry. He served in the US Navy. Skyrme received a bachelor's degree from the University of Central Arkansas. Skyrme was appointed as director for Anderson County in 2013.

C. DWAYNE SOMERVILLE of Mexia, Texas (member, utility services committee). Somerville is president and owner of Natural Alternatives, Inc., Henderson RV Sales, Palestine RV Center, Eagle Ford RV Park, South Texas Family Housing, and Wash Mart Laundry, and president of Fairfield Homes and Land, LLC. He is a member of the Coin Laundry Association, an assistant scoutmaster of the Mexia Boy Scouts of America, and a youth group leader for the First Baptist Church of Mexia. Somerville attended Kilgore College. Somerville was appointed as director for Freestone County in 2013.

J. CAROL SPILLARS of Madisonville, Texas (member, legal and public policy committee). Spillars is a file manager for Linebarger Goggan Blair & Sampson, LLP and co-owner of Spillars Family JKBar Ranch. She retired from Madisonville Consolidated Independent School District after 26 years of service. Spillars is a past member of the Texas Association of School Business Officials and the Texas Association of School Boards. She is a certified educational office professional and a certified Texas school business specialist. Spillars was reappointed as director for Madison County in 2013.

A vacancy exists for the board member representing Kaufman County.

MANAGEMENT OFFICERS

J. KEVIN WARD, General Manager. Mr. Ward joined TRA in February 2011. Ward's role as chief executive officer of TRA tasks him with oversight of the largest river authority in Texas and the largest wholesale provider of wastewater treatment services in the state. With the support of seven staff groups and more than 400 employees, Ward drives the implementation of board policy for the operation and development of five water treatment facilities, five wastewater treatment facilities and one recreation project, plus water sales from four reservoirs – all serving 63 wholesale customers including cities, municipalities or districts throughout the Trinity River basin. Ward is also charged with managing the Authority's assets of more than $1.7 billion and a current operating budget of more than $199 million.

Ward served as executive administrator of the Texas Water Development Board from May 2002 to February 2011 and in various other capacities at that state agency from 1987 to 2002. Under the direction of a six-member board appointed by the governor, the TWDB is responsible for planning the statewide development of water resources, financing water-related infrastructure, and maintaining and disseminating natural resource data for Texas, which includes water-bearing formations and watersheds.

Ward was the presiding officer of the Water Conservation Implementation Task Force, created through Senate Bill 1094, 78th Texas Legislature, which produced the Report to the 79th Legislature and the Best Management Practices Guide to encourage increased use of water conservation throughout the state. He is the immediate past president of the Council of Infrastructure Financing Authorities and was an active participant on the State/Environmental Protection Agency State Revolving Fund workgroup several years ago for implementing the Clean and Drinking Water State Revolving Fund programs. Ward currently serves on the Visiting Committee for the Bureau of Economic Geology. He was honored in 2011 with the Water Environment Association of Texas Outstanding Public Official Award for actively promoting sound science in policy and regulations affecting water environment issues within the State of Texas through documented, significant contributions in the areas of legislation, public policy and government service.

FIONA M. ALLEN, P.E., regional manager, Northern Region. Allen joined the TRA in March 2011. Following eight years of consulting engineering experience early in her career, she joined the city of Arlington, Texas, as a water utilities civil engineer. Over her 20-year career at the city of Arlington, Allen served in various roles, including water utilities field operations manager, assistant director of utilities/operations and engineering, and assistant director of utilities/business services. She was promoted to director of utilities and subsequently, in 2005, served as interim deputy city manager over information technology, human resources, management services, finance and general services. In 2006, she was named deputy city manager/capital investment, overseeing public works, water utilities and environmental services. In 2009, she was named deputy city manager/economic development, overseeing aviation, convention center, planning and development, and the economic development office, with the duties of supervising public works and water utilities added in 2010. Allen retired from the city of Arlington in February 2011. She holds licenses as a professional engineer and a registered sanitarian, and holds TCEQ class B-distribution operator and class III wastewater system operator licenses. She is a member of the Texas A&M University civil engineering advisory council, the American Water Works Association, the Texas Water Conservation Association, and the American Society of Civil Engineers. She is a past board member of the Texas Municipal League, past president of the Texas Municipal Utilities Association, and former chairman of the Texas Water Utilities North Central Texas Regional School, and she also serves on various school and community boards. She holds a bachelor's degree from Texas A&M University.

ALISON A. MACKEY, CPA, chief financial officer. Mackey received a Bachelor of Business Administration Degree in Accounting from Texas Tech University as well as a Master of Business Administration Degree in Finance from the University of Texas at Arlington. Mackey became a Certified Public Accountant in 1985 and was employed by Hunt Energy Corp. for several years before joining the Authority in 2001 as Internal Auditor. She was promoted to Manager, Special Projects, then Executive Assistant to the General Manager, and Executive Project Manager before becoming Chief Financial Officer. She is currently serving as the Secretary of the Arlington Federal Credit Union Board of Directors. She has held various volunteer leadership positions with the Parent Teacher Association of Texas and the YMCA of Arlington where she was a Board Member. She is currently a member of the Texas Society of Certified Public Accountants, the Texas Water Conservation Association, the American Water Works Assoc. and the Water Environment Federation.

JIMMIE R. SIMS, regional manager, Southern Region. Sims received a bachelor's degree from Texas A&M University. He began working for the Trinity River Authority in 1973 at the Devers Canal System and became project manager for Lake Livingston recreation facilities in 1977. In 1983 he became project manager for the Lake Livingston utility services project and advanced to division manager of the water services division in 1985. Sims was promoted to assistant regional manager, Southern Region, in 1988 and advanced to his current position in 1996. Sims is a former member of the board of directors of the Huntsville-Walker County Chamber of Commerce. He has also served as chairman of the Huntsville Planning and Zoning Commission and is an active member of the American Water Works Association and the Texas Water Conservation Association. He has served on the board of directors of the Huntsville Boys Baseball Association and has been an active supporter of Huntsville area youth baseball programs. In addition, Sims served as the executive vice president of the Huntsville Amateur Baseball Association and was recognized as the 2007 Volunteer of the Year by that organization.

GLENN C. CLINGENPEEL, Manager, Planning and Environmental Services. Mr. Clingenpeel received bachelor of arts and bachelor of science degrees in biology from the University of Texas, a master of science in environmental sciences from the University of North Texas and a master of business administration from the University of Texas at Arlington. He also possesses an associate degree in French and attended the Sorbonne University in Paris, France. Mr. Clingenpeel is a member of the Golden Key National Honor, Tri Beta Biology Honor and Beta Gamma Sigma Business Honor societies and was recognized in 2006 as an MBA All-Star by the Dallas Business Journal. He joined the Trinity River Authority in April of 1998 as the Clean Rivers Program Coordinator and was promoted to the position of Manager of Special Studies and Assessments in 2000. In December of 2005 he was promoted to the position of Executive Assistant to the General Manager. In February of 2014 Mr. Clingenpeel was promoted to the position of Senior Manager, Planning and Environmental Management before being promoted to his current position of Manager, Planning and Environmental Services. He has presented dozens of papers on water quality and quantity issues and serves on several local, state and federal committees including the North Central Texas Council of Governments' Water Resources Council, the Texas Commission on Environmental Quality's Surface Water Quality Standards Workgroup, and the EPA's Region 6 Technical Advisory Committee. Mr. Clingenpeel is active in the Water Environment Association of Texas where he serves as vice-chair for the Governmental Affairs Committee. He is a long-time board member of the Allied Federal Credit Union where he currently serves as Chair.

HOWARD S. SLOBODIN, secretary, board of directors and general counsel. Slobodin earned a bachelor's degree, graduating cum laude and Phi Beta Kappa, from the University of Oregon and a law degree, with honors, from the University of Texas School of Law. He joined the Trinity River Authority in 2008. Prior to joining TRA, Slobodin practiced environmental and water law in both the public and private sectors. He began his practice as an assistant attorney general with the natural resources division of the Texas Attorney General's Office and subsequently represented investor-owned utilities, public utilities and districts, and private landowners in matters related to water and wastewater.

DON A. TUCKER, general services manager. Tucker received a bachelor's degree from the University of Texas at Arlington and has completed extensive graduate work in the School of Urban Studies at UTA. He served in the United States Marine Corps infantry in Vietnam. Prior to joining the Trinity River Authority, Tucker served as supervisor for the claims cost control unit for the Travelers Insurance Company and as a senior underwriter for the Mortgage Guaranty Insurance Corporation. Tucker joined TRA in 1976 as director of administration and was promoted to division manager in 1978. He advanced to his current position in 1997. Tucker has an associate's degree in risk management from the Chartered Property Casualty Underwriters/American Insurance Institute. In 1996 he was selected as Safety Manager of the Year by the Texas Safety Association and currently serves on the board of directors for that organization. He is a member of the Public Risk Insurance Management Association, and the American Society of Safety Engineers. He has served as campaign chairman and/or loaned executive for the United Way for 20 years. He has also served as a member of the board of directors of the Arlington North Little League and the American Cancer Society.

APPENDIX B

TRINITY RIVER AUTHORITY OF TEXAS
RED OAK CREEK SYSTEM
2016 REVENUE REPORT

City of Cedar Hill, Texas
City of DeSoto, Texas
City of Glenn Heights, Texas
City of Lancaster, Texas
City of Ovilla, Texas
City of Red Oak, Texas

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TABLE 1 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
OPERATING REVENUES	2015	2014	2013	2012	2011
Water Sales	$ 10,125,381	$ 9,644,953	$ 9,496,973	$ 9,218,197	$ 10,395,866
Sewer Sales	8,139,545	7,199,117	7,058,429	6,154,191	5,752,101
Other Charges	369,358	538,867	654,050	605,404	543,416
Interest Revenue	58,062	36,670	56,838	119,897	125,261
Total Operating Income	$ 18,692,346	$ 17,419,607	$ 17,266,290	$ 16,097,689	$ 16,816,644
OPERATING EXPENSES					
Sewage Treatment	$ 5,521,569	$ 5,407,847	$ 5,157,361	$ 4,882,868	$ 4,677,823
Purchase of Water	2,961,311	3,285,903	3,448,465	3,393,318	3,267,212
Personnel Services	2,316,629	2,657,186	2,504,935	2,661,268	2,602,062
Gross Receipts Tax	1,011,058	802,199	765,150	688,123	726,659
Heat, Light and Power	351,839	335,515	385,100	368,783	471,003
Maintenance	355,536	293,453	316,741	394,339	311,234
Contractual Services	1,322,907	622,653	589,094	502,537	557,290
Materials and Supplies	240,432	243,978	240,411	664,240	337,206
Miscellaneous	87,693	86,924	72,126	74,072	72,562
Total Operating Expenses	$ 14,168,974	$ 13,735,658	$ 13,479,383	$ 13,629,548	$ 13,023,051
NON-OPERATING NET REVENUES	$ 4,523,372	$ 3,683,949	$ 3,786,907	$ 2,468,141	$ 3,793,593
Water Customers	16,182	15,522	15,382	15,257	15,186
Sewer Customers	14,823	14,342	14,035	13,858	13,874

TABLE 2 - COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, 2016-2028	$ 446,212
Net Revenue Available for Debt Service	4,523,372
Coverage of Average Requirements by 9/30/15 Net Revenues	10.14 Times
Maximum Principal and Interest Requirements, 2016	$ 601,396
Net Revenue Available for Debt Service	4,523,372
Coverage of Maximum Requirements by 9/30/15 Net Revenues	7.52 Times
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/15	$ 4,375,000
Interest and Sinking Fund, 9/30/15	$ -
Debt Service Reserve Fund, 9/30/15	$ 1,007,817

TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of January 31, 2016, the City has no voted but unissued revenue bonds, and pursuant to State Law, the City is not required to approve its revenue bonds through election.

TABLE 4 – HISTORICAL WATER USAGE (GALLONS)

Fiscal Year Ended 9/30	Daily Average (MGD)	Peak Day (MGD)	Peak Month (MGD)	Total Usage (MGD)	Water Revenue
2011	8.54	12.9	368.0	3,118.6	$ 10,395,866
2012	7.34	11.1	280.0	2,678.0	9,218,197
2013	7.50	11.9	316.0	2,737.0	9,496,973
2014	5.71	9.0	230.2	2,085.2	11,946,153
2015	5.80	10.6	288.5	2,124.6	10,125,381

TABLE 5 – MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2015)

Residential:	Base (includes first 1,000 gallons)	$ 21.38
	1,000 - 7,999 gallons	4.96
	8,000 - 14,999	6.30
	15,000 and over	7.48
Commerical:	Base (includes first 1,000 gallons)	$ 31.44
	1,000 - 23,999	5.95
	24,000 - 34,999	7.44
	35,000 and over	8.94

TABLE 6 – MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2015)

	New Rates		Old Rates	
	Inside City	Outside City	Inside City	Outside City
First 1,000 Gallons	$ 8.60	$ 8.60	$ 7.75	$ 7.75
Over 1,000 Gallons	7.44	7.44	6.70	6.70

Residential charges capped at $75.00

	Commercial			
	New Rates		Old Rates	
	Inside City	Outside City	Inside City	Outside City
First 1,000 Gallons	$ 8.60	$ 8.60	$ 7.75	$ 7.75
Over 1,000 Gallons	7.44	7.44	6.70	6.70

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TABLE 7 – CAPITAL RECOVERY FEES

As of September 30, 2015 the capital recovery fee funds may be used for capital projects and to pay debt service on projects for which the fee was levied and to date has produced approximately $15,903,910 for the City:

Water Sources	$ 9,217,774
Sewer Sources	3,886,626
Investment Earnings	2,799,510
TOTAL REVENUES	$15,903,910

To Date, the City has used approximately $14,081,672 of the funds for water and wastewater projects and has remaining funds of $1,822,238.

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CITY OF DESOTO, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
<u>Operating Revenues:</u>					
Charges for Services	$ 17,849,524	$ 16,583,747	$ 16,520,933	$ 16,127,885	$ 16,617,804
Interest Income	85,363	65,218	55,884	11,277	4,787
Miscellaneous	-	-	11,484	10,571	65,551
Total Operating Revenues	$ 17,934,887	$ 16,648,965	$ 16,588,301	$ 16,149,733	$ 16,688,142
<u>Operating Expenses:</u>					
Personal Services	$ 1,400,240	$ 1,751,906	$ 1,713,403	$ 1,720,499	$ 1,511,639
Water Supply	4,110,802	3,944,833	3,901,555	3,888,331	3,800,513
Wastewater Treatment	4,713,080	4,178,905	3,672,978	3,453,482	3,084,698
Administrative Charges	1,312,499	1,269,164	1,269,164	1,269,164	1,269,164
Contractual Services	133,899	242,782	181,091	230,961	204,717
Utilities	-	-	-	104,145	100,481
Repairs and Maintenance	695,862	1,469,522	474,562	487,204	356,852
Other supplies and Expenses	172,335	175,090	170,456	164,834	118,385
Other	249,429	198,222	146,980	141,689	142,807
Insurance Claims and Expenses	-	-	-	18,488	14,564
Nondepartmental Management Services	-	-	-	1,266,051	1,266,051
Capitalized Equipment	-	-	-	332,293	348,315
Transfer To Capital Projects	-	-	-	600,000	1,200,000
Total	$ 12,788,146	$ 13,230,424	$ 11,530,189	$ 13,677,141	$ 13,418,186
Net Available for Debt Service	$ 5,146,741	$ 3,418,541	$ 5,058,112	$ 2,472,592	$ 3,269,956
Water Customers	16,676	16,395	16,341	16,052	16,008
Sewer Customers	15,774	15,449	15,431	15,021	15,118

TABLE 2 - HISTORICAL WATER CONSUMPTION

Fiscal Year	Total Number of Pumped Gallons	Average Daily Pumpage	Peak Daily Pumpage
2011	3,023,877,000	8,284,594	14,791,000
2012	2,753,161,000	7,542,906	14,646,000
2013	2,563,628,801	7,023,638	15,348,040
2014	2,636,148,340	7,222,324	14,482,840
2015	2,573,796,000	7,051,495	13,798,000

TABLE 3 – TEN LARGEST WATER CUSTOMERS

Customer	Fiscal 2015 Water Usage Gallons	Percent of Gallons	Fiscal 2015 Water Revenues	Percent of Water Revenue
YES Companies Exp, LLC	46,996,000	2.22%	$ 228,692.44	2.42%
Pecan Crossing Management LLC	19,003,550	0.90%	96,373.67	1.02%
Mt. Vernon Apartments	17,128,000	0.81%	101,621.05	1.07%
Atlas Huntington Ridge LLC	16,995,000	0.80%	82,608.95	0.87%
DeSoto Independent School District	16,125,539	0.76%	95,627.37	1.01%
Creekwood Apartments	16,063,298	0.76%	80,233.42	0.85%
Park At Westmoreland Senior Housing	14,513,000	0.69%	76,367.38	0.81%
DeSoto Ranch Apartments	13,957,000	0.66%	68,849.55	0.73%
Wintergreen Place Apartments	13,574,000	0.64%	70,510.00	0.75%
Windsong Place Apartments	11,667,869	0.55%	60,531.37	0.64%
	186,023,256	8.79%	$ 961,415.20	10.17%

TABLE 4 - MONTHLY WATER RATES

Gallons	Volume Charge Per Thousand (000) Effective 10/1/2015
0 to 15,000	$ 3.10
15,001 to 30,000	3.85
30,001 and above	4.60

Meter Size	Base Rate (First 1,000 Gallons) Minimum Charge Rates Effective 10/1/2015
3/4"	$ 8.50
1	16.16
1 1/2	28.89
2	44.17
3	79.88
4	130.86
6	411.24
8	716.64
10	1,124.80
12	1,306.51

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TABLE 5 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2015)

Residential	Effective October 1, 2015
First 1,000 gallons	$8.71 (Minimum)
Over 1,000 gallons	8.65/1,000 gallons
	2 months winter average

(2 months winter average is calculated as the average of the lowest 2 months out of the 4 months of December, January, February, and March)

Multi-family	
First 1,000 gallons	$8.71 (Minimum)
Over 1,000 gallons	8.65/1,000 gallons
	2 months winter average

(2 months winter average is calculated as the average of the lowest 2 months out of the 4 months of December, January, February, and March)

Commercial/Industrial	
First 1,000 gallons	$8.71 (Minimum)
Over 1,000 gallons	8.65/1,000 gallons

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CITY OF GLENN HEIGHTS, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
Revenues:	2015	2014	2013	2012	2011
Water System	$ 1,977,172	$ 1,885,389	$ 1,916,330	$ 1,937,915	$ 2,172,139
Sewer System	2,449,480	2,379,144	2,372,526	2,332,628	2,342,852
Drainage	264,976	255,740	252,293	248,790	248,126
Tap Fees	54,294	59,578	52,035	53,465	58,670
Late Penalties and Surcharges	268,831	266,921	272,768	276,003	265,557
Interest Revenue	2,193	2,705	2,864	3,888	7,879
Other	118,995	65,495	418,301	50,359	29,409
Total Operating Revenue	$ 5,135,941	$ 4,914,972	$ 5,287,117	$ 4,903,048	$ 5,124,632
Expenses:					
Payroll Expense	$ 695,933	$ 771,239	$ 780,914	$ 790,464	$ 791,626
Purchased and Contracted Services	1,898,260	1,538,034	1,353,346	436,211	541,222
Wastewater Treatment	557,903	524,732	578,038	1,640,161	1,606,954
Supplies and Materials	140,632	100,707	73,574	267,968	259,123
Water Purchases	674,008	597,035	635,947	612,566	601,396
Total Operating Expenses	$ 3,441,668	$ 3,531,747	$ 3,421,819	$ 3,747,370	$ 3,800,321
Net Available for Debt Service	$ 1,694,273	$ 1,383,225	$ 1,865,298	$ 1,155,678	$ 1,324,311
Water Customers	4,584	4,313	4,292	4,155	4,181
Sewer Customers	3,873	3,758	3,650	3,588	3,598

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2015, the City has no outstanding revenue debt.

TABLE 3 - REVENUE BONDS AUTHORIZED BUT UNISSUED

As of September 30, 2015, the City has no authorized but unissued revenue debt outstanding.

TABLE 4 - HISTORICAL WATER USAGE

Fiscal Year Ended 9/30	Total Usage	Average Daily Usage
2011	423,618,000	1,160,597
2012	375,371,000	1,025,604
2013	463,866,000	1,344,000
2014	362,566,000	993,332
2015	320,292,000	877,512

TABLE 5 - TOP TEN CUSTOMERS

Customer	Fiscal 2015 Water Usage In Gallons	Estimated Percent of Total Water Usage
City of Glenn Heights Heritage	4,039,000	1.26%
HI HO RV Park	3,205,000	1.00%
Kingston Meadow HOA	2,097,000	0.65%
Cowboy Acres	1,827,000	0.57%
Sagebrush Nurse Greenhouse	1,822,000	0.57%
Kingston Meadow HOA	1,758,000	0.55%
Howze, Sallie	1,643,000	0.51%
Sheets, Shelia	1,457,000	0.45%
DART	1,023,000	0.32%
Perkins, James	807,000	0.25%
Total	19,678,000	6.14%

TABLE 6 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2013)

Water Rates

Meter Charge	Within City Limits	Outside City Limits
3/4 Inch	$ 12.61	$ 17.19
1 Inch	31.53	42.97
1 1/2 Inch	63.06	85.94
2 Inch	100.89	137.50
3 Inch	189.17	257.81
4 Inch	315.25	429.75

Volumetric Charge (per 1,000 gallons)	Within City Limits	Outside City Limits
0 - 6,000	$ 2.24	$ 3.15
6,001 - 12,000	2.80	3.94
12,001- 18,000	3.51	4.93
18,001 and Over	4.38	6.16

Irrigation Rates

Meter Charge	
3/4 Inch	$ 6.31
1 Inch	15.76
1 1/2 Inch	31.53
2 Inch	50.44
3 Inch	94.58
4 Inch	157.75

Volumetric Charge (per 1,000 gallons)	
0 - 6,000	$ 3.67
6,001 - 12,000	4.59
12,001- 18,000	5.74
18,001 and Over	7.17

TABLE 7 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2013)

Meter Charge	Within City Limits	Outside City Limits
3/4 Inch	$ 26.72	$ 30.73
1 Inch	66.79	76.81
1 1/2 Inch	133.58	153.62
2 Inch	213.73	245.79
3 Inch	400.74	460.85
4 Inch	668.00	763.00

Sewer Usage Charge (per 1,000 gallons)	Within City Limits	Outside City Limits
0 and Over	$ 4.95	$ 5.69

CITY OF LANCASTER, TEXAS

TABLE 1- WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2015	2014	2013	2012	2011
Operating Revenues	$17,033,590	$15,016,839	$14,608,804	$14,111,947	$11,379,128
Direct Operating Expenses(1)	$13,552,343	$ 9,359,770	$ 8,281,266	$ 8,548,334	$ 7,742,007
Net Available for Debt Service	$ 3,481,247	$ 5,657,069	$ 6,327,538	$ 5,563,613	$ 3,637,121
Water Customers	14,202	13,876	12,806	11,039	11,759
Sewer Customers	13,635	13,466	12,416	10,662	11,355

(1) Direct Operating Expenses include all water and sewer operating expenses, less depreciation and bad debt expense.

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2015 the City has no water and sewer revenue bonds outstanding.

TABLE 3 - WATER USAGE

Fiscal Year 9/30	Total Water Consumption	Average Daily Pumpage	Peak Day Capacity
2011	1,693,001,000	5,000,000	8,100,000
2012	1,561,330,000	4,240,000	7,873,000
2013	1,606,027,000	4,000,000	6,400,000
2014	1,589,525,000	4,335,300	5,233,000
2015	1,634,484,000	4,478,038	6,500,000

TABLE 4 - TEN LARGEST WATER CUSTOMERS

Customer	Fiscal 2015 Water Usage in Gallons	Estimated % of Total Water Usage	Revenues Received
Lancaster MUD	41,592,700	2.20%	$ 142,114
MEA Texas	19,363,700	1.03%	147,761
LISD	18,231,200	0.97%	182,844
Prologis	17,926,400	0.95%	98,320
River Bends	16,777,400	0.89%	190,341
Rosemont Apts.	15,357,700	0.81%	119,334
Villas of Lanc.	11,526,200	0.61%	57,476
Portofino	9,969,800	0.53%	114,560
Bel Aire	9,391,400	0.50%	60,970
Meadows Apts.	8, 910,400	0.47%	59,907
	160,136,500	8.96%	$ 1,173,626

TABLE 5 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2014)

Residential Rates*:			
Miminum Charge		$	20.90
0 - 14,999	per Gallons		2.67
15,000 to 29,999	per Gallons		3.31
30,000 or more	per Gallons		4.16
Senior Citizen Discount			1.94

* Based on size of meter

Multi-Family			
Miminum Charge		$	20.90
1,000 or more	per Gallons		2.67

Commercial Rates			
Miminum Charge		$	20.90
1,000 or more	per Gallons		2.67

Industrial Rate			
Miminum Charge		$	20.90
1,000 or more	per Gallons		2.67

Meter Size:	Minimum Monthly Meter Charge:
3/4 or 5/8" Meter	$ 20.90
1" Meter	52.26
1 ½" Meter	104.52
2" Meter	167.23
3" Meter	334.45
4" Meter	522.58
6" Meter	1,045.17
8" Meter	1,672.26
10" Meter	2,450.00

TABLE 6 - WASTEWATER TREATED

Fiscal Year 9/30	Total Usage (1,000 Gallons)	Daily Average Gallons	Monthly Average
2011	1,375,685	3,769,000	114,640,417
2012	1,916,361	5,365,810	159,632,871
2013	1,715,500	4,700,000	141,000,000
2014	1,527,101	4,133,800	124,014,000
2015	1,968,120	5,467,000	164,010,000

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TABLE 7 - TEN LARGEST WASTEWATER CUSTOMERS

Customer	Fiscal 2015 Consumption	Revenues Received
Rosemont	12,328,300	$ 107,202
Lancaster MUD	9,534,700	89,653
Brass Craft	7,704,600	59,722
Cedar Valley College	5,198,600	40,351
Pleasant Run Courtyard	4,799,200	37,263
Bel Aire Place	3,629,200	32,135
Brenntag	3,732,600	29,173
Westridge	3,547,200	27,585
Lancaster Hospitality	3,499,200	27,214
Millbrook	3,317,900	25,813
	57,291,500	$ 476,111

TABLE 8 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2015)

Residential Rates
$15.04 (Minimum Charge)
Plus $7.73 per 1,000 gallons
$1.76 Senior Discount

Multi-Family
$7.73 times the number of unit
Plus $7.73 per 1,000 gallons

Commercial Rates
$7.73 times the number of unit
Plus $7.73 per 1,000 gallons

Industrial Rate
$7.73 times the number of unit
Plus $7.73 per 1,000 gallons

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CITY OF OVILLA, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Years Ended September 30,				
Revenues:	2015	2014	2013	2012	2011
Water Sales	$ 900,264	$ 831,451	$ 891,686	$ 927,450	$ 1,176,377
Reconnection Fees	-	5,285	-	-	-
Sewer Service	394,755	264,658	174,797	150,117	160,189
Miscellaneous	32,432	166,488	117,398	98,052	94,856
Total	$ 1,327,451	$ 1,267,882	$ 1,183,881	$ 1,175,619	$ 1,431,422
Expenditures:					
Water Expenses	$ 596,040	$ 539,126	$ 578,381	$ 547,333	$ 617,038
Sewer Expenses	390,566	360,251	286,476	141,052	110,947
Water Administration	145,761	120,976	125,305	145,808	130,465
Total	$ 1,132,367	$ 1,020,353	$ 990,162	$ 834,193	$ 858,450
Net Available for Debt Services	$ 195,084	$ 247,529	$ 193,719	$ 341,426	$ 572,972

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2015 the city has no water and sewer revenue bonds outstanding.

TABLE 3 - MONTHLY WATER RATES (EFFECTIVE NOVEMBER 1, 2014)

Water Service Rates		
0 to 1,000 gallons	$11.26	first 1,000 gallons
1,001 to 2,000 gallons	10.15	per 1,000 gallons
2,001 to 20,000 gallons	3.65	per 1,000 gallons
20,001 to 40,000 gallons	4.75	per 1,000 gallons
40,001 to 60,000 gallons	5.85	per 1,000 gallons
60,001 to 80,000 gallons	6.95	per 1,000 gallons
80,001 to 100,000 gallons	8.05	per 1,000 gallons
100,001 and up	9.15	per 1,000 gallons

TABLE 4 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2015)

Sewer Service Rates		
0 to 1,000 gallons	$ 8.22	first 1,000 gallons
	14.00	flat rate

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CITY OF RED OAK, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Years Ended September 30,				
Revenues:	2015	2014	2013	2012	2011
Water and Sewer	$ 4,933,570	$ 4,626,020	$ 4,331,244	$ 4,123,303	$ 3,667,729
Tap Fees and Reconnects	191,900	156,403	120,789	71,030	61,415
Interest Income	881	918	2,623	6,877	15,887
Penalties	138,342	119,180	94,382	111,206	92,265
Other	313,888	277,481	201,293	62,104	102,898
Total	$ 5,578,581	$ 5,180,002	$ 4,750,331	$ 4,374,520	$ 3,940,194
Expenditures:					
Personnel	$ 573,958	$ 581,853	$ 564,321	$ 580,289	$ 550,676
Insurance	108,381	99,621	87,027	92,621	92,434
Supplies	113,008	116,234	102,021	80,735	1,721,160
Contractual Services	2,815,832	2,950,355	2,409,482	2,017,133	144,054
Maintenance	190,493	504,639	193,287	180,077	159,712
Other	143,370	150,241	135,660	154,065	76,583
Total	$ 3,945,042	$ 4,402,943	$ 3,491,798	$ 3,104,920	$ 2,744,619
Net Available for Debt Service	$ 1,633,539	$ 777,059	$ 1,258,533	$ 1,269,600	$ 1,195,575
Water Customers	2,539	2,473	2,585	2,337	2,286
Sewer Customers	3,413	3,318	3,201	3,095	3,347

TABLE 2 - COVERAGE AND FUND BALANCES(1)

Average Annual Principal and Interest Requirements, 2016-2030	$	3,765,449
Coverage of Average Requirements by 9/30/15 Net Income		4.87 Times
Maximum Principal and Interest Requirements, 2018	$	4,583,541
Coverage of Maximun Requirements by 9/30/15 Net Income		5.89 Times
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/15	$	24,850,000
Interest and Sinking Fund, 9/30/15	$	65,415

(1) The City no longer has Water and Sewer revenue bonds outstanding. However, a portion of the City's outstanding General Obligation bonds are funded by Water and Sewer revenue.

TABLE 3 - AUTHORIZED REVENUE BONDS

As of September 30, 2015, the City has no authorized but unissued revenue debt outstanding.

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TABLE 4 - MONTHLY WATER RATES (EFFECTIVE JANUARY 15, 2016)

Residential:	Base	$	21.50
	0 - 8,000 gallons		4.96
	8,001 - 15,000		6.30
	15,001+		7.48
Commerical:	Base	$	32.25
	1,000 - 24,000		5.95
	24,001 - 35,000		7.44
	35,001+		8.94

TABLE 5 - HISTORICAL WATER USAGE

Fiscal Year Ended 9/30	Total Usage
2011	348,509,246
2012	322,225,709
2013	270,117,600
2014	266,996,206
2015	280,048,775

TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE JANUARY 15, 2016)

Residential:	Base	$	31.00
	0 - 999,999+ gallons		7.04
Commerical:	Base	$	46.50
	0 - 999,999+ gallons		6.80

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APPENDIX C

CERTAIN FINANCIAL AND OPERATING DATA OF RED OAK CREEK SYSTEM ENTERPRISE FUND

TRINITY RIVER AUTHORITY OF TEXAS

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
NOVEMBER 30, 2015

	DENTON CREEK REGIONAL WASTEWATER	RED OAK CREEK REGIONAL WASTEWATER	MOUNTAIN CREEK REGIONAL WASTEWATER	HUNTSVILLE REGIONAL WATER SUPPLY
Assets				
Current Assets:				
Unrestricted Assets:				
Cash	$ 150	150	150	-
Equity in Pooled Cash and Investments	1,961,654	1,130,974	585,426	503,304
Accounts Receivable, Net of Allowance	-	-	-	-
Accounts Receivable - Contracting Parties	-	-	-	-
Contract Receivable - Current	-	-	-	-
Interest Receivable	-	-	-	-
System Contribution Receivable - Current	37,849	-	137,175	-
Prepaids and Other Assets	58,037	21,095	14,362	-
Due from Other Authority Funds	-	-	1,420	-
Total Unrestricted Assets	2,057,690	1,152,219	738,533	503,304
Restricted Assets:				
Equity in Pooled Cash and Investments	23,982,905	10,979,717	1,179,143	5,853,233
Money Market	20,191,420	3,465,263	-	-
US Government Agency and Instrumentality Obligations	14,408,056	-	-	-
Accounts Receivable - Contracting Parties	-	-	-	-
Accrued Investment Income	23,506	28	-	-
Total Restricted Assets	58,605,887	14,445,008	1,179,143	5,853,233
Total Current Assets	60,663,577	15,597,227	1,917,676	6,356,537
Noncurrent Assets:				
Capital Assets:				
Land and Easements	2,893,739	1,923,268	730,379	349,469
Water Storage Rights	-	-	-	-
Sewage System and Extensions	101,700,377	56,972,092	28,783,038	-
Buildings	-	-	-	-
Recreational Facilities	-	-	-	-
Reservoir and Facilities	-	-	-	-
Water Transportation and Treatment Facilities	-	-	-	47,688,620
Machinery and Equipment	213,133	226,017	257,670	606,736
Construction-in-Progress	14,266,361	1,502,613	1,005	-
Accumulated Depreciation	(21,570,918)	(14,787,325)	(5,990,267)	(18,172,455)
Total Capital Assets, Net	97,502,692	45,836,665	23,781,825	30,472,370
Other Noncurrent Assets:				
Direct Financing Arrangement Receivable	-	-	-	-
Contract Receivable - Long Term	-	-	-	-
System Contribution Receivable	38,606	-	1,395,388	-
Total Other Noncurrent Assets	38,606	-	1,395,388	-
Total Noncurrent Assets	97,541,298	45,836,665	25,177,213	30,472,370
Total Assets	**$ 158,204,875**	**61,433,892**	**27,094,889**	**36,828,907**
Deferred Outflows of Resources				
Deferred Amount on Refunding	189,635	-	-	187,092
Premium for Deferred Charges	-	-	-	-
Total Deferred Outflows of Resources	**$ 189,635**	**-**	**-**	**187,092**

	DENTON CREEK REGIONAL WASTEWATER	RED OAK CREEK REGIONAL WASTEWATER	MOUNTAIN CREEK REGIONAL WASTEWATER	HUNTSVILLE REGIONAL WATER SUPPLY
Liabilities				
Current Liabilities:				
Payable from Unrestricted Assets:				
Accounts Payable and Accrued Expenses	$ 217,389	130,053	61,903	154,851
Accounts Payable - Contracting Parties	1,445,638	783,767	162,844	23,369
System Contribution Payable - Current	37,849	-	137,175	-
Contracts Payable - Current Maturities	-	-	-	-
Unearned Revenue	659	-	-	2
Due to Other Authority Funds	7,859	3,321	1,488	-
Accrued Interest Payable	-	-	-	-
Total Payable from Unrestricted Assets	1,709,394	917,141	363,410	178,222
Payable from Restricted Assets:				
Accounts and Retainage Payable	1,319,154	514,501	24,051	895,622
Revenue Bonds - Current Maturities	6,265,000	2,905,000	375,000	3,180,000
Accrued Interest on Bonds Payable	1,490,557	543,268	101,517	225,419
Unearned Revenue	-	-	-	-
Total Payable from Restricted Assets	9,074,711	3,962,769	500,568	4,301,041
Total Current Liabilities	10,784,105	4,879,910	863,978	4,479,263
Long-Term Liabilities:				
Revenue Bonds Payable, Less Current Maturities	134,036,409	49,728,791	11,600,000	15,106,407
Accrued Interest Payable	-	-	-	-
System Contribution Payable	38,606	-	1,395,388	-
Accounts Payable and Accrued Expenses	2,484	51,033	5,851	4,822
Unearned Revenue	-	-	-	-
Uncommitted Contracts Payable	-	-	-	-
Contracts Payable, Less Current Maturities	-	-	-	-
Total Long-Term Liabilities, Net	134,077,499	49,779,824	13,001,239	15,111,229
Total Liabilities	**$ 144,861,604**	**54,659,734**	**13,865,217**	**19,590,492**
Deferred Inflows of Resources				
Deferred Amount on Refunding	-	21,226	-	-
Total Deferred Inflows of Resources	**$ -**	**21,226**	**-**	**-**
Net Position				
Net Investment in Capital Assets	$ 248,949	274,595	12,034,325	12,888,962
Restricted for:				
Debt Service	12,838,145	6,269,292	814,137	4,216,285
Construction	-	-	-	-
Other Purpose	100,000	25,000	11,938	-
Unrestricted	345,812	184,045	369,272	320,260
Total Net Position	**$ 13,532,906**	**6,752,932**	**13,229,672**	**17,425,507**

TRINITY RIVER AUTHORITY OF TEXAS

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	DENTON CREEK REGIONAL WASTEWATER	RED OAK CREEK REGIONAL WASTEWATER	MOUNTAIN CREEK REGIONAL WASTEWATER	HUNTSVILLE REGIONAL WATER SUPPLY
Operating Revenues:				
Wastewater Contract Revenue	$ 14,053,565	6,433,685	2,040,218	-
Water Supply Contract Revenue	-	-	-	7,545,093
Water Storage Contract Revenue	-	-	-	-
Raw Water Contract Revenue	-	-	-	-
Direct Financing Arrangement Revenue	-	-	-	-
Recreational Facilities Fees	-	-	-	-
Other	-	59,276	-	-
Total Operating Revenues	14,053,565	6,492,961	2,040,218	7,545,093
Operating Expenses:				
Personal Services	1,013,160	655,620	423,999	502,860
Supplies	356,358	115,845	67,708	1,020,526
Other Services and Charges	2,367,430	1,597,845	896,484	2,166,720
Depreciation	2,481,892	1,205,789	804,168	1,346,935
Total Operating Expenses	6,218,840	3,575,099	2,192,359	5,037,041
Operating Income (Loss)	**7,834,725**	**2,917,862**	**(152,141)**	**2,508,052**
Non-Operating Revenues (Expenses):				
Interest Expense	(4,209,016)	(1,523,647)	(305,250)	(502,143)
Debt Issuance Costs	-	(83,737)	-	-
Investment Income	89,984	24,593	3,889	15,508
Debt Related Fees	(35,250)	(19,000)	(7,000)	(2,000)
Other	730	10	8,983	(31,082)
Total Non-Operating Revenues (Expenses) - Net	(4,153,552)	(1,601,781)	(299,378)	(519,717)
Income (Loss) Before Contributions, Contribution Refunds, and Transfers	**3,681,173**	**1,316,081**	**(451,519)**	**1,988,335**
CONTRIBUTIONS	-	-	-	-
TRANSFERS OUT	(29,408)	-	-	-
Change in Net Position	**3,651,765**	**1,316,081**	**(451,519)**	**1,988,335**
Net Position - December 1, 2014	**9,881,141**	**5,436,851**	**13,681,191**	**15,437,172**
Net Position - November 30, 2015	**$ 13,532,906**	**6,752,932**	**13,229,672**	**17,425,507**

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TRINITY RIVER AUTHORITY OF TEXAS

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

	DENTON CREEK REGIONAL WASTEWATER	RED OAK CREEK REGIONAL WASTEWATER	MOUNTAIN CREEK REGIONAL WASTEWATER	HUNTSVILLE REGIONAL WATER SUPPLY
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 15,509,339	7,383,304	2,212,174	7,568,462
Cash Received (Refunded) on Direct Financing Arrangement Receivable	-	-	-	-
Cash Payments to Suppliers for Goods and Services	(1,913,991)	(1,174,905)	(564,019)	(2,136,483)
Cash Payments for Employee Services	(1,000,654)	(649,346)	(413,364)	(497,466)
Cash Payments to Other Funds for Services	(795,527)	(500,944)	(396,157)	(1,006,227)
Cash Payments to Customers	(1,069,362)	(484,424)	(88,595)	(277,432)
Cash from Other Sources	730	59,285	8,983	5,189
Net Cash Provided by (Used For) Operating Activities	10,730,535	4,632,970	759,022	3,656,043
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets, Exclusive of Capitalized Interest	(6,766,557)	(3,312,760)	(54,880)	(947,024)
Principal Paid on Revenue Bond Maturities	(4,995,000)	(2,355,000)	(375,000)	(3,115,000)
Interest Paid on Revenue Bonds	(4,538,683)	(1,787,065)	(305,600)	(746,056)
Principal Paid on Contracts Payable	-	-	-	-
Interest Paid on Contracts Payable	-	-	-	-
Debt Issuance Costs Paid	-	(85,113)	-	-
Debt Related Fees	(35,250)	(19,000)	(7,000)	(2,000)
Proceeds from the Sale of Capital Assets	-	-	-	-
Debt Issuance Costs Refunded	-	1,376	-	-
Proceeds from Issuance of Bonds	-	248,959	-	-
Contributions Received (Refunded)	-	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(16,335,490)	(7,308,603)	(742,480)	(4,810,080)
Cash Flows from Investing Activities:				
Purchase of Investments	(40,991,264)	-	-	-
Proceeds from the Sales and Maturities of Investments	54,992,257	-	-	-
Cash Received for Investment Income	162,730	24,597	3,889	15,508
Net Cash Provided by (Used For) Investing Activities	14,163,723	24,597	3,889	15,508
Total Change in Cash and Cash Equivalents	**8,558,768**	**(2,651,036)**	**20,431**	**(1,138,529)**
Cash and Cash Equivalents, Beginning of Year	**37,577,361**	**18,227,140**	**1,744,288**	**7,495,066**
Cash and Cash Equivalents, End of Year	**$ 46,136,129**	**15,576,104**	**1,764,719**	**6,356,537**

		DENTON CREEK REGIONAL WASTEWATER	RED OAK CREEK REGIONAL WASTEWATER	MOUNTAIN CREEK REGIONAL WASTEWATER	HUNTSVILLE REGIONAL WATER SUPPLY
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	$	7,834,725	2,917,862	(152,141)	2,508,052
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation		2,481,892	1,205,789	804,168	1,346,935
Miscellaneous Income		730	10	8,983	5,189
Change in Assets and Liabilities:					
Due to Other Authority Funds		(20,347)	(2,020)	(2,408)	-
Due from Other Authority Funds		-	-	(1,420)	-
Accounts Receivable - Contracting Parties		10,136	165,852	9,113	-
Contracts Receivable		-	-	-	-
Interest Receivable		-	-	-	-
Accounts Receivable		-	-	-	-
Prepaids and Other Assets		(13,134)	1,168	501	-
Accounts Payable - Contracting Parties		376,276	299,343	74,249	(254,063)
Accounts Payable and Accrued Expenses		60,257	44,966	17,977	49,930
Direct Financing Arrangement Receivable		-	-	-	-
Unearned Revenue		-	-	-	-
Premium for Deferred Charges		-	-	-	-
Total Adjustments		2,895,810	1,715,108	911,163	1,147,991
Net Cash Provided by (Used For) Operating Activities	$	10,730,535	4,632,970	759,022	3,656,043
Supplemental Noncash Disclosures:					
Amortization of Bond Premium/Discount	$	(28,322)	11,389	-	(274,925)
Amortization of Loss on Refunding		36,703	(640)	-	54,279
Deferral of Interest Expense on Uncommitted Portion of Long-Term Debt		-	-	-	-
Change in Liabilities Related to Capital Assets		191,510	(235,681)	(23,361)	(150,509)
Change in Fair Value of Investments		71,025	-	-	-
Bond Proceeds Deposited in Trust for Defeasance of Debt		-	(5,376,041)	-	-
Transfer of Capital Assets		(29,408)	-	-	-

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<u>APPENDIX D</u>

FORM OF BOND COUNSEL'S OPINION

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LAW OFFICES
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TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

TRINITY RIVER AUTHORITY OF TEXAS
RED OAK CREEK SYSTEM
REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 2016

IN THE AGGREGATE PRINCIPAL AMOUNT OF $19,555,000

AS BOND COUNSEL FOR THE TRINITY RIVER AUTHORITY OF TEXAS (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which are payable, bear interest and are subject to further provisions, all in accordance with the terms and conditions stated in the text of the Bonds and the resolution of the Issuer authorizing the issuance of the Bonds (the "Bond Resolution").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditor's rights generally or by principles of equity which permit the exercise of judicial discretion, (i) the covenants and agreements in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Bonds constitute valid and legally binding special obligations of the Issuer which, together with other parity bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined in the Bond Resolution, which include the "Net Revenues of the Red Oak Creek System", as defined in the Bond Resolution, and include payments received by the Issuer from the "Trinity River Authority of Texas-Red Oak Creek Regional Wastewater System Contract", dated as of June 1, 1986, among the Issuer and the Cities of Cedar Hill, De Soto, Glenn Heights, Lancaster, Ovilla and Red Oak, Texas (the "Initial Contracting Parties"), and (ii) said Trinity River Authority of Texas-Red Oak Creek Regional Wastewater System Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with its terms and provisions.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues on a parity with the Bonds.

THE ISSUER also has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution with the approval of the owners of a mahority of the aggregate principal amount of all outstanding parity bonds which are secured by and payable from a first lien on and pledge of the aforesaid Pledged Revenues.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon from any source whatsoever other than specified in the Bond Resolution.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith and the escrow verification report of Causey Demgen & Moore P.C. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by Section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Initial Contracting Parties or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto or with respect to the adequacy of the Pledged Revenues. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the

Issuer as to the current outstanding indebtedness of, and sufficiency of the Pledged Revenues. Our role in connection with the Issuer's offering document prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"). Rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

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