

OFFICIAL STATEMENT

(See "CONTINUING DISCLOSURE
OF INFORMATION" herein)

Dated September 17, 2013

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 HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS

\$5,000,000
TRINITY RIVER AUTHORITY OF TEXAS
(TARRANT COUNTY WATER PROJECT)
IMPROVEMENT REVENUE BONDS, SERIES 2013

Dated Date: October 1, 2013

Due: February 1, as shown on Page ii

Interest to accrue from Delivery Date

PAYMENT TERMS . . . Interest on the \$5,000,000 Trinity River Authority of Texas (Tarrant County Water Project) Improvement Revenue Bonds, Series 2013 (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, 2014, 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 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 28, 2013. 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 completed 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, betterments, extensions and replacements of the Tarrant County Water Project to provide treated water services to contracting cities and others; and (ii) to pay costs associated with the issuance of the Bonds.

CUSIP PREFIX: 89657P
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 C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski LLP, Dallas, Texas, a member of Norton Rose Fulbright, counsel to the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 22, 2013.

RAYMOND JAMES

ESTRADA HINOJOSA & COMPANY, INC.

MATURITY SCHEDULE

Maturity (February 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
2015	\$560,000	2.000%	0.500%	FJ7
2016	590,000	2.000	0.850	FK4
2017	595,000	2.000	1.250	FL2
2018	605,000	3.000	1.740	FM0
2019	175,000	3.000	2.120	FN8
2020	185,000	3.000	2.480	FP3
2021	190,000	3.000	2.820	FQ1
2022	190,000	3.250	3.100	FR9
2023	205,000	3.500	3.320	FS7
2024	140,000	3.375	3.550	FT5
2025	150,000	3.625	3.830	FU2
2026	150,000	3.750	4.010	FV0
2027	160,000	4.000	4.150	FW8
2028	160,000	4.125	4.270	FX6
2029	170,000	4.250	4.390	FY4

\$370,000 4.500% Term Bonds due February 1, 2031, Priced to Yield 4.580%, CUSIP ⁽¹⁾ GA5

\$405,000 5.000% Term Bonds due February 1, 2033, Priced to Yield 4.550%*, CUSIP ⁽¹⁾ GC1

* Yield shown is yield to first call date, August 1, 2023.

(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 Standard & Poor's Financial Services LLC 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, 2024, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2023, or any date thereafter, at the par value thereof plus accrued interest to date of redemption (see "THE BONDS – Redemption – Optional Redemption").

MANDATORY REDEMPTION . . . The Bonds maturing on February 1 in each of the years 2031 and 2033 (the "Term Bonds") are subject to mandatory redemption prior to maturity on the dates and in the amounts described in this Official Statement (see "THE BONDS – Redemption – Mandatory 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.

Certain information set forth herein has been obtained from the Authority, the Contracting Cities (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 Cities or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's and Contracting Cities' 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 Preliminary 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 \$5,000,000 Trinity River Authority of Texas (Tarrant County Water Project) Improvement Revenue Bonds, Series 2013. The Bonds are issued as serial bonds maturing on February 1 in each of the years 2015 through 2029, inclusive, and as Term Bonds maturing February 1 in 2031 and 2033 (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, 2014, 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 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 28, 2013. 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 completed 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 Net Revenues of the Authority under the Contracts entered into with the Cities of Bedford, Euless, Colleyville, Grapevine and North Richland Hills, Texas (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, 2024, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2023 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption – Optional Redemption”). The Term Bonds maturing in 2031 and 2033 are subject to mandatory redemption prior to maturity (see “THE BONDS – Redemption – Mandatory 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, betterments, extensions and replacements of the Tarrant County Water Project to provide treated water services to contracting cities and others; and (ii) to pay costs associated with the issuance of the Bonds.
- RATINGS** The Bonds are rated “AA+” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”). The Outstanding Parity Bonds of the Authority 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. Fiona M. Allen, P.E.
Trinity River Authority of Texas
Northern Region
P.O. Box 240
Arlington, Texas 76004
(817) 493-5100

or

Mr. W. Boyd London, Jr.
Ms. Mary Williams
First Southwest Company
325 North St. Paul Street, Suite 800
Dallas, Texas 75201
(214) 953-4000

AUTHORITY OFFICIALS, STAFF AND CONSULTANTS

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

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OFFICIAL STATEMENT

RELATING TO

\$5,000,000

TRINITY RIVER AUTHORITY OF TEXAS (TARRANT COUNTY WATER PROJECT) IMPROVEMENT REVENUE BONDS, SERIES 2013

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$5,000,000 Trinity River Authority of Texas (Tarrant County Water Project) Improvement Revenue Bonds, Series 2013 (the "Bonds"). Capitalized terms used 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, First Southwest Company, 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, betterments, extensions and replacements of the Tarrant County Water Project to provide treated water services to contracting cities and others; and (ii) to pay costs associated with the issuance of the Bonds.

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	\$ 5,000,000.00
Reoffering Premium	85,732.95
Total Sources of Funds	\$ 5,085,732.95

Uses of Funds:

Deposit to Project Fund	\$ 4,888,400.00
Underwriters Discount	40,687.88
Costs of Issuance	156,645.07
Total Uses of Funds	\$ 5,085,732.95

THE BONDS

Description of the Bonds

The Bonds are dated October 1, 2013, 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, 2014, 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 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 28, 2013. 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 and executed by the Authorized Officer, and completed 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 Tarrant County Water Project Revenue Bonds.

Security and Source of Payment

The Authority has entered into contracts (collectively, the "Contracts") with the Contracting Parties. The Contracting Parties have agreed to pay the Authority its net cost of operation and maintenance and the debt service on the Parity Bonds and any Additional Bonds that are required to complete the construction of the regional water supply system, any future expansions or to refund any such bonds (see "THE SYSTEM"). The Bonds, and interest thereon, together with the other Parity Bonds hereafter issued are on a parity and of equal dignity in all respects, and are payable solely from Net Revenues to be received by the Authority under the terms of the Contracts, and the Authority has pledged these Net Revenues to the punctual payment of these obligations, when due. The term "Net Revenues" is defined in Section 15 of the Resolution (see "SELECTED PROVISIONS OF THE RESOLUTION" herein).

The expense of operating the Authority's Tarrant County Water Project, including administrative overhead and the amount necessary to pay debt service on any outstanding bonds, is reduced to a cost in cents per 1,000 gallons of water delivered by the System. Each Contracting Party is then billed monthly according to its projected annual flow with provisions for adjustment. The fiscal provisions of the Contracts with the Authority are summarized in this Official Statement (see "SUMMARY OF CONTRACT PROVISIONS - Fiscal Provisions" herein).

Actual net cost to the Contracting Parties of water treatment and transportation for fiscal year 2012 was \$2.526 per 1,000 gallons. The projected net cost for fiscal year 2013 is \$2.507 per 1,000 gallons and the projected net cost for fiscal year 2014 (including the Bonds) is \$2.640 per 1,000 gallons.

Reserve Fund

There has previously been created a Reserve Fund to be used to finally retire or to pay when due debt service on Parity Bonds and any Additional Bonds to the extent the amounts in the Interest and Sinking Fund are insufficient. The Resolution provides that so long as the market value of the money and investments in the Reserve Fund are not less than a "Required Reserve" equal to the average annual principal and interest requirements of the Parity Bonds and Additional Bond, no deposit to the Reserve Fund is required. At delivery of the Bonds, the Authority will deposit Bond proceeds in an amount required to fully fund the Required Reserve (see "SELECTED PROVISIONS OF THE RESOLUTION" for additional details on the Reserve Fund).

Redemption

Optional Redemption. The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after February 1, 2024, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2023 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.

Mandatory Redemption. The Bonds maturing on February 1 in each of the years 2031 and 2033 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their stated maturity and shall be redeemed in part at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 1 in each of the years as set forth below:

<u>Term Bonds Stated to Mature on February 1, 2031</u>		<u>Term Bonds Stated to Mature on February 1, 2033</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2030	\$180,000	2032	\$200,000
2031*	190,000	2033*	205,000

* Stated maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the mandatory redemption provision shall be reduced, at the option of the Issuer, by the principal amount of such Term Bonds of the respective maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Issuer at a price

not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States 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, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the 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.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

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 provides that, in the event of a default or a threatened default in the payment of principal of or interest on the Parity Bonds, any court of competent jurisdiction may, upon petition of holders or owners of 25% of the outstanding Parity Bonds, appoint a receiver with authority to collect and receive all income from the System, employ, and discharge agents, employees, and consultants of the Authority, take charge of pledged funds on hand and manage the proprietary affairs of the Authority without consent or hindrance by the Board of the Authority. Such receiver may also be authorized to make contracts for providing water treatment services or renew such contracts with the approval of the court appointing him. The Court may vest the receiver with such other powers and duties as the court may find necessary for the protection of the holders or owners of the Parity Bonds. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Authority's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 any lien on 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 System

The Tarrant County Water Supply Project system (the "System") consists of a raw water intake and pump station located on Lake Arlington, raw water transmission pipelines, raw water booster pump station, surface water treatment plant, and distribution pumping, transmission and storage facilities. The surface water treatment plant is capable of treating 87 MGD and is a conventional facility consisting of:

- Ozone disinfection.
- Rapid mix/coagulation facility for dispersing coagulants, fluoride (for tooth decay prevention), and lime for pH adjustment to control corrosion.
- Flocculation/sedimentation structures for removing particulate and flocculated materials.
- Filters for removing fine particles and microbials.
- Clearwell structures for additional disinfectant contact and treated water storage.
- High service pumping for conveying water to customer cities and distribution system facilities.

Raw water is supplied to the System through a contract between the Authority and the Tarrant Regional Water District (the "District"). The basic contract was approved by the District and the Authority's Board in December 1979 and was amended and superseded by an amendatory contract by and among the District, the Authority and the Cities of Fort Worth, Arlington and Mansfield, effective as of March 1980 (the "Water Supply Contract"). The Water Supply Contract is effective for the life of the bonds which were issued by the District to provide water to the parties to the Water Supply Contract and thereafter for the life of the District's facilities serving the parties to the Water Supply Contract.

Water is provided to the Project from the District's Cedar Creek Lake and Richland-Chambers Reservoir. The District agrees to use its best efforts to furnish raw water, to the extent available from its system, in an amount sufficient to satisfy the reasonable demands of the parties to the Water Supply Contract. Under the Water Supply Contract the District reserves the right to contract with additional parties so long as it does not jeopardize its ability to supply the needs of the existing contracting parties. The Authority is required to purchase all of its raw water requirements from the District; provided that, upon agreement of the District, the Authority may purchase raw water from other sources if the District is unable to satisfy the System's demands. Pursuant to the Water Supply Contract, the Authority has a minimum take-or-pay from the District of the greater of 5.5 million gallons per day or the average daily consumption for the previous five-year period.

Future Debt Plans

Additional expansions and improvements to System facilities are planned so as to coincide with increasing demands of the growing Contracting Parties' service area. The exact timing of expansion beyond 87 MGD is uncertain at this time and will be continually evaluated as the planning efforts are matured. Funding for future planned expansions is also anticipated to be conducted utilizing the issuance of revenue bonds.

Anticipated Issuance of Additional System Revenue Bonds

The Authority has plans to issue an estimated \$14,268,000 in bonds (excluding the Bonds) for certain treatment plant, raw water, and distribution system improvements for the System during the next 2 years.

DEBT INFORMATION

Debt Service Requirements

Year	Outstanding Parity Bonds Debt Service ⁽¹⁾			The Bonds			Total
End 11/30	Principal	Interest	Total	Principal	Interest	Total	Outstanding Debt Service
2014	\$ 6,085,000	\$ 6,935,831	\$ 13,020,831	\$ -	\$ 120,755	\$ 120,755	\$ 13,141,586
2015	6,400,000	6,623,706	13,023,706	560,000	150,213	710,213	13,733,919
2016	6,725,000	6,295,581	13,020,581	590,000	138,713	728,713	13,749,294
2017	7,070,000	5,950,706	13,020,706	595,000	126,863	721,863	13,742,569
2018	7,435,000	5,588,081	13,023,081	605,000	111,838	716,838	13,739,919
2019	7,815,000	5,206,831	13,021,831	175,000	100,138	275,138	13,296,969
2020	8,220,000	4,804,288	13,024,288	185,000	94,738	279,738	13,304,025
2021	8,645,000	4,379,231	13,024,231	190,000	89,113	279,113	13,303,344
2022	9,090,000	3,930,394	13,020,394	190,000	83,175	273,175	13,293,569
2023	9,565,000	3,459,344	13,024,344	205,000	76,500	281,500	13,305,844
2024	10,055,000	2,966,603	13,021,603	140,000	70,550	210,550	13,232,153
2025	13,000,000	2,388,963	15,388,963	150,000	65,469	215,469	15,604,431
2026	11,285,000	1,739,519	13,024,519	150,000	59,938	209,938	13,234,456
2027	11,950,000	1,071,513	13,021,513	160,000	53,925	213,925	13,235,438
2028	12,660,000	363,975	13,023,975	160,000	47,425	207,425	13,231,400
2029				170,000	40,513	210,513	210,513
2030				180,000	32,850	212,850	212,850
2031				190,000	24,525	214,525	214,525
2032				200,000	15,250	215,250	215,250
2033				205,000	5,125	210,125	210,125
	<u>\$ 136,000,000</u>	<u>\$ 61,704,566</u>	<u>\$ 197,704,566</u>	<u>\$ 5,000,000</u>	<u>\$ 1,507,611</u>	<u>\$ 6,507,611</u>	<u>\$ 204,212,177</u>

⁽¹⁾ Outstanding Principal by Series as of October 1, 2013:

Refunding Series 2005	\$ 88,365,000
Series 2008	47,635,000
Total	<u>\$ 136,000,000</u>

SELECTED CONTRACT PROVISIONS

Following is a summary of the text of certain provisions contained in each of the contracts between the Authority and the Cities of Bedford, Euless, Colleyville, Grapevine and North Richland Hills (the "Contracts"). The Authority has a separate contract with each City, and, as a consequence, certain provisions may differ slightly between Contracts in order to suit each City's particular needs. References in this section to "Project" refer to the "System".

Reference is hereby made to the full and complete Contracts 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 Contracts and have not been revised to reflect more recent dates or time periods.

There are two basic differences in the various Contracts. The first regards service area. All of the corporate limits of Bedford, Euless and Colleyville are serviced by the Project. However, because North Richland Hills and Grapevine have other water supplies, the Project serves defined service areas in such cities which encompass less than their entire corporate limits.

The Contracts with Bedford and Euless also provide that the Authority will notify each city at least one year in advance of the issuance of any bonds, after bonds for the first phase of construction, in accordance with the Engineering Report, have been delivered, provided, that such cities may request the Authority to finance and construct a phase of the Project at any time and Authority may issue bonds without giving one year's notice in cases of emergency. Any resolution authorizing any bonds shall be submitted to each city for approval as to form and substance, except as to price, interest rate and purchaser. No such resolution shall be binding on either city until approved by ordinance or resolution by such city.

Definition or Terms

Terms and expressions as used in each of the Contracts, unless the context clearly shows otherwise, shall have the meanings below. Terms such as "this contract," "this agreement," "herein," "hereof," "hereby", "hereunder" or "hereto" shall refer to each Contract in its entirety and not to this summary. The term "City" refers to each of the cities of Bedford, Euless, Colleyville, Grapevine and North Richland Hills.

A. "Additional Contracting Party" means any party not defined as a Contracting Party with whom Authority makes a contract for supplying treated water through the Project.

B. "Adjusted Annual Payment" means the Annual Payment, as adjusted due to service to Additional Contracting Parties and/or as required during or after each Fiscal Year.

C. "Annual Payment" means the amount of money to be paid to Authority by City as its proportionate share of the Annual Requirement.

D. "Annual Requirement" means the total amount of money required for Authority to pay all Operation and Maintenance Expense of the Project, to pay the debt service on its Bonds and to pay any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolution.

E. "Bond Resolutions" means the resolutions of Authority which authorize the Bonds.

F. "Bonds" means the revenue bonds heretofore and hereafter issued by Authority, whether one or more issues, and the interest coupons appertaining thereto, in connection with the acquisition, construction, improvement, betterment, and extension of the Project, and any bonds issued to refund any Bonds.

G. "Contracting Parties" means the Cities of Bedford, Euless, Colleyville, Grapevine and North Richland Hills.

H. "Fiscal Year" means the fiscal year of Authority which is December 1 through November 30.

I. "Operation and Maintenance Expense" means all costs of operation and maintenance of the Project 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, the costs of utilities supervision, engineering, accounting, auditing, legal

services, and any other supplies, services, administrative costs and equipment necessary for proper operation and maintenance of the Project, and payments made by Authority in satisfaction of judgments resulting from claims not covered by Authority's insurance or not paid by a Contracting Party or Parties arising in connection with the operation and maintenance of the Project. The term also includes the charges of the bank or banks where the Bonds are payable.

J. "Project" means all water supply facilities described in the engineering report of Knowlton-Ratliff-English-Collins, consulting engineers, certified Report on Proposed Bedford-Eules Water System to Trinity River Authority of Texas, dated July 1971 as such report may be amended or supplemented in the future (the "Engineering Report").

Quantity, Quality, Points of Delivery, Measuring Equipment, Unit of Measurement and Delivery Pressure

A. *Quantity.* Authority agrees to sell and to deliver to City at the Delivery Point or Points hereinafter provided, and City agrees to purchase and take at such Delivery Point or Points all treated water required by City during the period of this agreement for its own use and for distribution to the customers served by City's distribution system, except to the extent otherwise provided herein. Authority will use its best efforts to remain in position to furnish water sufficient for the reasonable demands of City, but its obligations shall be limited to the amount of water available to it under its contract with District* and by its commitments to other Contracting Parties and Additional Contracting Parties. The Authority will not be obligated to furnish water to Additional Contracting Parties which will jeopardize the Authority's ability to provide to Bedford and Eules the Average Demand during Peak Month, as projected by Figure 13 of the Engineering Report, unless such obligation has been agreed to by Council Resolution of the Cities of Bedford and Eules.

B. *Quality.* The water to be delivered by Authority and received by City shall be potable treated water meeting applicable purity standards of the Texas Department of Public Health. City has satisfied itself that such water will be suitable for its needs.

C. *Points of Delivery.* The Point or Points of Delivery into City's distribution system shall be as designated in the Engineering Report.

D. *Measuring Equipment.* (a) Authority shall furnish, install, operate and maintain at its own expense the necessary metering equipment of standard type for measuring properly the quantity of water delivered under this agreement. Such metering equipment shall be located on Authority's supply main at a location to be designated by Authority. Such meter or meters and other equipment so installed shall remain the property of Authority. City shall have access to such main metering equipment at all reasonable times, but the reading, calibration and adjustment thereof shall be done only by the employees or agents of Authority. For the purpose of this agreement, the original record or reading or the main meter shall be the journal or other record book of Authority in its office in which the records of the employees or agents of Authority who take the reading are or may be transcribed. Upon written request of City, Authority will give City a copy of such journal or record book, or permit City to have access to the same in the office of Authority during reasonable business hours.

(b) Not more than once in each calendar year, on a date as near the end of such calendar year as practical, Authority shall calibrate its main meter or meters, if requested in writing by City to do so, in the presence of a representative of City, and the parties shall jointly observe any adjustments which are made to the meter in case any adjustments shall be necessary, and if the check meter hereinafter provided for has been installed, the same shall also be calibrated by City in the presence of a representative of Authority and the parties shall jointly observe any adjustment in case any adjustment is necessary. If City shall in writing request Authority to calibrate its meters and Authority shall give City written notice of the time when any such calibration is to be made and a representative of City is not present at the time set, Authority may proceed with calibration and adjustment in the absence or any representative of City.

(c) If either party at any time observes a variation between a main delivery meter and the check meter, if any such checkmeter shall be installed, such party will promptly notify the other party, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the main meter shall then be adjusted to accuracy. Each party shall give the other party forty-eight (48) hours' notice of the time of any test of meter so that the other party may conveniently have a representative present.

* Reference to District means Tarrant Regional Water District.

(d) If, upon any test, the percentage of inaccuracy of metering equipment is found to be in excess of two percent (2%) registration thereof shall be corrected for a period extending back to the time when such inaccuracy began if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event farther back than a period of six (6) months. If, for any reason, the main meter is out of service or out of repair so that the amount of water cannot be ascertained or computed from the reading thereof, the water delivered through the period such meter is out of service or out of repair, shall be estimated and agreed upon by the parties thereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any checkmeter if the same has been installed and is accurately registering. Otherwise, the best data available shall be deemed any other meters in the transmission line or treatment plant which can be related to the main delivery meter. If no other meters in the system are operational which will allow determination of delivered quantity, then the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of error is ascertainable by calibration tests or mathematical calculation, or (ii) by estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter was registering accurately.

(e) City may, at its option and its own expense, install and operate a check meter to check the meter installed by Authority, but the measurement of water for the purpose of this agreement shall be solely by the Authority's Meter, except in the case hereinabove specifically provided to the contrary. Such check meter 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 City, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration and adjustment thereof shall be made by with like effect as if such check meter had been furnished or installed by Authority.

E. Unit of Measurement. The unit of measurement for water delivered hereunder shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

F. Delivery Pressure. The water shall be delivered by Authority at the point of delivery at a pressure sufficient to transmit the water into the City's distribution system.

Fiscal Provisions

A. Financing. Authority will pay for the cost of constructing and expanding the Project and will issue its Bonds in amounts necessary which, together with other available funds, if any, will be sufficient to accomplish such construction or expansion.

B. Annual Requirement. It is acknowledged and agreed that payments to be made under this contract and similar contracts with other Contracting Parties and Additional Contracting Parties will be the only source available to Authority to provide the Annual Requirement; and that the Authority has a statutory duty to establish and from time to time to revise the charges for services to be rendered and made available to City hereunder so that the Annual Requirement shall at all times be not less than an amount sufficient to pay or provide for the payment of:

(a) All Operation and Maintenance Expense;

(b) The principal of and the interest on the Bonds, as such principal and interest become due, less interest to be paid out of Bond proceeds as permitted by the Bond Resolution;

(c) During each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolution; and

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

C. Payments by City. (a) For services to be rendered to City by Authority hereunder, City agrees to pay, at the time and in the manner herein provided, its proportionate share of the Annual Requirement, which shall be determined as follows and shall constitute City's Annual Payment:

For each Fiscal Year during the term of this contract, City's proportionate share of the Annual Requirement shall be a percentage obtained by dividing City's estimated treated water requirement for such year by the total estimated treated water requirement of all Contracting Parties for such year.

The following tabulation shall apply for the Fiscal Year 2013, City's Annual Payment for the Fiscal Year 2013 shall be calculated by multiplying City's percentage from the tabulation below times the Annual Requirement.

<u>Contracting Parties</u>	<u>Estimated 2013 Flow (MGD)</u>	<u>Percentage of Total</u>
Bedford	9.10	25.28%
Colleyville	8.00	22.22%
Eules	6.20	17.22%
Grapevine	7.90	21.95%
North Richland Hills	4.80	13.33%

City's Annual Payment for each succeeding Fiscal Year shall be its proportionate share of the Annual Requirement, calculated in the manner specified above. City's Annual Payment shall be made to Authority in twelve equal monthly installments. Such payments shall be made in accordance with and at the times set forth in an annual Schedule of Payment which will be supplied to City. At the close of each Fiscal Year, Authority shall determine City's percentage by dividing City's actual metered usage by the total actual metered usage of the System by all Contracting Parties. City's Adjusted Annual Payment shall be calculated by multiplying City's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to City's account with Authority and shall be credited or debited to City's next subsequent monthly statement.

(b) If, during any Fiscal Year, Authority begins providing services to an Additional Contracting Party or Parties, City's Annual Payment for each Fiscal Year shall be determined in the following manner:

(i) Such Additional Contracting Party or Parties estimated treated water requirement for such year, or portion thereof, shall be determined by Authority;

(ii) City's proportionate share of the Annual Requirement shall be a percentage, redetermined by dividing City's estimated treated water requirement by the total annual estimated treated water requirement by all Contracting Parties, including that estimated for the Additional Contracting Party or Parties for the remaining portion of such Fiscal Year,;

(iii) Authority shall redetermine the Annual Requirement, taking into consideration any costs incurred on account of the Additional Contracting Party or Parties;

(iv) City's Annual Payment shall be redetermined by Multiplying City's redetermined percentage times the redetermined Annual Requirement;

(v) Following the first Fiscal Year or part thereof of service to an Additional Contracting Party, City's Annual Payment shall be determined annually in the manner set forth above, incorporating the Additional Contracting Party in the calculations on the same basis as all parties being served by the System.

(c) City's Annual Payment shall also be redetermined, in the manner set out above, at any time during any Fiscal Year if:

(i) Additions, enlargements or improvements to the Project are constructed by Authority to provide continuing service which in turn requires a redetermination of the Annual Requirement; or

(ii) Unusual or extraordinary expenditures for maintenance and operation are required which are not provided for in the Annual Budget or in the Bond Resolution.

(d) On or before November 1 of each year, Authority shall furnish City with a schedule of the monthly payments to be made by such City to the Authority for the ensuing Fiscal Year. City hereby agrees that it will make such payments to the Authority on or before the 10th day of each month of such Fiscal Year. If the City at any time disputes the amount to be paid by it to Authority, City shall nevertheless promptly make the payment or payments determined by Authority, and, if it is subsequently determined by agreement, arbitration or court decision that such disputed payments made by City should have been less, or more, Authority shall promptly revise and reallocate the charges among all parties then being served by Authority in such manner that City will recover its overpayment or Authority will recover the amount due it.

(e) If City's Annual Payment is redetermined as is herein provided, Authority will promptly furnish City with an updated schedule of monthly payments reflecting such redeterminations.

Special Provisions

(a) Authority will proceed to finance and construct the Project to the end that it will be able to deliver treated water to City beginning on June 1, 1974 with respect to Bedford and Euless and on June 1, 1981 with respect to the other Contracting Parties.

(b) Title to all water supplied hereunder shall remain in Authority through the Point(s) of Delivery, and upon passing through the Point(s) of Delivery, such title to the water shall pass to City. Each of the parties hereto agrees to save and hold the other party harmless from all claims, demands and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

(c) It is expressly understood and agreed that any obligations on the part of Authority to complete the Project and to provide water to City shall be conditioned upon Authority's ability to obtain all necessary material, labor and equipment and upon the ability of Authority to finance the cost of the Project through the actual sale of Authority's Bonds.

(d) Authority shall never have the right to demand payment by City 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 levied by City. City's obligations under this contract shall never be construed to be a debt of the City of such kind as to require it under the law of this State to levy and collect a tax to discharge such obligation, it being expressly understood by the parties hereto that all payments due by City hereunder are to be made from water and sewer revenues received by City.

(e) City represents and covenants that all payments to be made hereunder by it shall constitute "Operating Expenses" of its waterworks and sewer system as defined in Article 1113 of the Revised Civil Statutes of Texas, as amended [now codified as Section 1502.056, Texas Government Code], and that all such payments will constitute operating expenses of City's waterworks and sewer system.

(f) City agrees to fix and collect such rates and charges for water and sewer services to be supplied by its waterworks and sewer system as will produce revenues in an amount equal to at least the minimum payments due under this contract and to comply with provisions of ordinances authorizing its outstanding revenue bonds.

(g) It is agreed and understood by the parties to this agreement that the Authority will supply, and City shall take, all of the water to be used during the term of this agreement. However, it is understood that the City may ultimately require supplemental well supply; and therefore, City must maintain its existing wells in good operating condition at all times. The proper maintenance of these wells will require periodic operation and such operation is considered acceptable. Also, at such times as peak demands on the City's water system may exceed the capabilities of the Authority's facilities to deliver treated water or at such times as the Authority's facilities may be totally or partially out of service, the City may furnish additional water needed by using other sources of water supply available to it for such purposes.

(h) Authority shall not be liable to City for any damages occasioned by the inability of Authority to supply all water required by City if such inability is caused by the inability of District to deliver all water required by Authority to meet its contractual obligations.

(i) In the event Authority is sued or is placed on notice of demand for payment of a claim or claims not covered by Authority's insurance or claims not paid by either Euless or Bedford arising in connection with the operation and maintenance of the Project, then in any of said events, Authority shall forthwith notify City in writing as to the nature of the claim or litigation which could result in an increase in operation and maintenance expense. City shall have ten (10) days from receipt of such written notification in which to advise and comment to Authority concerning any claim, suit or demand for payment and Authority shall duly consider City's advice and comments in any final disposition of said claim or demand for payment.

Force Majeure

(a) If by reason of force majeure either party hereto shall be rendered unable wholly or in part to carry out its obligations under this contract, other than the obligation of City to make the payments required under (b) of this section, then if such party shall give notice and full particulars of such force majeure in writing to the other party

within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and inability on part of Authority to deliver water hereunder for any reason, or the City to receive water hereunder for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

- A smaller service area is described in the Grapevine and North Richland Hills Contracts.
- The Grapevine and the North Richland Hills Contracts specify that in order for such cities to supply water to all of their respective water customers, such cities will utilize other sources of water supply available to it for such purposes.

(b) Recognizing that the Authority will use payments received by City and others to pay, secure and finance the issuance of the Bonds, it is hereby agreed that upon the issuance and sale of any Bonds by the Authority to provide funds for the Project, City shall be unconditionally obligated to pay its proportionate share of the debt service on such Bonds, regardless of whether or not the Authority is actually delivering water to City hereunder, or whether or not City actually takes water hereunder, whether due to Force Majeure or otherwise. Under such circumstances, the amount due to Authority from City shall be a percentage of the debt service on the Bonds for the period of any such failure of service hereunder. Such percentage shall be the last percentage used by Authority in determining City's Annual Payment prior to any such failure of service. This covenant by City shall be for the holders of the Bonds.

Limitation of Authority Obligation

This contract is in all things subject to the heretofore described contract between Authority and District. By the execution of this contract, City acknowledges that it has received and reviewed a true copy of such contract. City agrees that it will take no action which would cause a violation of Authority's contract with District. In the event that the amount of water available to Authority under its contract with District is insufficient to supply all requirements of City, City may utilize water from other sources to fulfill its need in amounts which Authority is unable to supply.

Term of Contract; Modification; Notices

A. Term of Contract. This contract shall be effective upon execution hereof and shall continue in force and effect for a period of thirty-five (35) years from the date District is capable of delivering water to Authority and thereafter shall continue in effect until all Bonds and refunding bonds issued in lieu of the Bonds have been paid.

B. Modification. No change or modification of this contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by City under the terms of this contract and no such change shall be effective which would cause a violation of any provisions of any resolution of Authority authorizing the issuance of Bonds or any bonds issued to refund any of the Bonds.

C. Notices. All notices or communications provided for herein shall be in writing and shall be either delivered to City or Authority, or, if mailed, shall be sent by registered mail, postage prepaid, addressed to City or Authority at their respective addresses.

D. Severability. The parties hereto agree that if any of the provisions of this contract should be or be held to be invalid or to contravene the laws of this State, or the United States, such fact shall not invalidate the whole agreement, but it shall be construed as though not containing that particular provision, and the rights and obligations of the parties shall be construed and remain in force accordingly.

E. Continued Service. The parties hereto agree that upon the expiration of this contract that City shall have the right to continued service for an additional period of fifty (50) years, or for such other time as may be agreed, upon execution of an appropriate agreement between City and Authority.

SELECTED PROVISIONS OF THE RESOLUTION

Section 5. DEFINITIONS. In each place throughout this Resolution wherein the following terms, or any of them, are used, the same, unless the text shall indicate another or different meaning or intent, shall be construed and are intended to have meanings as follows:

(a) "Act" and "Authority Act" mean Chapter 518, Acts of the Fifty-Fourth Legislature of the State of Texas, Regular Session, 1955, as amended.

(b) "Additional Bonds" means the additional parity revenue bonds as defined and permitted in Sections 36 and 37 of this Resolution.

(c) "Authority" and "Issuer" mean Trinity River Authority of Texas and any other public body or agency at any time succeeding to the property and principal rights, power and obligations of said Authority.

(d) "Board of Authority" and "Board" mean the Board of Directors of the Authority.

(e) "Bonds" means collectively the Bonds as described and defined herein, and all substitute bonds exchanged therefor, as well as all other substitute and replacement bonds, issued as provided in this Resolution.

(f) "Certified Public Accountant" means any certified public accountant, licensed public accountant or firm of such public accountants of suitable experience and qualifications not regularly in the employ of the Authority, selected by the Authority.

(g) "Cities" means the Cities of Bedford, Euless, Colleyville, Grapevine, and North Richland Hills, Texas.

(h) "Contracts" means the contracts between the Authority and the Cities as described and defined in the preamble to this Resolution.

(i) "Credit Facility" shall mean a policy of municipal bond insurance, a surety bond or a letter or line of credit, or any other agreement, commitment or contract authorized by the Authority as a Credit Facility issued by a Credit Facility Provider in support of any Parity Bonds.

(j) "Credit Facility Provider" shall mean (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 Parity Bonds, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity 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 other Credit Facility, any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity Bonds in its two highest generic rating categories for such obligations if the Credit Facility proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the series of Parity Bonds and the interest thereon.

(k) "Depository" means the bank or banks which the Authority selects (whether one or more), in accordance with law, as its depository.

(l) "Eligible Investments" shall mean those investments in which the Authority is authorized by law, including, but not limited to, the Public Funds Investment Act of 1987 (Chapter 2256, Texas Government Code), as amended, to purchase, sell and invest its funds and funds under its control; and provided further that Eligible Investments shall specifically include, with respect to the investment of proceeds of any Parity Bonds, guaranteed investment contracts fully collateralized by Government Obligations.

(m) "Engineering Report" means the Report dated July 1, 1971, and the supplements thereto with respect to the Authority's Tarrant County Water Project, all as described and defined in the preamble to this Resolution, as such Engineering Report may be further amended or supplemented prior to the execution of construction contracts and changed by change orders entered after construction contracts have been executed, or as such report may be amended or supplemented to provide expanded service in the future.

(n) "Fiscal Year" means the twelve month period beginning December 1 of each year, or such other twelve month period as may in the future be designated as the Fiscal Year of Authority.

(o) "Government Obligations" shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(p) "Independent Consulting Engineer" means the Engineer or engineering firm or corporation at the time employed by the Authority under the provisions of Section 31 of this Resolution.

(q) "Outstanding Bonds" shall have the meaning set forth in the preamble.

(r) "Parity Bonds" means collectively the Outstanding Bonds, the Bonds and bonds hereafter issued on a parity therewith.

(s) "Paying Agents" means collectively the banks where the principal of and interest on the Parity Bonds are payable.

(t) "Rating Agency" shall mean any nationally recognized securities rating agency which has assigned a rating to the Parity Bonds.

(u) "Required Amount" shall mean the amount so designated in Section 10 of this Resolution.

(v) "Reserve Fund" shall mean the Fund so designated in Section 10 of this Resolution.

(w) "Reserve Fund Obligations" shall mean cash, Eligible Investments, any Credit Facility, or any combination of the foregoing.

(x) "Resolution" means this Resolution authorizing the Bonds.

(y) "Series 2005 Bonds" shall have the meaning set forth in the preable.

(z) "Series 2005 Bond Resolution" shall mean the resolution of the Board authorizing the issuance of the Series 2005 Bonds.

(aa) "System" and "Authority's System" mean all of Authority's facilities constructed pursuant to the Engineering Report, as supplemented or amended.

Section 6. BONDS AND SECURITY THEREFOR. The Parity Bonds are and shall be secured by and payable from a first lien on and pledge of the Net Revenues, as hereinafter defined, and the funds and accounts hereinafter confirmed or created in this Resolution; and the Net Revenues are further pledged to the establishment and maintenance of said funds and accounts as hereinafter provided. The Parity Bonds are and will be secured by and payable only from the Net Revenues, and are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, constituting the System.

Section 7. REVENUE FUND. All revenues of the System received by the Authority, including the net proceeds to the Authority of the Contracts with the Cities shall be collected and paid over promptly upon collection to the Depository and the Authority hereby covenants and agrees so to do. Such revenues shall be held by the Depository in a special fund known as the "Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds Revenue Fund" (hereinafter called the "Revenue Fund"), and shall be disbursed or applied for the purpose of paying Operation and Maintenance Expenses of the System, and for the making of transfers hereinafter required and in the order listed.

Section 8. (a) OPERATION AND MAINTENANCE EXPENSES. The term "Operation and Maintenance Expenses" shall mean all costs of operation and maintenance of the Authority's System including, but not limited to, repairs and replacements for which no special fund is created in any bond resolution, the cost of utilities, supervision, engineering, accounting, auditing, legal services, and any other supplies, services, administrative costs and equipment necessary for proper operation and maintenance of the Authority's System, and payments made by Authority in satisfaction of judgments resulting from claims not covered by Authority's insurance or not paid by one of the Cities arising in connection with the operation and maintenance of the System. The term also includes the

fees of the bank or banks where the Parity Bonds are payable. Depreciation shall not be considered an item of Operation and Maintenance Expense.

(b) Except for other transfers herein required, the moneys in the Revenue Fund shall be subject to withdrawal by the Authority for the payment of Operation and Maintenance Expenses only upon checks and vouchers, stating the purpose of the payment (which shall be in accordance with the current Annual Budget of the Authority) signed by the President of the Authority and countersigned by its Treasurer, or signed and countersigned by such officers or employees of the Authority as may from time to time be designated by resolution of the Board of Authority. At the end of each Authority Fiscal Year any surplus funds remaining in the Revenue Fund shall be transferred to the Interest and Sinking Fund.

Section 9. INTEREST AND SINKING FUND. (a) For the sole purpose of paying the principal of and interest on the Parity Bonds, and any Additional Bonds, as the same come due, there has been created and established, and there shall be maintained at a Depository, a separate fund entitled the "Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund").

(b) The Issuer shall, immediately after the delivery of the Bonds, deposit into the Interest and Sinking Fund, from the proceeds of sale of the Bonds, all accrued interest received upon sale of the Bonds, plus an amount sufficient to pay the interest coming due on the Bonds during construction, as required and determined by the Authorized Officer, if any. Said deposit shall be held and applied solely to pay interest on the Bonds as it becomes due and payable.

(c) It shall be the duty of the Authority to transfer from Net Revenues in the Revenue Fund to the credit of the Interest and Sinking Fund the amounts and at times as follows:

(1) such amounts, in equal monthly installments, made on or before the 15th day of each month hereafter, as will be sufficient, together with any other amounts on deposit therein and available for such purpose, to pay the interest scheduled to come due on all Parity Bonds and any Additional Bonds on the next interest payment date; and

(2) such amounts, in equal monthly installments, made on or before the 15th day of each month hereafter, as will be sufficient, together with any other amounts on deposit therein and available for such purpose, to pay the principal of all Parity Bonds and any Additional Bonds coming due and maturing or required to be redeemed on the next interest payment date.

(d) The Authority shall make such arrangements as are necessary to insure that sufficient funds from the Interest and Sinking Fund are available at each Paying Agent to pay the principal of and interest on all Parity Bonds and Additional Bonds when due.

Section 10. RESERVE FUND. (a) There is hereby confirmed and there shall be maintained on the books of the Authority a special Fund entitled the "Trinity River Authority of Texas Tarrant County Water Project New Reserve Fund" (the "Reserve Fund"), within which there may be established separate accounts to be held for the benefit of specific issues of Parity Bonds and not for the benefit of all Parity Bonds. There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the Authority. Reserve Fund Obligations in the Reserve Fund shall be deposited and maintained in a Depository. Reserve Fund Obligations in the Reserve Fund shall be used solely for the purpose of retiring the last of any Parity Bonds for which the Reserve Fund, or an account within the Reserve Fund, is held as they become due or paying principal of and interest on any such Parity Bonds when and to the extent the amounts in the Interest and Sinking Fund are insufficient for such purpose. Any specific Reserve Fund account shall be maintained in an amount equal to the average annual principal and interest requirements of the specific Parity Bonds to which it relates (the "Required Amount"). The Authority may, at its option, withdraw and transfer to the Revenue Fund, all surplus in the Reserve Fund over the Required Amount.

(b) The Authority may replace or substitute a Credit Facility for cash or Eligible Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or Eligible Investments on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Amount may be withdrawn by the Authority, at its option, and transferred to the Revenue Fund; provided that the face amount of any Credit Facility may be reduced at the option of the Authority in lieu of such transfer.

(c) If the Authority is required to make a withdrawal from the Reserve Fund for any of the purposes described in subsection (a), the Authority shall promptly notify any applicable Credit Facility Provider of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or Eligible Investments then on deposit in the Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency.

(d) In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Amount, then the Authority shall satisfy the Required Amount by depositing Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/60 of the Required Amount made on or before the 15th day of each month following such termination or expiration.

(e) In the event of the redemption or defeasance of any Parity Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Amount may be withdrawn and transferred, at the option of the Authority, to the Revenue Fund, as a result of (i) the redemption of any Parity Bonds or (ii) funds for the payment of any Parity Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in any resolution authorizing the issuance of Parity Bonds, the result of such deposit being that such Parity Bonds no longer are deemed to be Outstanding under the terms of any such resolution.

(f) In the event there is a draw upon the Credit Facility, the Authority shall reimburse the Credit Facility Provider for such draw, in accordance with the terms of any agreement pursuant to which the Credit Facility is issued, from Net Revenues, however, such reimbursement from Net Revenues shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Bonds.

(g) Upon the issuance of Additional Bonds the monies in the Reserve Fund shall, to the extent necessary, be increased to the newly-established Required Amount.

Section 11. CONSTRUCTION AND ACQUISITION FUND. There has been created and there shall be established and maintained at the Depository a separate fund to be entitled the "Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds Construction and Acquisition Fund" (hereinafter called the "Construction and Acquisition Fund"). The net proceeds (after paying costs of issuance and making other required deposits) from the sale of the Bonds and all other "Improvement Bonds" in the future shall be deposited in the Construction and Acquisition Fund and such Fund shall be subject to and charged with a lien in favor of the holders of all such "Improvement Bonds" until the money in said Fund has been paid out as herein provided. Interest earnings derived from investment of the Construction and Acquisition Fund shall become part thereof for all purposes; provided, however, that any such earnings required to be rebated to the United States shall not be considered as interest earnings for the purposes of this Resolution. The Depository shall be required to secure the Construction and Acquisition Fund in its possession by pledging obligations of or obligations unconditionally guaranteed by the United States; such obligations at all times shall be at least equal in market value to the amount in the Construction and Acquisition Fund in its possession.

Section 12. DISBURSEMENTS FROM CONSTRUCTION AND ACQUISITION FUND. (a) Money in the Construction and Acquisition Fund shall be subject to disbursement by the Authority for payment of Project Costs to be incurred in the acquisition and construction of any project for which "Improvement Bonds" are issued. Such disbursements shall be made only upon checks stating the purpose of the payment signed and countersigned by such officers of the Authority as may from time to time be designated by the Authority by resolution, and duly certified to the Depository. Disbursements for payments to construction contractors and disbursements for construction material, supplies, and equipment shall be approved by a registered professional engineer.

(b) "Project Costs" as used herein includes all acquisition costs and construction costs as those terms are generally understood in standard accounting practice as applied to projects of this nature, and without limiting the generality of the foregoing, it shall include purchase of equipment, property, rights in property, capitalized interest, costs of land, easements, and rights of way, including damages to land and property, engineering, financing, financial consultants, administrative, auditing, and legal expenses incurred in connection with the performance of the Contracts. The costs for engineering, financial consultants, administrative, and legal expense paid from bond proceeds incurred by the Authority shall be reasonable and at usual and customary rates. Damages to land and property, whenever accruing, adjusted under Article I, Section 17 of the Constitution of Texas shall constitute a part of Project Costs. After completion of any Project improvements, any residue remaining in the Construction and Acquisition Fund shall be deposited in the Interest and Sinking Fund.

Section 13. TRUST FUNDS. The Interest and Sinking Fund and the Reserve Fund shall constitute trust funds and shall be held in trust by a Depository for the benefit of the holders of the Parity Bonds and Additional Bonds permitted hereunder.

Section 14. SECURITY OF FUNDS. The Authority shall cause the Depository to secure and keep secured, in the manner required by law, all funds on deposit with it, and will cause each paying agent to secure all funds deposited with it or them as other trust funds are secured. The Authority covenants and agrees that no money will be allowed to be or remain deposited with the Depository unless secured as above provided.

Section 15. PLEDGE. The Contracts provide for the payment by the Cities to the Authority (a) an amount equal to all Operation and Maintenance Expenses, (b) the amount necessary to pay all the principal of and the interest coming due on "Bonds" (as defined in the Contracts) on each principal and/or interest payment date, (c) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any "Bond Resolutions", and (d) an amount in addition thereto sufficient to restore any deficiency in any of such funds or accounts required to be accumulated and maintained by the provisions of any "Bond Resolutions". The term "Net Revenues" as used in this Resolution shall mean and be defined as all of the gross revenues or payments received by the Authority (i) from the Cities under the Contracts and (ii) from the parties, if any, with whom the Authority may contract in the future for supplying treated water from the System, after deducting therefrom the amounts paid to the Authority for the purpose of paying Operation and Maintenance Expenses, with the result that the Net Revenues shall consist of the amounts necessary to pay all principal and/or interest coming due on the Parity Bonds on each principal and/or interest payment date, and any amounts payable under (c) and (d) above. The Parity Bonds and the interest thereon are and shall be payable from and secured by a first lien on and pledge of said Net Revenues, and said Net Revenues are hereby pledged for such purpose and to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund.

Section 16. INVESTMENT OF FUNDS. The money in all Funds maintained hereunder shall be invested and reinvested in Eligible Securities which mature in not more than fifteen (15) years from the date of their purchase. The foregoing notwithstanding, the Reserve Fund and Construction and Acquisition Fund may be invested as described in Sections 10 and 11, respectively. All income and profits from the investment of all funds hereunder shall be deposited in the Interest and Sinking Fund not later than the January 15 or July 15 next following the receipt thereof.

Section 17. PREPARATION OF BUDGET. Not less than forty (40) days before the commencement of each Fiscal Year while any of the Parity Bonds are outstanding and unpaid, the Authority will prepare and file with the Cities the annual budget (herein called "Annual Budget") of Operation and Maintenance Expenses for the ensuing Fiscal Year, and, except as otherwise provided, the total expenditures in any division thereof will not exceed the total expenditures in the corresponding division in the Annual Budget. The Authority covenants that the current Operation and Maintenance Expenses incurred in any Fiscal Year will not exceed the reasonable and necessary amount of such expenses, and that it will not expend any amount or incur any obligation for maintenance, repair, and operation in excess of the amounts provided for current Operation and Maintenance Expenses in the Annual Budget; provided, however, that if at any time the Board of Authority shall determine that the amount of the appropriation for any item in the Annual Budget is in excess of the amount which will be required for such term, the Board of Authority may reduce such appropriation and make appropriation for any item or items not covered by the Annual Budget or increase the appropriation for any other item or items by an amount not exceeding the amount of such reduction; and provided further, that the Board of Authority may at any time adopt an amended or supplemental budget for the remainder of the then current Fiscal Year in case of an emergency caused by some extraordinary occurrence which shall be clearly defined in such resolution. Any such supplemental budget shall be filed immediately with the Cities.

Section 18. ACCOUNTING AND REPORTING. The Authority covenants that proper books of record and account will be kept in which true, full, and correct entries will be made of all income, expense, and transactions of and in relation to the System, and each and every part thereof. Within three months after each full Fiscal Year, a statement certified as correct by a Certified Public Accountant showing the Gross Revenues and the Operation and Maintenance Expenses for such Fiscal Year, shall be furnished to the Cities, and to the original purchasers of the Bonds. Each such audit will be available during regular office hours at the administration offices of the Authority for inspection by any holder of any of the Bonds.

Section 19. PUBLIC INSPECTION. The Authority further covenants and agrees that the System, and each and every part thereof, and all books, records, accounts, documents, and vouchers relating to the construction,

operation, maintenance, repair, improvement, and extension thereof, will at all times be open to inspection by the Cities.

Section 20. PAYMENT OF PARITY BONDS AND INTEREST THEREON. The Authority covenants and agrees that, out of the pledged Net Revenues, it will duly and punctually pay, or cause to be paid, the principal of every Parity Bond and the interest thereon, on the date and at the place and in the manner specified in the Parity Bonds, and that it will faithfully do and perform and at all times fully observe any and all covenants, undertakings, and provisions contained herein or in any Parity Bond.

Section 21. LEGAL ABILITY. The Authority represents that it is a conservation and reclamation district, a political subdivision of the State of Texas, and a governmental agency and body politic and corporate, duly created, organized, and existing under the Constitution and laws of the State of Texas and has proper authority from all other public bodies and authorities, if any, having jurisdiction thereof to construct, acquire, operate, maintain, improve, extend, better, repair, renew, and replace the System as herein described, and to levy and collect rates, tolls, rents, fees, and other charges, and to pledge its revenues in the manner and form as herein done or intended, and that all corporate action on its part to that end has been duly and validly taken. The Authority covenants and agrees that it will at all times maintain its corporate existence and maintain a lawful Board of Directors, and at all times function and act in the best interest of the System and the owners and holders of the Parity Bonds.

Section 22. CONSTRUCTION AND OPERATION. The Authority further covenants that it will forthwith proceed to acquire and construct the improvements, betterments, extensions, and replacements to the System for which the Bonds are being issued as soon as practicable in accordance with plans and specifications which have been prepared by the Independent Consulting Engineer, and thereafter each and every part of the System will be continuously operated by the Authority in an efficient and economical manner and will be kept in thorough repair and maintained in a high state of operating efficiency and in such manner that the interest of the Cities, the people of the State of Texas, the bondholders or owners, and the Authority will be promoted.

Section 23. OPERATION OF THE SYSTEM. The Authority shall use its best efforts to see that the System is properly and efficiently operated.

Section 24. CONTRACTORS. Authority shall require each person, firm, or corporation with whom (or which) it may contract for construction in connection with the System to furnish a performance bond in the full amount of any contract and a payment bond as required by law, and to carry such workmen's compensation or employers' liability insurance as may be required by law and such public liability, property damage, and builders' risk insurance, if any, as may be appropriate and necessary. The Authority further covenants and agrees that the proceeds of any such performance bond will forthwith, upon receipt of such proceeds, be applied toward the completion of the contract in connection with which such performance bond shall have been furnished.

Section 25. COVENANT TO MAINTAIN SUFFICIENT INCOME. To the end that Authority income will be sufficient to pay the Parity Bonds and the interest thereon when due, the Authority will keep in effect and enforce the Contracts, and will cause the System to be operated and maintained at an annual cost that will be within its income other than the income required to pay the Parity Bonds and the interest thereon and the fees of each paying agent and Paying Agent/Registrar. The Authority will not voluntarily consent to any amendment to the Contracts which would reduce the amounts payable thereunder or extend the time of the payment of such amounts or which would in any manner impair or adversely affect the rights of the holders or owners of the Parity Bonds from time to time. If any of the Cities fails to make payments as required by the Contracts and if it shall appear that enforcement of the Contracts has become ineffective or will be ineffective to the extent that a default in payment of principal of or interest on the Parity Bonds occurs or is threatened, the Authority will take all necessary action to preserve and protect the rights of the holders or owners of the Parity Bonds and to assure payment of the principal thereof and the interest thereon.

Section 26. NO OTHER LIENS. The Authority further covenants that there is not now outstanding, except as regards any Parity Bonds, and that the Authority will not at any time while the Parity Bonds are outstanding, create or allow to accrue or to exist any lien upon the System, or any rights owned, or the revenues pledged herein to the payment of the principal of and interest on the Parity Bonds, at any time derived from the operation thereof, or any of its Funds, except as authorized by Sections 36 and 37 of this Resolution in connection with Additional Bonds and other bonds; that the security of the Parity Bonds will not be impaired in any way as a result of any action or any non-action on the part of the Authority, its Board of Directors, or officers, or any thereof,

and that the Authority has, and will, subject to the provisions hereof, continuously preserve good and indefeasible title to the System and each and every part thereof.

Section 27. KEEP FRANCHISES AND PERMITS IN EFFECT. The Authority further covenants that no franchises, permits, privileges, or easements will be allowed to lapse or be forfeited so long as the same shall be necessary for the proper operation of the System.

Section 28. GOVERNMENTAL REQUIREMENTS; LIENS; CLAIMS. The Authority covenants that it will duly observe and comply with all valid requirements of any governmental authority relative to the System or any part thereof, and that it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all lawful claims and demands for labor, materials, supplies, or other objects which if unpaid, might by law become a lien upon such System or any part thereof or the revenue therefrom; provided, however, that nothing in this Section contained shall require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Section 29. FURTHER ASSURANCE. The Authority covenants that it will take such further action as may be required to carry out the purposes of this Resolution and to assure its validity.

Section 30. SALE AND LEASE OF PROPERTY. (a) The Authority covenants that so long as any of the Parity Bonds or interest payable thereon shall be outstanding, and except as in this Section otherwise permitted, it will not sell, lease, or otherwise dispose of or encumber any part of the System except as provided herein.

(b) The Authority may from time to time dispose of any rights, machinery, fixtures, apparatus, tolls, instruments, or other movable property and any materials used in connection therewith, if the Authority shall determine that such are no longer needed or are no longer useful in connection with the operation and maintenance of the System. The Authority may from time to time sell such real estate that is not needed or serves no useful purposes in connection with the maintenance and operation of the System. The proceeds of any sale of real or personal property acquired from the proceeds of the Parity Bonds shall be deposited in the Revenue Fund.

(c) The Authority may lease any of its lands for any purpose, if such lease or the use of such lands will not be detrimental to the operation and maintenance of the System. It may also lease any of its real property for oil, gas, and mineral purposes. No lease shall be made which will result in any damage to or substantial diminution of the value of other property of the Authority. The rental to be charged under all such leases shall be not less than the fair and reasonable rental in relation to the character and value of the property leased. All rentals, revenues, receipts, and royalties derived by the Authority from any and all leases so made, shall be deposited in the Revenue Fund.

(d) It is covenanted and agreed by Authority that no such property of any nature shall be sold or leased by Authority unless, prior to any action taken by Authority concerning such sale or leasing, Authority shall procure the advice and recommendation in writing of a registered professional engineer concerning such proposed sale or leasing.

Section 31. INDEPENDENT ENGINEER. (a) The Authority covenants that, until the Parity Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, it will, for the purpose of performing and carrying out the duties imposed on the Independent Consulting Engineer by this Resolution, employ an independent engineer or engineering firm or corporation having a favorable reputation for skill and experience in such work.

(b) The Authority covenants that it will at all appropriate times cause the Independent Consulting Engineer to submit and give all necessary or desirable advice and recommendations concerning renewals, replacements, extensions, betterments, and improvements for the System, to the end that the System shall be operated and maintained in the most efficient and satisfactory manner. Further, Authority shall cause the Independent Consulting Engineer to make in writing a full survey, review, and report on the physical condition of the System once every three years.

(c) Authority further covenants that it will cause the Independent Consulting Engineer to make an annual report to it which shall set forth such Engineer's recommendations and advice as to (1) the proper maintenance, repair, and operation of the System, including their findings as to whether or not the properties of the System have been maintained in good repair and sound operating condition; (2) the extensions, improvements, renewals, and

replacements which should be made during the ensuing Fiscal Year; (3) the amounts and types of insurance which should be carried by the Authority on the properties; and (4) any revisions or changes of rates, fees, and charges.

(d) The expense incurred under this Section 31 shall constitute Operation and Maintenance Expenses.

Section 32. **PARITY BONDS AND INTEREST NOT PAYABLE FROM TAXES.** The holders and owners of the Parity Bonds and the interest payable thereon shall never have the right to demand payment thereof out of funds raised or to be raised by taxation, or from any source other than the Net Revenues as defined and described herein.

Section 33. **INSURANCE COVERAGE.** The Authority covenants that it will at all times keep insured such of the System's plants, structures, buildings, stations, machinery, equipment, apparatus, pipelines, and equipment as are usually insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, and will also at all times maintain workmen's compensation insurance and insurance against public liability and property damages, in a reasonable amount with responsible insurance companies; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the Authority shall not be required to carry such insurance. All such policies shall be open to the inspection of the bondholders and their representatives at all reasonable times.

Section 34. **INSURANCE PROCEEDS.** In the event of any loss of or damage to the System the Authority covenants that it will reconstruct or repair the destroyed or damaged portion of the property and will apply the proceeds of the insurance policies covering such loss or damage solely for that purpose. The Authority covenants that it will begin such work of reconstruction or repair promptly after such loss or damage shall occur and will continue and properly complete the same as expeditiously as possible and will pay or cause to be paid all costs and expenses in connection therewith so that the same shall be so completed and the property be free and clear of all mechanics' and other liens and claims. The Authority agrees that it will procure the advice and recommendation in writing of a registered professional engineer concerning such reconstruction before it is undertaken.

Section 35. **UNUSED INSURANCE PROCEEDS.** Any insurance proceeds remaining after the completion of and payment for any such reconstruction or repair shall be deposited in the Revenue Fund.

Section 36. **ADDITIONAL BONDS.** As used in this resolution, the following additional definitions shall apply:

(a) "Completion Bonds" means any bonds issued to complete construction of the System to enable the Authority to provide water supply services to the Cities and to others, as the System is described in the Engineering Report defined in the Contracts.

(b) "Improvement Bonds" means bonds issued for improvements, betterments, extensions, and replacements of the System.

(c) "Special Project Bonds" means any bonds issued to finance construction and/or acquisition of facilities which will not constitute a part of the System and which will not be paid out of revenues from the Contracts.

(d) "Refunding Bonds" means any bonds issued for the purpose of refunding all or a part of the Prior Lien Bonds, Parity Bonds or Additional Bonds.

(e) "Additional Bonds" means and includes Completion Bonds, Improvement Bonds, and Refunding Bonds.

Section 37. **COMPLETION BONDS AND IMPROVEMENT BONDS.** The Authority reserves the right to issue Completion Bonds and Improvement Bonds payable from and secured by a pledge of the Net Revenues, on a parity of lien with the Parity Bonds, or junior to the Parity Bonds, or a portion of them may be such first lien bonds and a portion may such junior lien bonds. The Completion Bonds and Improvement Bonds may be issued in one or more series or installments, and from time to time as authorized by the Board of Authority, provided, however, that no installment or series of Completion Bonds or Improvement Bonds, if it is on a parity with the lien of the Parity Bonds, shall be issued unless:

(a) A certificate is executed by the President and Secretary of the Board of Authority to the effect that no default exists in connection with any of the covenants or requirements of the resolutions authorizing the issuance of all then outstanding bonds which are secured by and payable from the Net Revenues;

(b) A certificate is executed by the President and the Secretary of the Board of Authority to the effect that the Interest and Sinking Fund and the Reserve Fund contain the amounts then required to be on deposit therein;

(c) The then proposed Completion Bonds or Improvement Bonds are made to mature on August 1 and/or February 1 of each of the years in which they are scheduled to mature.

Section 38. SPECIAL PROJECT BONDS. Special Project Bonds payable from and secured by revenues may be issued by the Authority for the purpose of providing additional facilities to enable the Authority to render service to other users, provided that such Special Project Bonds are not payable from or secured by a pledge of Net Revenues. Special Project Bonds may be additionally secured by a mortgage or deed of trust lien upon only the physical properties of the project purchased or constructed with the proceeds of such bonds.

Section 39. INCREASE IN RESERVE FUND. If Completion Bonds or Improvement Bonds are issued as Parity Bonds, the amount required to be deposited and maintained in the Reserve Fund shall, if necessary to maintain the Required Amount in the Reserve Fund, be increased so that the aggregate amount to be accumulated in the Reserve Fund shall be no less than the Required Amount for all then outstanding Parity Bonds and for the installment or series of parity Completion Bonds or Improvement Bonds then proposed to be issued. Such average annual requirements shall be calculated as of the date of any such Additional Bonds. Provided, as of the date of any such Additional Bonds, it shall be sufficient if the aggregate amount in the Reserve Fund is equal to the average annual requirement on the Parity Bonds and Additional Bonds outstanding and to be outstanding, and if the amount exceeds such average annual requirement, any surplus in the Reserve Fund may be transferred to the Revenue Fund, unless otherwise required by any bond resolution.

Section 40. TAX BONDS. No provisions in this Resolution shall in any way affect the statutory right of the Authority to issue bonds supported wholly by ad valorem taxes.

Section 41. REFUNDING BONDS. The Authority reserves the right to issue Refunding Bonds to refund any outstanding bonds secured by a pledge of the Net Revenues from the Contracts and any amendments thereof.

Section 42. DEFAULT PROVISIONS AND REMEDIES. In the event of a default or a threatened default in the payment of principal of or interest on the Parity Bonds, any court of competent jurisdiction may, upon petition of holders or owners of twenty-five per cent of the outstanding Parity Bonds, appoint a receiver with authority to collect and receive all income from the System, employ, and discharge agents, employees, and consultants of the Authority, take charge of pledged funds on hand and manage the proprietary affairs of the Authority without consent or hindrance by the Board of Authority. Such receiver may also be authorized to make contracts for providing water treatment services or renew such contracts with the approval of the court appointing him. The Court may vest the receiver with such other powers and duties as the court may find necessary for the protection of the holders or owners of the Parity Bonds.

Section 43. OTHER REMEDIES; REMEDIES NOT WAIVED. No remedy herein specified is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy available to the holders or owners of the said Parity Bonds, or now or hereafter existing at law or in equity, or by statute. No delay or omission to exercise any right or power shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and so often as may be deemed expedient.

Section 44. AMENDMENTS OF RESOLUTION BY AUTHORITY. Without any prior action by or notice to the holders or owners of the Parity Bonds, Authority may, from time to time, and at any time, amend this Resolution:

(a) to add to the covenants and undertakings of the Authority contained in this Resolution such additional covenants and undertakings as may be authorized or permitted by law; and

(b) to cure any ambiguous, defective, or inconsistent provisions of this Resolution and to accomplish any other purposes not inconsistent with the provisions of this Resolution and which shall not impair the security afforded hereby.

Section 45. AMENDMENTS BY CONSENT. The holders and owners of Parity Bonds and Additional Bonds aggregating in principal amount two-thirds of the aggregate principal amount of the Parity Bonds and Additional Bonds at the time outstanding (but not including in any case any Parity Bonds or Additional Bonds which may then be held or owned by or for the account of the Authority) shall have the right from time to time to approve an amendment of this Resolution which may be deemed necessary or desirable by the Authority; provided, however, that no amendment, without the consent of the holders and owners of all of the outstanding Parity Bonds and Additional Bonds, shall:

- (a) Make any change in the maturity of the Parity Bonds or Additional Bonds;
- (b) Reduce the rate of interest borne by any of the Parity Bonds or Additional Bonds;
- (c) Reduce the amount of the principal payable on the Parity Bonds or Additional Bonds;
- (d) Modify the terms of payment of principal of or interest on the Parity Bonds or Additional Bonds, or any of them, or impose any conditions with respect to such payment;
- (e) Affect the rights of the holders or owners of less than all of the Parity Bonds and Additional Bonds then outstanding; or
- (f) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

Section 46. NOTICE REQUIRED. If at any time the Authority shall desire to amend this Resolution under Section 45, the Authority 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 four 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 with each paying agent for the Parity Bonds and Additional Bonds and with the Secretary of the Board of Authority for inspection by all holders or owners of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder and owner of Parity Bonds and Additional Bonds.

Section 47. ADOPTION OF AMENDMENT. Whenever at any time not less than thirty (30) days and within one year from the date of the first publication of said notice or other service of written notice the Authority shall receive an instrument or instruments executed by the holders and owners of at least two-thirds in aggregate principal amount of 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 with the paying agents and Authority, the Authority may adopt the amendatory resolution in substantially the same form.

Section 48. EFFECTIVE UPON ADOPTION. Upon the adoption of any amendatory resolution pursuant to the provisions hereof, this Resolution shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties, and obligations under this Resolution of the Authority and all the holders or owners of outstanding Parity Bonds and Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendments.

Section 49. REVOCATION OF CONSENT. Any consent given by the holder or owner of a Parity Bond or Additional Bond pursuant to the provisions hereof shall be irrevocable for a period of six months from the date of the first publication of the notice provided for herein, and shall be conclusive and binding upon all future holders and owners of the same Parity Bond or Additional Bond 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 holder or owner who gave such consent, or by a successor in title, by filing notice thereof with the paying agent and the Authority, but such revocation shall not be effective if the holders or owners of two-thirds aggregate principal amount of the Parity Bonds and Additional Bonds outstanding as herein defined have, prior to the attempted revocation, consented to and approved the amendment.

Section 50. PROOF OF OWNERSHIP. The fact of the holding of Parity Bonds and Additional Bonds by any Bondholder and the amount and numbers of such Parity Bonds and Additional Bonds, and the date of his holding same may be proved by the affidavit of the person claiming to be such holder or owner, or by a certificate executed by any trust company, bank, banker, or any other depository, wherever situated showing that on the date

therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Parity Bonds or Additional Bonds described in such certificate. The Authority may conclusively assume that such ownership continues until written notice to the contrary is served upon the Authority. All matters relating to the ownership of fully registered Parity Bonds and Additional Bonds shall be ascertained from the registration books therefor kept by the registrar.

Section 51. 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 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 Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this 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 51(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 51(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 any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds.

(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 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.

Section 52. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer

and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Subchapter B, Chapter 1206, Texas Government Code, this Section shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 4 for Bonds issued in conversion and exchange for other Bonds.

Section 53. FEDERAL TAX COVENANTS. (a) General Tax Covenants Regarding Tax Exemption of Interest on the Bonds. 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:

(a) 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 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;

(b) 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;

(c) 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;

(d) 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;

(e) 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;

(f) 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 --

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

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

(3) 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;

(g) 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);

(h) 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 (h), 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.

For purposes of the foregoing (a) and (b), 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 President of the Board of Authority, or the Authorized Officer, 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 Resolution is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

(b) Interest Earnings on Bond Proceeds. 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 be deposited in the Interest and Sinking 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 53(a) hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section 53(b).

(c) Disposition of Project. 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.

(d) Allocation of, and Limitation on, Expenditures for the Project. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Resolution (the "Project") on its books and records in accordance with the requirements of the Internal Revenue Code. The Issuer recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. 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.

Section 54. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS AND INSURANCE. The President of the Board of Directors and the General Manager of the Issuer are hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and the approval of the Bonds by the Attorney General of the State of Texas. The Comptroller of Public Accounts is requested to cause the Bonds to be registered in accordance with law. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds or on any Bonds issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. If insurance is obtained on any of the Bonds, the Bonds shall bear, as appropriate and applicable, a legend concerning insurance as provided by the Insurer.

Section 55. FURTHER PROCEDURES. The President, Vice President and Secretary of the Board of Directors of the Issuer, the General Manager (as the "Authorized Officer" of the Issuer) and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Letter of Representation with DTC regarding the Book-Entry Only System, the Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Letter of Representation, the Bonds, the sale of the Bonds and the Official Statement. Notwithstanding anything to the contrary contained herein, while the Bonds are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representation is hereby incorporated herein and its provisions shall prevail over any other provisions of this Resolution in the event of conflict. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 56. 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 Cities, the Issuer and the Cities 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 Cities 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.

Section 57. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the Issuer under Sections 6 and 15 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the Issuer under Sections 6 and 15 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 58. EXPIRATION OF AUTHORIZATION. The authority of the General Manager, as Authorized Officer, to sell the Bonds as described in Section 2 of this Resolution shall expire on the one-year anniversary date of the adoption of this Resolution by the Board.

Section 59. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

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:

The Authority’s Revenue-Based Projects

<u>Project Name (Operating)</u>	<u>Cities and Communities Served or to be Served</u>
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, 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
<u>Project Name (Non-Operating)</u>	<u>Cities and Entities Served</u>
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
Summit Regional Water Storage Project	Cedar Hill and Duncanville
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, Rockett Special Utility District, Avalon Water and Sewer Service Corporation, Boyce, Bristol, 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
Big Bear Creek Interceptor Project	Fort Worth, Keller and Southlake
Southlake Sewer Project	Southlake
Lancaster Water and Sewer Project	Lancaster
Denton Creek Wastewater Interceptor System	Fort Worth, Haslet, and Roanoke
Denton Creek Wastewater Pressure Interceptor	Southlake
Cade Branch Interceptor	Fort Worth, Keller
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 October 1, 2013
Central Regional Wastewater System	\$ 897,655,000 ⁽¹⁾
Community Waste Disposal, Inc.	33,565,000
Denton Creek Regional Wastewater Treatment System	144,895,000
Denton Creek Wastewater Interceptor(Fort Worth Project)	960,000
Denton Creek Wastewater Pressure Interceptor System	1,435,000
City of Fort Worth Water & Wastewater Transmission Contract (Sendera Ranch Project)	6,100,000
Trinity River Authority of Texas (General Improvement Project of The Authority)	2,980,000
Huntsville Regional Water Supply System	23,610,000
Livingston Regional Water Supply Project	23,140,000
Mountain Creek Regional Wastewater System	12,720,000
Northeast Lakeview Wastewater Transportation Project	14,205,000
Red Oak Creek Regional Wastewater System	52,040,000
Tarrant County Water Project	136,000,000
Ten Mile Creek Regional Wastewater System	114,860,000
Texas Utilities Electric Company Pollution Control	51,075,000
Town of Flower Mound Wastewater Transportation Project	4,255,000
Trinity County Regional Water Supply System Project	1,050,000
SUB-TOTAL	\$ 1,520,545,000

Other Authority bonds are expected to be authorized and delivered during the next 30 days:

Central Regional Wastewater Treatment System Revenue Refunding Bonds, Series 2013	\$ 49,405,000
Denton Creek Regional Wastewater Treatment System Revenue Bonds, Series 2013	4,120,000
Red Oak Creek System Revenue Bonds, Series 2013	4,540,000
Ten Mile Creek System Revenue Bonds, Series 2013	10,540,000
SUB-TOTAL	\$ 1,589,150,000
The Bonds	\$ 5,000,000
TOTAL	\$ 1,594,150,000

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 October 1, 2013
Bardwell Reservoir (City of Ennis and Ellis Co. WCID#1)	\$ 1,522,903
Joe Pool Lake (Cities of Cedar Hill, Duncanville, Grand Prairie and Midlothian)	75,647,340 ⁽²⁾
Wallisville Lake (City of Houston)	9,265,140
TOTAL	\$ 86,435,383

⁽¹⁾ Excludes \$26,635,000 of Series 2003 refunded by Central Regional Wastewater Treatment System. Expected to deliver on October 10, 2013.

⁽²⁾ As local 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 three parties that have contracted with the Authority to purchase water from Joe Pool Lake are the Cities of Cedar Hill and 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.

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 C - Form Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) the Issuer's federal tax certificate and (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. 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.

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 2013. In addition, the Authority will file 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 2013.

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 Authority and/or 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 Authority and/or 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 Authority or 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 must 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

In its past continuing disclosure undertakings relating to its Outstanding Parity Bonds, the Authority assumed certain responsibilities and the Contracting Parties assumed certain responsibilities. During the last five years, the Authority has complied in all material respects with all continuing disclosure undertakings made by it relating to its Outstanding Parity Bonds in accordance with the Rule.

During the last five years, the Contracting Parties have complied in all material respects with all continuing disclosure undertakings made by them in accordance with the Rule.

OTHER INFORMATION

Ratings

The Bonds are rated "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). The Outstanding Parity Bonds of the Authority are rated "AA" by S&P without regard to credit enhancement. An explanation of the significance of this rating may be obtained S&P. The rating reflects only the view of such organization and the Authority makes no representation as to the appropriateness of the rating. There is no assurance that such ratings 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 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, Fulbright & Jaworski LLP, Dallas, Texas, a member of Norton Rose Fulbright, 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

First Southwest Company 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. First Southwest Company, 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.

Underwriting

Raymond James & Associates, Inc., as representative of the Underwriters, has agreed, subject to certain conditions, to purchase the Bonds from the Authority at a purchase price of \$5,045,045.07 which represents the par amount of the Bonds, plus a net premium of \$85,732.95, less an Underwriters' discount of \$40,687.88, 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.

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 executed by an Authorized Officer of the Authority, which certificate is a part of the Resolution authorizing the issuance of the Bonds, approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters.

TRINITY RIVER AUTHORITY OF TEXAS

/s/ J. Kevin Ward

J. KEVIN WARD

General Manager

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APPENDIX A

BIOGRAPHICAL INFORMATION

Board of Directors
and
Management Officers

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BOARD OF DIRECTORS

HAROLD L. BARNARD of Waxahachie, Texas (president and member, executive 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.

KIM C. WYATT of Corsicana, Texas (vice president and member, 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.

HENRY BORBOLLA III of Fort Worth, Texas (member, resources development 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, Legal 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.

CHRISTINA MELTON CRAIN of Dallas, Texas (vice chair, special committee on water policy and sales and member, utility services 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.

MICHAEL CRONIN of Terrell, Texas (chairman, special committee on water policy and sales and member, resources development committee). Cronin is vice chairman of the board of directors of American National Bank of Texas. He is a member of the Independent Bankers Association of Texas and the Texas Bankers Association. He is a past president of the Terrell Economic Development Corporation, the Terrell Industrial Foundation and the Terrell Chamber of Commerce. He currently serves as a director of the Kaufman County Tax Increment Financing Board. Cronin earned a bachelor's degree from the University of North Texas. He was reappointed as director for Kaufman County in 2013.

STEVE CRONIN of Shepherd, Texas (member, utility services 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, legal 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.

VALERIE E. ERTZ of Dallas, Texas (member, utility services 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.

TOMMY G. FORDYCE of Huntsville, Texas (member, legal 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, executive committee and special committee on water policy and sales and chairman, legal 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, administration 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, executive committee; chairman, utility services committee; member, special committee on water policy and sales; member, Ten Mile Creek Regional Wastewater System right-of-way 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.

JESS A. LAIRD of Athens, Texas (member, executive committee and chairman, administration 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.

DAVID B. LEONARD of Liberty, Texas (member, administration 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.

KEVIN MAXWELL of Crockett, Texas (member, executive committee and special committee on water policy and sales and chairman, resources development 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.

DENNIS "JOE" MCCLESKEY of Apple Springs, Texas (member, resources development 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, utility services 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, legal committee and special committee on water policy and sales). 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, administration 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, administration 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, resources development 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, legal 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, resources development 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.

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 2013. 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.

THOMAS D. SANDERS, construction services manager. Sanders received a bachelor's degree in education from the University of Texas at Austin and a bachelor's degree in civil engineering from the University of Texas at Arlington. Sanders joined TRA in 1979 as manager of administrative and technical services for the Northern Region. Later that year he was promoted to assistant regional manager, Northern Region. He was promoted to his current position in 1985. Sanders is a member of Tau Beta Pi and Chi Epsilon, both engineering honor fraternities. He is a board of trustee member for the William C. Martin United Methodist

Church in Bedford. He is a past member of the church's administrative board and nominating committee, and he is a past member of the Airport Area YMCA board of directors.

J. SAM SCOTT, executive services manager. Scott received a bachelor's degree from East Texas State University. He joined TRA in 1973, and his responsibilities now include managing the aircraft operation division, the public information division and the planning and environmental management division. He is also responsible for congressional and state legislative liaison activities, and he serves as TRA's chief disbursing officer. In addition, he is past chairman of the board of directors of the Arlington Federal Credit Union and is a member of the Arlington Downtown Rotary Club. Scott was an army communications specialist and served in the White House Communication Agency, which was responsible for providing communications services to the president.

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
TARRANT COUNTY WATER PROJECT
2013 REVENUE REPORT**

City of Bedford, Texas
City of Colleyville, Texas
City of Euless, Texas
City of Grapevine, Texas
City of North Richland Hills, Texas

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CITY OF BEDFORD, TEXAS

TABLE 1 - WATER AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
<u>Revenues</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Water Sales	\$ 12,185,112	\$ 12,943,929	\$ 10,475,115	\$ 9,557,761	\$ 8,460,449
Charges for Sewer Services	5,995,840	5,884,928	5,364,676	4,430,273	4,117,904
Interest Income	15,816	35,616	11,783	36,991	200,812
Other	734,183	1,098,660	482,405	676,676	797,617
Total Revenue	<u>\$ 18,930,951</u>	<u>\$ 19,963,133</u>	<u>\$ 16,333,979</u>	<u>\$ 14,701,701</u>	<u>\$ 13,576,782</u>
 <u>Expenses</u>					
Water Supply and Distribution	\$ 7,914,658	\$ 9,102,950	\$ 8,243,196	\$ 7,420,914	\$ 8,092,292
Wastewater Collection and Disposal	3,837,162	3,744,916	3,629,709	3,576,468	3,177,814
Billing and Collection	1,155,188	1,149,980	1,098,619	1,002,986	856,704
Public Services/Engineering	566,978	554,722	560,172	538,904	493,221
Total Expense	<u>\$ 13,473,986</u>	<u>\$ 14,552,568</u>	<u>\$ 13,531,696</u>	<u>\$ 12,539,272</u>	<u>\$ 12,620,031</u>
Net Available for Debt Service	\$ 5,456,965	\$ 5,410,565	\$ 2,802,283	\$ 2,162,429	\$ 956,751
Administrative Overhead/Payment in Lieu of Taxes	<u>2,147,258</u>	<u>2,057,276</u>	<u>1,865,996</u>	<u>1,806,316</u>	<u>1,806,316</u>
Net Operating Income	\$ 3,309,707	\$ 3,353,289	\$ 936,287	\$ 356,113	\$ (849,565)
Water Customers	23,046	23,090	23,068	23,130	23,085
Sewer Customers	22,577	22,623	22,575	22,620	22,539

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2012, the City has no water and sewer revenue bonds outstanding.

TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of September 30, 2012, the City has no authorized but unissued revenue bonds, and pursuant to State law is not required to approve its revenue bonds through election.

TABLE 4 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2010)

With the exception of multi-family dwellings the minimum charge for various size meters per month shall be:

<u>Meter Size</u>	<u>Rates Per Month</u>
5/8 inch meter	\$ 18.37
5/8 inch meter (Citizens aged 65 and over)	16.70
1 inch meter	36.73
1 inch meter (Citizens aged 65 and over)	33.40
1 ½ inch meter	73.47
2 inch meter	117.59
3 inch meter	220.49
4 inch meter	352.82
6 inch meter	1,323.04
Fire Hydrant Meter	194.60
All water used per month	2.89 per 1,000 gallons.

TABLE 5 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2010) ⁽¹⁾

<u>Meter Size</u>		<u>Wastewater</u>
5/8 or 3/4 inch meter		\$ 10.88
5/8 inch meter	(Citizens aged 65 and over)	9.88
1 inch meter		16.35
1 inch meter	(Citizens aged 65 and over)	14.85
1 ½ inch meter		25.49
2 inch meter		36.42
3 inch meter		65.58
4 inch meter		98.46
6 inch meter		189.72
Volume Charge		1.72 per 1,000 gallons up to 12,000 gallons ⁽²⁾

(1) Based on average volume of water billed during December, January and February (residential).

(2) No charge over 12,000 – residential accounts only.

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CITY OF COLLEYVILLE, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM OPERATING SYSTEM

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
Revenues					
Metered Water Sales	\$ 10,150,129	\$ 10,721,138	\$ 8,152,807	\$ 7,949,903	\$ 7,835,523
Sewer Service Charges	2,965,143	2,802,217	2,583,176	2,770,366	2,368,188
Miscellaneous charges and fees	919,328	832,063	678,442	583,599	911,181
Interest Income	1,725	36,492	12,649	154,414	337,376
Total Revenues	\$ 14,036,325	\$ 14,391,910	\$ 11,427,074	\$ 11,458,282	\$ 11,452,268
Expenses					
Personal Services	\$ 1,577,921	\$ 1,604,954	\$ 1,952,279	\$ 2,113,507	\$ 2,012,386
Maintenance and Contractual Services	8,625,914	8,316,414	7,335,146	6,697,536	7,494,429
Materials and Supplies	191,682	199,310	170,930	132,760	164,066
Total Expenses	\$ 10,395,517	\$ 10,120,678	\$ 9,458,355	\$ 8,943,803	\$ 9,670,881
Net Available for Debt Service	\$ 3,640,808	\$ 4,271,232	\$ 1,968,719	\$ 2,514,479	\$ 1,781,387
Water Customers	9,285	9,103	9,014	8,960	8,893
Sewer Customers	8,603	8,457	8,389	8,351	8,138

TABLE 2 - COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, 2013 – 2018	\$ 503,268
Coverage of Average Requirements by 9-30-12 Net Available for Debt Service	7.23 Times
Maximum Annual Principal and Interest Requirements, 2013	\$ 827,824
Coverage of Maximum Requirements by 9-30-12 Net Available for Debt Service	4.40 Times
Waterworks and Sewer System Revenue Bonds Outstanding (as of 9-30-12)	\$ 2,850,000
Interest and Sinking Fund (as of 9-30-12)	\$ 781,289
Reserve Fund (as of 9-30-12)	\$ 662,820

TABLE 3 - AUTHORIZED REVENUE BONDS

As of September 30, 2012, the City has no authorized but unissued revenue debt.

TABLE 4 - WATER USAGE

Fiscal Year End	Average Day Usage	Total Usage
2008	6,619,179	2,416,000,500
2009	6,578,006	2,400,972,500
2010	5,990,353	2,186,479,000
2011	7,928,015	2,893,725,300
2012	7,216,713	2,634,100,300

TABLE 5 - MONTHLY WATER RATES (EFFECTIVE DECEMBER 1, 2012)

	In-City Customers \$/M Gallons	Out-City Customers \$/M Gallons
First 2,000 Gallons (Minimum)	\$12.52	\$16.52
2,001 - 20,000 Gallons	\$3.74	\$3.74
20,001 - 30,000 Gallons	\$4.30	\$4.30
30,001 - 40,000 Gallons	\$4.86	\$4.86
40,001 - 50,000 Gallons	\$5.42	\$5.42
All Over 50,000 Gallons	\$5.98	\$5.98

TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE DECEMBER 1, 2012)

First 2,000 Gallons (Minimum)	\$9.18 (Minimum)
All Over 2,000 Gallons	\$2.46 Gallons

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CITY OF EULESS, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
Revenues					
Water Service	\$ 10,936,311	\$ 11,563,030	\$ 9,902,096	\$ 9,436,938	\$ 9,370,628
Reclaimed Water Service	223,484	-	-	-	-
Sewer Service	6,269,741	6,448,051	5,797,861	5,629,893	5,301,281
Service Fees & Miscellaneous	1,008,428	1,967,721	1,544,374	1,091,108	1,177,300
Interest Income	50,960	55,410	73,372	196,817	517,628
Total Revenues	\$ 18,488,924	\$ 20,034,212	\$ 17,317,703	\$ 16,354,756	\$ 16,366,837
Expenses					
General and Administrative	\$ 474,381	\$ 499,764	\$ 465,155	\$ 505,069	\$ 510,611
Water Production	6,471,802	6,825,578	5,926,175	4,870,012	6,083,364
Water Distribution	867,083	696,909	647,984	647,655	663,526
Utility Engineering	291,176	289,290	428,458	737,881	743,831
Sewage Collection and Treatment	2,688,988	2,567,384	2,637,557	2,616,591	2,266,323
Nondepartmental	3,523,182	3,357,306	3,103,815	2,876,407	2,900,348
Geographic Information	451,997	440,208	428,913	426,245	406,966
Service Center	1,056,115	1,275,933	1,161,822	1,042,733	1,147,675
Total Expenses	\$ 15,824,724	\$ 15,952,372	\$ 14,799,879	\$ 13,722,593	\$ 14,722,644
Net Available for Debt Service	\$ 2,664,200	\$ 4,081,840	\$ 2,517,824	\$ 2,632,163	\$ 1,644,193
 Water Customers	 25,074	 24,924	 25,062	 24,677	 24,717
Sewer Customers	24,428	24,339	24,489	24,211	24,096

TABLE 2 - DEBT COVERAGE AND FUND BALANCES

Net Available for Debt Service, 9/30/12	\$ 2,664,200
Average Annual Principal and Interest Requirements, 2013 - 2033.....	\$ 296,261
Coverage of Average Annual Requirements by 9/30/12 Net Available for Debt Service.....	8.99x
Maximum Principal and Interest Requirements, 2020.....	\$ 531,673
Coverage of Maximum Annual Requirements by 9/30/12 Net Available for Debt Service.....	5.01x
Projected Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/13	\$ 4,690,000
Interest and Sinking Fund, 9/30/12.....	\$ 4,821
Reserve Fund, 9/30/12.....	\$ 304,774

TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS ⁽¹⁾

Date		Amount	Issued	
Authorized	Purpose	Authorized	To Date	Unissued
1/17/1970	Water	\$ 4,000,000	\$ 3,500,000	\$ 500,000
1/17/1970	Sewer Improvements	1,000,000	300,000	700,000
Total		<u>\$ 5,000,000</u>	<u>\$ 3,800,000</u>	<u>\$ 1,200,000</u>

(1) The City has no intent to issue these bonds. Due to the age of the authorization, The City can issue Water and Sewer Revenue Bonds at any time without voted authorization.

TABLE 4 - HISTORICAL WATER USE

Fiscal Year Ended	Daily Average	Peak Day	Total Water Consumption (000's)	Water Revenue	Well Production (000's)	Trinity River Authority (000's)
2008	7.21 MGD	14.87 MGD	2,640,522	\$ 9,370,628	\$ 348,548	2,291,974
2009	7.36 MGD	15.23 MGD	2,685,826	9,436,938	730,291	1,955,535
2010	7.14 MGD	14.72 MGD	2,607,914	9,902,096	579,154	2,028,760
2011	8.34 MGD	16.72 MGD	3,044,284	11,563,030	477,914	2,566,370
2012	7.49 MGD	13.47 MGD	2,739,646	10,936,311	299,107	2,440,539

TABLE 5 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2011)

Water Service		
Gallons of Water	Residential per 1,000/gal	Sprinkler per 1,000/gal
0-2,999	\$2.48	\$3.74
3,000 - 8,999	\$3.41	\$3.74
9,000 - 15,999	\$3.98	\$3.98
16,000 - 35,000	\$4.51	\$4.51
Over 35,000	\$5.11	\$5.11
Commercial, Industrial, Multi-Family	\$3.74	
Fire Hydrant, Gas Well, Supplemental Irrigation	\$9.00	
Water Service Meter Charge		
Meter Size (Inches)	Monthly Base Charge	
5/8" - 3/4" *	\$8.45	
1"	\$9.88	
1 1/2"	\$13.84	
2"	\$22.93	
3"	\$46.64	
4"	\$82.22	
5"	\$129.65	
6"	\$184.99	

*all Residential (Including Multi Family) accounts shall be charged for a 5/8" Meter.

TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2012)

Sewer Rates (Effective October 1, 2012)	
Inside City	Outside City
\$7.25 + \$2.83 per 1,000 gallons of 90% of metered water for residential, 100% of metered water for commercial and industrial	\$11.75 + \$2.83 per 1,000 gallons of 90% of metered water for residential, 100% of metered water for and industrial

CITY OF GRAPEVINE, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
Revenues:	2012	2011	2010	2009	2008
Charges for Services	\$ 20,481,210	\$ 21,167,790	\$ 18,523,000	\$ 17,950,381	\$ 18,893,000
<u>Operating Expenses: ⁽¹⁾</u>					
Salaries and Benefits	\$ 2,830,003	\$ 2,721,601	\$ 2,856,000	\$ 2,795,000	\$ 2,512,000
Maintenance, Repairs and Supplies	9,191,991	10,150,560	8,818,000	8,427,000	8,919,000
General and Administrative	3,396,529	3,153,168	3,030,000	2,877,000	2,857,000
Total Operating Expenses	<u>\$ 15,418,523</u>	<u>\$ 16,025,329</u>	<u>\$ 14,704,000</u>	<u>\$ 14,099,000</u>	<u>\$ 14,288,000</u>
Net Revenue from Operations	\$ 5,062,687	\$ 5,142,461	\$ 3,819,000	\$ 3,851,381	\$ 4,605,000
Investment Income	67,292	73,804	82,000	398,000	1,036,000
Impact Fee - Balance	7,808,747	6,878,687	6,396,000	6,329,666	6,128,145
Other Net	-	-	281,000	545,000	163,000
Net Available for Debt Service	<u>\$ 12,938,726</u>	<u>\$ 12,094,952</u>	<u>\$ 10,578,000</u>	<u>\$ 11,124,047</u>	<u>\$ 11,932,145</u>
Average Annual Debt	\$ 284,764	\$ 285,008	\$ 351,378	\$ 284,764	\$ 1,119,023
Average Annual Debt Coverage	45.44x	42.44x	30.10x	39.06x	10.66x
Average Annual Debt Coverage without Impact Fees	18.01x	18.30x	11.90x	16.84x	5.19x
Water Customers	14,460	14,384	14,343	14,314	13,995
Wastewater Customers	13,103	13,081	13,130	13,107	12,946

(1) Excludes depreciation and amortization.

TABLE 2 - COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, 2013-2015	\$ 284,764
Coverage of Average Requirements by 9/30/12 Net Available	45.44x
Maximum Principal and Interest Requirements, 2014	\$ 286,670
Coverage of Maximum Requirements by 9/30/12 Net Available	45.13x
Waterworks and Sewer System Revenue Bonds Outstanding as of 2/1/13	\$ 790,000
Interest and Sinking Fund, 9/30/12 ⁽¹⁾	\$ 923,927
Reserve Fund, 9/30/12 ⁽¹⁾	\$ 284,764

(1) Amounts are cash balance in accounts.

TABLE 3 - WATER USAGE

Fiscal Year	Peak Day Usage	Average Day Usage	Total Usage ⁽¹⁾
2008	20,661,000	10,749,000	3,934,128,000
2009	19,650,000	10,366,000	3,783,510,000
2010	22,664,000	10,234,000	3,735,308,000
2011	21,890,000	11,739,000	4,284,915,000
2012	20,919,000	10,766,000	3,929,509,000

(1) Water consumption pumped or treated.

TABLE 4 - MONTHLY WATER RATES (EFFECTIVE SEPTEMBER 18, 2001)

General Water Consumption		
First	2,000 gallons	\$9.75 (Minimum)
Over	2,000 gallons	\$2.74/M gallons

Size of Meter	Minimum Gallons	Minimum Monthly Charges
3/4" or Less	2,000	\$ 9.75
1"	9,000	28.89
1½"	21,000	61.73
2"	34,000	97.29
3"	78,000	211.67
4"	100,000	277.85
6"	134,000	370.87
8"	239,000	658.13
Larger than 8"		To be agreed upon by contract.

Fire Sprinkler Connections - \$32.40

TABLE 5 - MONTHLY SEWER RATES (EFFECTIVE AUGUST 15, 2006)

Residential Service			Commercial Service		
First	2,000 gallons	\$7.80 (Minimum)	First	2,000 gallons	\$11.52 (Minimum)
Next	13,000 gallons	\$3.26/M gallons	Over	2,000 gallons	\$ 3.26/M gallons

TABLE 6 - APPLICATION AND COST DEPOSIT FOR WATER, WASTEWATER AND REFUSE SERVICE

Single-family residential, minimum	\$ 50.00
Multi-family (apartments), minimum per 2" tap *	40.00
Industrial, minimum	230.00
3/4" Construction Meter	125.00
2" Construction Meter	750.00
Master deposit account	250.00
Commercial account/sprinkler systems (per meter)	40.00

*Per dwelling unit

CITY OF NORTH RICHLAND HILLS, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2012	2011	2010	2009	2008
<u>Operating Revenues</u>					
Water and Sewer Service Sales	\$ 27,831,190	\$ 27,639,394	\$ 23,188,158	\$ 23,861,531	\$ 23,440,190
Water and Sewer Connections	-	278,431	191,754	148,758	316,341
Service Charges	936,136	887,937	848,634	911,619	863,717
Inspection Fees	67,467	4,958	10,569	10,887	33,886
Assessment Revenue	-	1,950	1,950	1,934	811
Other Intergovernmental	80,660	106,959	74,260	124,431	1,645,800
Other Revenues	15,782	1,539	9,312	1,738	949
Other Income(Expense)	-	-	-	-	-
Investment Income	38,304	132,420	191,986	132,420	732,511
Total Revenues	\$ 28,969,539	\$ 29,053,588	\$ 24,516,623	\$ 25,193,318	\$ 27,034,205
<u>Operating Expenses⁽¹⁾</u>					
Contractual Services	\$ 1,628,276	\$ 1,491,576	\$ 2,147,631	\$ 2,752,682	\$ 15,054,545
Water Purchases	7,922,294	8,842,147	7,145,638	6,756,058	-
Wastewater treatment services	3,845,819	3,747,701	4,696,923	4,561,547	-
Personal Services	5,038,489	4,970,322	5,125,165	4,634,623	4,654,648
Repairs and Maintenance	4,707,076	3,140,541	3,140,541	1,719,103	2,683,674
Supplies	258,760	268,840	266,245	222,611	91,877
Franchise Fees	-	-	-	-	691,337
Payments in Lieu of Taxes	-	-	-	-	-
Administration Fees	-	1,719,707	1,637,816	1,559,825	1,485,548
Total Operating Expenses	\$ 23,400,714	\$ 24,180,834	\$ 24,159,959	\$ 22,206,449	\$ 24,661,629
Net Available for Debt Service	\$ 5,568,825	\$ 4,872,754	\$ 356,664	\$ 2,986,869	\$ 2,372,576
Water Connections	20,792	20,522	20,420	20,302	20,282
Sewer Connections	19,469	19,240	19,141	19,068	19,053

(1) Excludes Depreciation.

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2012, there is no Water and Sewer revenue debt outstanding.

TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of September 30, 2012, the city has no authorized but unissued revenue bonds.

TABLE 4 - WATER USAGE

<u>Fiscal Year</u>	<u>Peak Day Usage</u>	<u>Average Day Usage</u>	<u>Total Usage</u>
2008	22,169,000	9,855,816	3,607,228,530
2009	20,580,000	9,078,458	3,313,637,380
2010	19,655,000	9,014,177	3,290,174,670
2011	23,121,000	11,378,727	4,153,235,190
2012	21,977,000	9,772,799	3,576,844,560

TABLE 5 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2012)

1. Billing policy where only one user or building is tied to the same meter:

The billing policy where only one user or building is tied to the same meter shall be as provided in this section. The monthly bill will be computed as follows: the minimum bill set out in Appendix A plus a volume charge as established in Appendix A per 100 cubic feet on monthly volume greater than the minimum volume from that set out in Appendix A.

2. Billing policy where more than one user or building is tied onto the same meter:

It shall be the policy of the city to bill each home, homes, duplex, triplex, offices or any other building where more than one user is tied on the same meter at the rate as established in Appendix A per unit per month minimum for the first 267 cubic feet of water used per unit, plus a volume charge calculated from Appendix A.

3. Billing for apartment complexes and trailer parks:

- A. *Generally.* A charge as established in Appendix A, per month, is billed for each apartment or trailer and the minimum volume of 267 cubic feet times the number of apartments or trailers plus a volume charge calculated from Appendix A.
- B. Apartment house or trailer park owner shall furnish a certified statement of occupancy prior to the 10th of each month. Failure to file occupancy statement will result in billing for 100% occupancy.

Appendix A

		Meter Size (inches)							
		3/4"	1"	1 1/2"	2"	3"	4"	6"	8"
Volume used in									
Cubic Feet									
0 - 267	Minimum	\$ 9.75							
0 - 446	Minimum		16.28						
0 - 889	Minimum			32.47					
0 - 1,423	Minimum				51.97				
0 - 2,670	Minimum					97.50			
0 - 2,849	Minimum						104		
0 - 8,899	Minimum							325	
0 - 16,020	Minimum								585.00
268 - 3,000	per 100 cubic feet	2.95							
447 - 3,000	per 100 cubic feet		2.95						
890 - 3,000	per 100 cubic feet			2.95					
1,423 - 3,000	per 100 cubic feet				2.95				
2,671 and over	per 100 cubic feet					3.01			
2,850 and over	per 100 cubic feet						3.01		
3,001 and over	per 100 cubic feet	3.01	3.01	3.01	3.01				
8,900 and over	per 100 cubic feet							3.01	
16,021 and over	per 100 cubic feet								3.01

TABLE 6 - SEWER RATES (EFFECTIVE FEBRUARY 1, 2011)

1. A monthly service charge shall be paid by all customers in the amount of \$7.70.
2. A monthly volume charge shall also be charged to all customers in the amount of \$1.30 per 100 cubic feet of water used, or wastewater produced, as more specifically set forth hereinafter.

The monthly volume charge for residential customers will be based on the individual customer's average monthly water use during the previous winter quarter months of December, January and February; but in no event shall the volume used to compute this monthly charge exceed 2,500 cubic feet. The volumes used to compute these charges are based on the amount of water used by the residential customer as measured by a meter. Where no previous winter quarter average is available from the records, the volume to be used for this monthly volume charge shall be estimated, such estimated volume not to exceed 2,500 cubic feet per customer.

3. The monthly charges to commercial and industrial customers will be based on total water use for each month as measured by appropriate meters, with the provision that if a customer can show, to the satisfaction of the Director of Utilities, that a significant portion of the metered water usage does not enter the sanitary sewer system, the customer will be charged for only that volume entering the sewers, as determined by a method approved by the Director of Utilities.

4. All Industrial Users:

To be served on system only by specific contract approved by Council for the particular Industrial Sewage or Water involved.

5. In the event a commercial customer is introducing sewage into the sewage system that creates unusual conditions or problems such as excessive oils, greases, or chemicals, the Director of Utilities shall advise the customer of his options.

A. To correct at his own expense, the conditions causing the excess.

B. To pay a monthly rate to be determined by the Director of Utilities to the City equal to the expense of maintaining and/or treating the excessive waste.

6. Billing policy where more than one user or building is tied onto the same water meter:

It shall be the policy of North Richland Hills to bill each home, homes, duplex, triplex, offices, or any other buildings where more than one user is tied onto the same water meter at \$7.70 per month for each customer unit for sewer, plus a monthly

volume charge of \$1.30 per 100 cubic feet of water used by the building. The monthly volume charge to be calculated as noted in paragraph B (2) above with the exception that there shall be no volume limit as is the case for residential customers.

7. Billing for apartment complexes and trailer parks:

- A. \$10.00 per month service charge plus \$7.70 per month per apartment or trailer plus a monthly volume charge of \$1.30 per 100 cubic feet of water used by the apartment complex or park.
- B. Apartment or trailer park owner shall furnish a certified statement of occupancy prior to the 10th of each month. Failure to file occupancy statement will result in billing for 100% occupancy.

8. A Sewer pass through rate of \$0.7851 per 100 cubic feet will also be applied.

Service Charge

\$ 7.70 Flat Rate
\$ 0.7851 per 100 cubic feet Pass Through Rate

Volume Charge

Residential

\$1.30/100 CF based on average monthly water use during the previous winter quarter months of December, January, and February, not to exceed 2,500 CF.

Commercial and Industrial

\$1.30/100 CF based on total water use for each month as measured by appropriate meters, with the provision that if a customer can show, to the satisfaction of the Director of Utilities, that a significant portion of the metered water usage does not enter the sanitary sewer system, the customer will be charged for only that volume entering the sewer, as determined by a method approved by the Director of Utilities.

TABLE 7 - DEPOSITS

Schedule B
(Water and Sewer Deposits)
(Effective Jan 1, 2009)

Customer Type	Water	Sewer without BOD/TSS	Total Deposit without BOD/TSS	Customer Type	Water	Sewer with BOD/TSS	Total Deposit with BOD/TSS
Residential:	\$ 60.00	\$ 40.00	\$ 100.00	Residential:	\$ -	\$ -	\$ -
All sizes:				All sizes:			
Commercial:				Commercial:			
3/4"	\$ 70.00	\$ 50.00	\$ 120.00	3/4"	\$ 70.00	\$ 200.00	\$ 270.00
1"	200.00	100.00	300.00	1"	200.00	275.00	475.00
1 1/2"	380.00	350.00	730.00	1 1/2"	380.00	700.00	1,080.00
2"	800.00	600.00	1,400.00	2"	800.00	1,200.00	2,000.00
3"	800.00	700.00	1,500.00	3"	800.00	1,300.00	2,100.00
4-8"	3,300.00	3,000.00	6,300.00	4-8"	3,300.00	6,000.00	9,300.00
Multi-family:				Multi-family:			
All Sizes/Per Unit	\$ 50.00	\$ 30.00	\$ 80.00	All Sizes/Per Unit	\$ -	\$ -	\$ -

APPENDIX C

**CERTAIN FINANCIAL AND OPERATING DATA OF THE TARRANT COUNTY WATER SUPPLY PROJECT
ENTERPRISE FUND**

TRINITY RIVER AUTHORITY OF TEXAS
TARRANT COUNTY WATER SUPPLY PROJECT ENTERPRISE FUND

STATEMENT OF NET ASSETS
NOVEMBER 30, 2012

ASSETS

CURRENT ASSETS:

Cash		\$	100
Equity in Pooled Cash and Investments			1,238,837
Accounts Receivable - Contracting Parties			1,783,290
Prepays and Other Assets			614
Due to Interest and Sinking Fund			(58,621)
Total Current Assets			<u>2,964,220</u>

RESTRICTED ASSETS:

Interest and Sinking Fund:			
Equity in Pooled Cash and Investments	\$	7,245,480	
Accrued Investment Income		7,797	
Due from Current Assets		58,621	
Due to Reserve Fund		(26,996)	\$ 7,284,902
Reserve Fund:			
Equity in Pooled Cash and Investments		5,305,622	
United States Government Agency and Instrumentality Obligations		8,313,582	
Due from Interest and Sinking Fund		26,996	13,646,200
Construction Fund:			
Equity in Pooled Cash and Investments		9,576,356	
Accounts Receivable		45,000	9,621,356
Total Restricted Assets			<u>30,552,458</u>

CAPITAL ASSETS:

Land and Easements			3,323,571
Water Transportation and Treatment Facilities	209,720,430		
Accumulated Depreciation	(54,824,563)	154,895,867	
Machinery and Equipment	1,125,250		
Accumulated Depreciation	(1,025,161)	100,089	
Construction-in-Progress		2,079,033	
Total Capital Assets - Net			<u>160,398,560</u>

DEFERRED CHARGES - Unamortized Bond Expense		<u>1,311,470</u>
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TOTAL ASSETS		<u>195,226,708</u>
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LIABILITIES**CURRENT LIABILITIES:****Payable from Current Assets:**

Accounts Payable and Accrued Expenses	\$	405,107	
Accounts Payable - Contracting Parties		794,062	
Due to Other Authority Funds		84,610	
Unearned Revenue		568	\$ 1,284,347

Payable from Restricted Assets:

Accounts and Retainage Payable		989,256	
Due to Other Authority Funds		2,634	
Revenue Bonds - Current Maturities		5,805,000	
Accrued Interest on Bonds Payable		2,447,402	9,244,292
Total Current Liabilities			\$ 10,528,639

LONG-TERM DEBT:

Revenue Bonds, Less Current Maturities		136,000,000	
Unamortized Bond Premium (Discount)		2,896,431	
Deferred Amount on Refunding		(2,045,806)	
Accounts Payable and Accrued Expenses		25,626	
Total Long-Term Debt - Net			136,876,251

TOTAL LIABILITIES**147,404,890****NET ASSETS**

Invested in Capital Assets, Net of Related Debt	27,683,871
Restricted for Debt Service	18,483,700
Unrestricted	1,654,247

TOTAL NET ASSETS**\$ 47,821,818**

The accompanying notes are an integral part of the financial statements.

TRINITY RIVER AUTHORITY OF TEXAS
TARRANT COUNTY WATER SUPPLY PROJECT ENTERPRISE FUND

EXHIBIT 14-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED NOVEMBER 30, 2012

OPERATING REVENUE:

Water Supply Contract Revenue:

Eules	\$ 5,981,984
Bedford	7,019,617
Colleyville	7,182,474
Grapevine	6,268,612
North Richland Hills	3,995,123
Total Operating Revenue	<u>30,447,810</u>

OPERATING EXPENSES:

Personal Services	\$ 1,640,561	
Supplies	1,637,736	
Other Services and Charges	13,933,209	
Depreciation	5,366,615	
Total Operating Expenses		<u>22,578,121</u>

OPERATING INCOME

7,869,689

NON-OPERATING REVENUE (EXPENSES):

Investment Income	79,424	
Interest Expense	(7,064,155)	
Amortization of Bond Sale Expense	(127,234)	
Paying Agent Fees	(1,550)	
SEC Disclosure Fees	(7,000)	
Other	43,659	
Total Non-Operating Revenue (Expense) - Net		<u>(7,076,856)</u>

**NET INCOME BEFORE CONTRIBUTION REFUNDS
AND TRANSFERS**

792,833

CONTRIBUTION REFUNDS

(24,557)

TRANSFERS IN

18,240

CHANGE IN NET ASSETS

786,516

NET ASSETS - DECEMBER 1, 2011, as previously reported

53,036,945

RESTATEMENT ADJUSTMENT:

Capitalization of Interest	<u>(6,001,643)</u>
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NET ASSETS - DECEMBER 1, 2011, as restated

47,035,302

NET ASSETS - NOVEMBER 30, 2012

\$ 47,821,818

The accompanying notes are an integral part of the financial statements.

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TRINITY RIVER AUTHORITY OF TEXAS
TARRANT COUNTY WATER SUPPLY PROJECT ENTERPRISE FUND

STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 29,648,220	
Cash Payments to Suppliers for Goods and Services	(15,166,186)	
Cash Payments to Employees for Services	(1,605,089)	
Cash Payments to Other Funds for Services	(441,441)	
Cash Payments to Customers	<u>(1,162,292)</u>	
Net Cash Provided by Operating Activities		\$ 11,273,212

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Transfer from Other Authority Funds	18,240	
Other Cash Receipts	<u>39,165</u>	
Net Cash Provided by Non-Capital Financing Activities		57,405

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Acquisition and Construction of Capital Assets	(2,839,676)	
Principal Paid on Revenue Bond Maturities	(5,565,000)	
Interest Paid on Revenue Bonds	(7,458,769)	
Paying Agent Fees	(1,550)	
SEC Disclosure Fees	<u>(7,000)</u>	
Net Cash Used for Capital and Related Financing Activities		(15,871,995)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of Investments	(8,305,000)	
Proceeds from Sales and Maturities of Investments	8,307,000	
Cash Received for Investment Income	<u>139,676</u>	
Net Cash Provided by Investing Activities		<u>141,676</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (4,399,702)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 27,766,097

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 23,366,395

RECONCILIATION OF OPERATING INCOME**TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income		\$	7,869,689
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Adjustments to Reconcile Operating Income to Net**Cash Provided by Operating Activities:**

Depreciation	\$	5,366,615
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Change in Assets and Liabilities:

Accounts Receivable - Contracting Parties	(1,783,290)
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Prepays and Other Assets	19,339
--------------------------	--------

Accounts Payable - Contracting Parties	(178,591)
--	-----------

Accounts Payable	(98,520)
------------------	----------

Due to Other Authority Funds	78,573
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Unearned Revenue	(603)
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Total Adjustments		<u>3,403,523</u>
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Net Cash Provided by Operating Activities	\$	<u>11,273,212</u>
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SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:

Amortization of Bond Premium/Discount	(481,897)
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Amortization of Deferred Amount on Refunding	244,574
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Change in Fair Value of Investments	(26,996)
-------------------------------------	----------

Change in Liabilities Related to Capital Assets	(197,058)
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RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:**Current Assets:**

Cash	\$	100
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Equity in Pooled Cash and Investments	1,238,837
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Restricted Assets:

Interest and Sinking Funds - Equity in Pooled Cash and Investments	7,245,480
--	-----------

Reserve Funds - Equity in Pooled Cash and Investments	5,305,622
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Construction Funds - Equity in Pooled Cash and Investments	<u>9,576,356</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u>23,366,395</u>
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The accompanying notes are an integral part of the financial statements.

TRINITY RIVER AUTHORITY OF TEXAS
TARRANT COUNTY WATER SUPPLY PROJECT ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2012

1. See Exhibit 1-10, Note 1 for summary of significant accounting and reporting policies.
2. The Authority entered into contracts with the Cities of Euless, Bedford, Colleyville, Grapevine and North Richland Hills, Texas ("Cities") whereby the Authority agrees to sell and deliver treated water to the Cities and the Cities agree to pay the Authority for water supplied. The Cities have agreed, among other things, to pay the Authority amounts sufficient to meet the debt service obligations of the bonds and operating expenses. In addition, the Authority has contracted with the Tarrant County Water Control and Improvement District Number One and the City of Fort Worth for the purchase of water that will be delivered to Lake Arlington by the District. In prior years, in connection with the expansion of the water treatment and transmission facilities, the Authority has received contributions from Tarrant County in the amount of \$444,500 and contributions of \$586,189 from various other parties that have been used to make improvements to the system.

During fiscal year 2011, the Authority entered into a contract related to the relocation of two water lines. At the end of fiscal year 2011, the Authority had incurred \$69,557 for indirect costs related to this contract which were to be reimbursed by the contractor and were reported as contributions. During fiscal year 2012, it was determined that approximately \$45,000 would be reimbursable. Therefore, \$29,557 was reported as a Contribution Refund. Additionally, the Authority owes approximately \$433,000 for costs incurred by the contractor.

Bonded debt for which the Contracting Parties have agreed to pay consists of revenue refunding bonds and revenue bonds that were originally issued to provide funding for construction associated with the Tarrant County Water Supply Project. All outstanding debt is secured by and payable from net revenues of the fund. Specifically, net revenues from contracts between the Authority and Contracting Parties have been pledged for repayment of the bonds, and the amount of the pledge is equal to the remaining outstanding debt service requirements. For the year ended November 30, 2012, debt service of \$13,146,060 was secured by pledged revenues of \$13,093,429, and interest income earned on accounts restricted for debt service of \$52,631. The pledge continues for the life of the bonds.

3. Capital asset activity and the related changes in accumulated depreciation for the year ended November 30, 2012 are as follows:

	Balance December 1, 2011, <u>as restated</u>	<u>and Transfers</u>	<u>Deletions and Transfers</u>	Balance November 30, 2012
Land and Easements	\$ 3,321,957	\$ 1,614		\$ 3,323,571
Water Transportation and Treatment Facilities	207,373,085	2,347,345		209,720,430
Accumulated Depreciation	(49,482,850)	(5,341,713)		(54,824,563)
Machinery and Equipment	1,056,365	68,885		1,125,250
Accumulated Depreciation	(1,000,259)	(24,902)		(1,025,161)
Construction-in-Progress	<u>1,724,748</u>	<u>2,703,244</u>	<u>(2,348,959)</u>	<u>2,079,033</u>
Total	<u>\$ 162,993,046</u>	<u>\$ (245,527)</u>	<u>\$ (2,348,959)</u>	<u>\$ 160,398,560</u>

Water Transportation and Treatment Facilities:

Balance December 1, 2011, as previously reported	\$ 213,374,728
Restatement Adjustment	<u>(6,001,643)</u>
Balance December 1, 2011, as restated	<u>\$ 207,373,085</u>

The Authority capitalized interest in 2012 in connection with construction in the Tarrant County Water Supply Project. The net interest capitalized for the year in connection with this project was \$79,582.

4. The outstanding bonds of the Tarrant County Water Supply Project Enterprise Fund as of November 30, 2012 are as follows:

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>	<u>Interest Rates</u>
2003	\$ 35,485,000	\$ 2,660,000	4.000%
2005	96,930,000	90,570,000	4.500% - 5.000%
2008	50,355,000	<u>48,575,000</u>	4.000% - 5.750%
Total		\$ 141,805,000	

Changes in the long-term debt during the year ended November 30, 2012 were as follows:

<u>Series</u>	<u>Balance December 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance November 30, 2012</u>	<u>Current Portion</u>
2003	\$ 5,215,000		\$ 2,555,000	\$ 2,660,000	\$ 2,660,000
2005	92,675,000		2,105,000	90,570,000	2,205,000
2008	<u>49,480,000</u>		<u>905,000</u>	<u>48,575,000</u>	<u>940,000</u>
	147,370,000	NIL	5,565,000	141,805,000	5,805,000
Compensated Absences	138,733	\$ 80,832	134,623	84,942	59,316
Premium/ Discount	3,378,328	NIL	481,897	2,896,431	NIL
Deferred Amount	<u>(2,290,380)</u>	<u>NIL</u>	<u>(244,574)</u>	<u>(2,045,806)</u>	<u>NIL</u>
Total Long- Term Debt	\$ <u>148,596,681</u>	\$ <u>80,832</u>	\$ <u>5,936,946</u>	\$ <u>142,740,567</u>	\$ <u>5,864,316</u>

Compensated absences are reported with accounts payable and accrued expenses on the Statement of Net Assets.

Annual debt service requirements to maturity, including interest, for each series are set forth in Exhibit 50 and are summarized as follows:

<u>Year Ending November 30</u>	<u>Interest</u>	<u>Principal</u>
2013	\$ 7,215,081	\$ 5,805,000
2014	6,935,831	6,085,000
2015	6,623,706	6,400,000
2016	6,295,581	6,725,000
2017	5,950,706	7,070,000
2018-2022	23,908,825	41,205,000
2023-2027	11,625,942	55,855,000
2028	363,976	12,660,000
	<u>\$ 68,919,648</u>	<u>\$ 141,805,000</u>

The Authority has defeased certain other outstanding revenue bonds in prior years by placing proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the Tarrant County Water Supply Project's financial statements.

At November 30, 2012, the following outstanding bonds are considered to be defeased:

Series 2003 \$ 37,215,000

5. The Tarrant County Water Supply Project construction program includes various projects to construct and improve transportation and treatment activities. At November 30, 2012, the Authority was committed under engineering contracts for \$3,896,943, of which \$2,980,956 has been incurred.
6. As of November 30, 2012, Tarrant County Water Supply Project owed Red Oak Creek Regional Wastewater System \$2,634 for reimbursement of construction costs and the Staywell Health Insurance Internal Service Fund \$84,610 for anticipated increases related to healthcare costs.
7. In 2012, Tarrant County Water Supply Project received a transfer of \$18,240 from the Risk Retention Fund as a rebate of insurance premiums.
8. During fiscal year 2012, the Authority changed its method of calculating capitalized interest. This change in accounting requires a restatement of prior financial statements for prior period impacts of this change. As a result, the Authority has restated the beginning net assets in 2011 for the Tarrant County Water Supply Project Enterprise Fund to reflect the accumulated prior year impact of the change as follows:

Net Assets at November 30, 2011, as previously reported	\$ 53,036,945
Restatement Adjustment:	
Capitalization of Interest	<u>(6,001,643)</u>
Net Assets at November 30, 2011, as restated	<u>\$ 47,035,302</u>

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TRINITY RIVER AUTHORITY OF TEXAS
TARRANT COUNTY WATER SUPPLY PROJECT ENTERPRISE FUND

SCHEDULE OF EXPENSES - BUDGETED AND ACTUAL
YEAR ENDED NOVEMBER 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
WATER TRANSPORTATION:			
Personal Services:			
Salaries	\$ 1,232,620	\$ 1,232,620	\$ 1,150,281
Payroll Taxes - FICA	94,300	94,300	88,030
Employee Benefit - Health/Life Insurance	257,560	257,560	257,558
Employee Benefit - Pension	136,090	136,090	127,807
Unemployment Compensation	4,500	4,500	
Employee Recognition Program	17,620	17,620	16,685
Employee Benefit - Education	7,800	7,800	200
Total	1,750,490	1,750,490	1,640,561
Supplies:			
Office Supplies	6,750	6,750	6,667
Dues and Subscriptions	6,260	6,260	6,069
Fees Other Than Dues and Subscriptions	4,570	4,570	2,804
Maintenance and Operating Supplies	43,550	43,550	45,746
Laboratory Supplies	24,700	24,700	23,713
Process Chemicals and Supplies	1,883,930	1,883,930	1,449,888
Fuel, Oil and Lubricants	48,950	48,950	34,431
Instrumentation Maintenance & Supplies	39,930	39,930	64,969
Computer Software, Lic. & Instr. Supplies	200	200	3,449
Total	2,058,840	2,058,840	1,637,736
Other Services and Charges:			
Auditing	16,750	16,750	19,814
Engineering	125,000	125,000	137,835
Legal	1,000	1,000	
Outside Services	96,100	96,100	186,965
Other Professional Services	17,950	17,950	11,324
IT Support Services	57,990	57,990	57,990
Telephone and Telemetering	12,370	12,370	12,573
Postage	900	900	1,339
Printing and Binding	1,050	1,050	1,275
Insurance	79,550	79,550	79,260
Travel	5,150	5,150	4,671
Laundry, Uniforms and Ind. Equipment	8,650	8,650	6,152
Training	13,350	13,350	7,853
Utilities	2,440	2,440	4,913
Water	11,028,410	11,028,410	10,314,308
Power	3,134,990	3,134,990	2,185,002
Repairs and Maintenance - Distribution System	104,000	104,000	298,967
Repairs and Maintenance - Equipment	62,450	62,450	23,001
Repairs and Maintenance - Plant & Bldgs.	79,800	79,800	94,479
Total Forward	14,847,900	14,847,900	13,447,721

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Forward	\$ 14,847,900	\$ 14,847,900	\$ 13,447,721
Repairs and Maintenance - Vehicles	3,500	3,500	2,730
Repairs and Maintenance - Electrical/ Electronics	30,000	30,000	30,365
Rent - Machinery and Equipment	13,000	13,000	10,952
Interfund Services and Charges	90,540	90,540	84,001
Administrative Overhead	357,440	357,440	357,440
Total	15,342,380	15,342,380	13,933,209
TOTAL OPERATING EXPENSES EXCLUSIVE OF DEPRECIATION	19,151,710	19,151,710	17,211,506
CAPITAL OUTLAYS:			
Machinery & Equipment	7,000	7,000	68,885
DEBT SERVICE:			
Bond Principal Payments	5,565,000	5,565,000	5,565,000
Interest on Long-Term Debt*	7,381,060	7,381,060	7,381,060
Paying Agent Fees	1,630	1,630	1,550
SEC Disclosure Fees	5,250	5,250	7,000
TOTAL DEBT SERVICE	12,952,940	12,952,940	12,954,610
TOTAL	\$ 32,111,650	\$ 32,111,650	\$ 30,235,001

* RECONCILIATION OF INTEREST ON LONG-TERM DEBT:

Interest Expense	\$ 7,064,155	
Amortization of Bond Premium/Discount	481,897	
Amortization of Deferred Amount on Refunding	(244,574)	
Capitalized Interest	79,582	
Interest on Long-Term Debt		\$ 7,381,060

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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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.

LAW OFFICES

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TRINITY RIVER AUTHORITY OF TEXAS (TARRANT COUNTY WATER PROJECT)
IMPROVEMENT REVENUE BONDS, SERIES 2013, DATED OCTOBER 1, 2013, IN THE
PRINCIPAL AMOUNT OF \$5,000,000

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which mature and bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, with the Bonds being subject to redemption prior to maturity, all as provided in the resolution of the Issuer authorizing the issuance of the Bonds, including the Pricing Certificate of General Manager authorized thereby (collectively, the "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 R-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, subject only to all payments required to be made by the Issuer pursuant to the "Prior Lien Bond Resolutions" (as such term is defined and applied in the Bond Resolution), secured by and payable from a first lien on and pledge of (a) the Issuer's Net Revenues from its water supply contracts, each dated as of January 21, 1972, and amended as of January 22, 1975, and as of December 5, 1979 (with respect to the City of Euless, Texas) and December 11, 1979 (with respect to the City of Bedford, Texas), and its water supply contracts, each dated as of April 25, 1979, and amended as of December 5, 1979, and as of April 23, 1980, with the Cities of Colleyville, Grapevine, and North Richland Hills, Texas (collectively the "Contracts"), all relating to the Issuer's Tarrant County Water Project described in the Contracts, all as more fully described in the Contracts and in the Bond Resolution, to each of which reference is hereby made for all purposes, and (b) the Net Revenues the Issuer may receive from other parties, if any, with whom the Issuer may contract in the future for supplying treated water from the Issuer's Tarrant County Water Project, and (ii) each of the aforesaid Contracts is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with their respective 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 Net 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 two-thirds 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 Net 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 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 certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a 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.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is (a) 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.

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 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 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 Net 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 Net 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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