

NEW ISSUE - Book-Entry-Only

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

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS

\$5,850,000
TRINITY RIVER AUTHORITY OF TEXAS
TEN MILE CREEK SYSTEM
REVENUE REFUNDING BONDS, SERIES 2012

Dated Date: August 1, 2012

Due: August 1, as shown below

Interest will accrue from the date of delivery

PAYMENT TERMS . . . Interest on the Trinity River Authority of Texas Ten Mile Creek System Revenue Refunding Bonds, Series 2012 (the "Bonds"), will accrue from the date of delivery of the Bonds and will be payable August 1 and February 1 of each year commencing February 1, 2013, 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 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 Acts of the 54th Legislature of Texas, 1955, Chapter 518 as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws. Under the Constitution and the statutes of the State of Texas, the Trinity River Authority of Texas (the "Authority" or "Issuer") 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 (i) to advance refund certain Trinity River Authority of Texas Ten Mile Creek System Revenue Bonds described in Schedule I to this Official Statement (the "Refunded Bonds"), and (ii) to pay the costs associated with the issuance of the Bonds.

CUSIP PREFIX: 896576

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

LEGALITY . . . The Bonds are offered when, as and if issued, and accepted by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix D, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by Kelly Hart & Hallman L.L.P., Fort Worth, Texas, Counsel for the Underwriter.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about August 30, 2012.

ESTRADA HINOJOSA & COMPANY, INC.

MATURITY SCHEDULE**CUSIP Prefix: 896576 ⁽¹⁾**

| <u>Maturity (August 1)</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>CUSIP⁽¹⁾</u> |
|--------------------------------|---------------|-------------|--------------|----------------------------|
| 2014 | \$ 100,000 | 2.000% | 0.710% | MY8 |
| 2015 | 100,000 | 2.000% | 0.850% | MZ5 |
| 2016 | 100,000 | 2.000% | 1.000% | NA9 |
| 2017 | 395,000 | 2.000% | 1.240% | NB7 |
| 2018 | 410,000 | 2.000% | 1.530% | NC5 |
| 2019 | 415,000 | 2.000% | 1.830% | ND3 |
| 2020 | 430,000 | 2.000% | 2.110% | NE1 |
| 2021 | 1,275,000 | 2.125% | 2.300% | NF8 |
| 2022 | 1,295,000 | 2.250% | 2.430% | NG6 |
| 2023 | 1,330,000 | 2.500% | 2.650% | NI4 |

(Accrued Interest from the Date of Delivery)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

OPTIONAL REDEMPTION . . . The Bonds are not subject to redemption prior to maturity.

This Official Statement, which includes the cover page, Schedule I 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 Underwriter has reviewed the information in this Official Statement pursuant to its responsibility to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain information set forth herein has been obtained from the Authority, the Contracting Parties (as defined herein) and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Contracting Parties or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's and Contracting Parties' undertakings to provide certain information on a continuing basis.

NONE OF THE AUTHORITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITER 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.

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 UNDERWRITER 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 the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

| | |
|--|---|
| THE AUTHORITY | The Trinity River Authority of Texas (the "Authority" or "Issuer") is a governmental agency of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution pursuant to Chapter 518, Acts of the 54 th Texas Legislature, Regular Session, 1955, as amended. The Authority is governed by a Board of 25 directors who are appointed by the Governor for six-year terms. |
| THE BONDS | The Bonds are issued as \$5,850,000 Revenue Refunding Bonds, Series 2012. The Bonds are issued as serial bonds maturing 2014 through 2023 (see "The Bonds - Description of the Bonds"). |
| SECURITY FOR THE BONDS | The Bonds constitute special obligations of the Authority, payable both as to principal and interest, and secured by a first lien on a pledge of the Pledged Revenues of the Authority under the Contract entered into with the Contracting Parties (see "The Bonds - Security and Source of Payment"). |
| REDEMPTION | The Bonds are not subject to redemption prior to maturity. |
| 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 FOR THE BONDS | Proceeds from the sale of the Bonds will be used (i) to advance refund certain Trinity River Authority of Texas Ten Mile Creek System Revenue Bonds, and (ii) to pay the costs associated with the issuance of the Bonds. |
| RATINGS | The Bonds have been assigned a rating of "AA-" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("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 | The Authority has never defaulted in payment of its 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 |
| Linda D. Timmerman | Chair, Executive Committee | Freestone 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 |
| Ronald J. Goldman | Chairman, Legal Comm., Member, Exec. Committee, | Director at Large |
| Martha A. Hernandez | Member, Administration Committee | Tarrant County |
| Harold E. Jenkins | Member, Legal Committee | Dallas 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 |
| Nancy E. Lavinski | Member, Utility Services Committee | Anderson County |
| David B. Leonard | Member, Administration Committee | Liberty County |
| Andrew Martinez | Member, Resources Development Committee | Walker 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 |
| J. Carol Spillars | Member, Resources Development Committee | Madison County |
| Vacant | | Tarrant 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 | 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 | Deloitte & Touche, LLP* | Fort Worth, Texas |
| Consulting Engineer | Alan Plummer Associates, Inc. | Dallas, Texas |
| Bond Counsel | McCall, Parkhurst & Horton L.L.P. | Dallas, Texas |
| Financial Advisor | First Southwest Company | Dallas, Texas |

*On June 27, 2012, the Board of Directors selected Weaver, LLP, Dallas, Texas as the Authority's Independent Auditor.

OFFICIAL STATEMENT
RELATING TO
\$5,850,000
TRINITY RIVER AUTHORITY OF TEXAS
TEN MILE CREEK SYSTEM
REVENUE REFUNDING BONDS, SERIES 2012

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of Trinity River Authority of Texas (the "Authority") Ten Mile Creek System Revenue Refunding Bonds, Series 2012 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in Resolution No. R-1300 (the "Resolution"), adopted by the Board of Directors of the Authority, which authorize the issuance of the Bonds, except as otherwise indicated herein (see "Selected Provisions of Bond Resolution").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Authority 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 and wastewater treatment, collection and transportation systems, 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 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 (i) to advance refund certain Trinity River Authority of Texas Ten Mile Creek System Revenue Bonds (the "Refunded Bonds") described in Schedule I to this Official Statement (the "Refunded Bonds"), and (ii) to pay the costs associated with the issuance of the Bonds.

REFUNDED BONDS . . . A description and identification of the Refunded Bonds appears in Schedule I.

The Refunded Bonds and the interest due thereon are to be paid on their scheduled interest payment and maturity dates, or dates of redemption prior to maturity, from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent") pursuant to an Escrow Agreement (the "Escrow Agreement") between the Authority and the Escrow Agent.

The Resolution provides that from the proceeds of the sale of the Bonds to the Underwriters, the Authority will deposit with the Escrow Agent an amount, together with other lawfully available funds, which when added to the investment earnings thereon will be sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities").

Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

Grant Thornton LLP, Certified Public Accountants, will verify from the information provided to them the mathematical accuracy at the time of delivery of the Bonds to the Underwriters that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Federal Securities will not be available to pay the debt service on the Bonds.

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the resolutions authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Bonds will no longer be payable from the Net Revenues of the Authority under the Contracts described herein, but will be payable solely from the principal of and interest on the Federal Securities and cash held for such purpose by the Escrow Agent, and that the Refunded Bonds will be defeased and thus will not be included in or considered to be indebtedness of the Authority for the purpose of a limitation on indebtedness or taxation or for any other purpose.

USE OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds

| | |
|---|------------------------|
| Par Amount of Bonds | \$ 5,850,000.00 |
| Net Original Issue Discount | (21,351.55) |
| Transfers from Prior Issue Debt Service Reserve Funds | 261,555.10 |
| Total Sources of Funds | \$ 6,090,203.55 |

Uses of Funds

| | |
|----------------------------|------------------------|
| Underwriter's Discount | \$ 56,915.05 |
| Costs of Issuance | 111,000.00 |
| Deposit to Escrow Fund | 5,918,861.00 |
| Rounding Amount | 3,427.50 |
| Total Uses of Funds | \$ 6,090,203.55 |

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THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 1, 2012, and mature on August 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 1 and February 1, commencing February 1, 2013.

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 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 "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the provisions of Chapter 518, Acts of the 54th Legislature of Texas, Regular Session, 1955, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws.

SECURITY AND SOURCE OF PAYMENT . . . The Authority has entered into contract (the "Contract") with the Cities of Cedar Hill, DeSoto, Duncanville, Ferris and Lancaster, Texas (the "Contracting Parties") to construct facilities to enable the Authority to provide wastewater treatment for the benefit of said Contracting Parties (the "Project") (see "The System"). The Bonds, and interest thereon, are payable solely from Pledged Revenues to be received by the Authority under the terms of the Contract, and the Authority has pledged these Pledged Revenues to the punctual payment of these obligations, when due.

The expense of operating the Authority's Ten Mile Creek System (the "System"), 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 sewage deposited in the System. Each Contracting Party is then billed monthly according to their projected annual cash flow with provisions for adjustment. The fiscal provisions of the Contract with the Authority are summarized in this Official Statement.

Actual net cost to the Contracting Parties of wastewater treatment and transportation for 2011 was \$2.610 per 1,000 gallons. Budgeted net cost of wastewater treatment to the Contracting Parties for billing purposes for fiscal year 2012 is \$1.999 per 1,000 gallons and the estimated net cost for fiscal year 2013 is \$2.081 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 Redemption Fund are insufficient. The Bond Resolution provides that so long as the market value of the money and investments in the Reserve Fund are not less than a "Required Amount" equal to the average annual principal and interest requirements of the Parity Bonds and Additional Bond, no deposit to the Reserve Fund is required. (See "Selected Provisions of Bond Resolution").

OPTIONAL REDEMPTION . . . The Bonds are not subject to redemption prior to maturity.

ADDITIONAL BONDS . . . The Authority has no current plans to issue Additional Bonds during the next 12 months.

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 The Depository Trust Company ("DTC"), New York, New York, 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (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 Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 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 Underwriter.

Effect of Termination of Book-Entry Only System In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the Authority, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "The Bonds - Transfer, Exchange and Registration" 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 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 "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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 ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . The Resolution does not specify events of default with respect to the Bonds. If the Authority defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the Authority defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of mandamus to compel the Authority or Authority officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Authority's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the Authority to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Authority's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the Authority for breach of the Bonds or Resolution covenants in the absence of Authority action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the Authority, permits the Authority to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the Authority has not waived sovereign immunity. Even if a judgment against the Authority could be obtained, it could not be enforced by direct levy and execution against the Authority's property. Further, the registered owners cannot themselves foreclose on property within the Authority or sell property within the Authority to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the Authority is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the

recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Authority avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions 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.

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THE SYSTEM

THE SYSTEM . . . The Ten Mile Creek System (the "System") is presently composed of an advanced secondary treatment plant having a permitted capacity of 24 million gallons per day (MGD), approximately 54 miles of interceptor sewers, one major pumping station, and all related appurtenances. The wastewater treatment plant can treat 24 MGD at an advanced secondary treatment level of 10 milligrams per liter carbonaceous biological oxygen demand, 15 milligrams per liter total suspended solids, and a seasonal 3 milligrams per liter (April – October) or 4 milligrams per liter (November – March) ammonia as nitrogen (10/15/3,4 mg/l CBOD/TSS/NH₃-N, seasonal).

The Authority continues to conduct planning activities and periodic reviews of the collection system and the treatment facilities to determine the need for additional facilities to meet the needs of the customer cities and comply with all regulatory requirements. At this time, the Authority is planning the design of additional relief pipelines to provide capacity to accommodate growth.

Indebtedness of the System

The Authority has outstanding the following bonds payable from Pledged Revenues of the Ten Mile Creek Regional Wastewater System:

| <u>Issue</u> | <u>Original Principal Amount</u> | <u>Principal Outstanding August 1, 2012</u> |
|--------------|--------------------------------------|---|
| Series 2003A | \$ 6,340,000 | \$ 5,710,000 |
| Series 2006 | 15,775,000 | 14,745,000 |
| Series 2007 | 46,190,000 | 40,075,000 |
| Series 2010 | 23,410,000 | 23,395,000 |
| Series 2010 | 7,745,000 | 6,575,000 |
| Series 2011 | 27,690,000 | 27,685,000 |

For additional information with respect to the System's operating data, see Appendix C, "Certain Financial and Operating Data of Ten Mile Creek Regional Wastewater System Enterprise Fund."

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DEBT INFORMATION

TABLE 1 - DEBT SERVICE REQUIREMENTS

| Year | Outstanding | Less | The Bonds ⁽²⁾ | | Total | % of |
|-------|------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------|
| End | Debt | Refunded | | | Debt | Principal |
| 11/30 | Service ⁽¹⁾ | Bonds | Principal | Interest | Requirements | Retired |
| 2012 | \$ 6,744,763 | | | | \$ 6,744,763 | |
| 2013 | 6,785,499 | \$ (267,450) | | \$ 118,131 | 6,636,180 | |
| 2014 | 6,790,649 | (317,450) | \$ 100,000 | 128,481 | 6,701,680 | 11.93% |
| 2015 | 8,957,394 | (315,200) | 100,000 | 126,481 | 8,868,675 | |
| 2016 | 8,970,996 | (317,950) | 100,000 | 124,481 | 8,877,527 | |
| 2017 | 8,992,844 | (610,475) | 395,000 | 122,481 | 8,899,850 | |
| 2018 | 9,016,699 | (617,975) | 410,000 | 114,581 | 8,923,305 | |
| 2019 | 9,026,626 | (614,225) | 415,000 | 106,381 | 8,933,782 | 38.33% |
| 2020 | 9,082,009 | (616,675) | 430,000 | 98,081 | 8,993,415 | |
| 2021 | 9,130,734 | (1,457,815) | 1,275,000 | 89,481 | 9,037,400 | |
| 2022 | 9,137,079 | (1,448,760) | 1,295,000 | 62,388 | 9,045,707 | |
| 2023 | 9,145,614 | (1,456,720) | 1,330,000 | 33,250 | 9,052,144 | |
| 2024 | 9,148,300 | - | - | - | 9,148,300 | 65.12% |
| 2025 | 9,158,918 | - | - | - | 9,158,918 | |
| 2026 | 9,173,155 | - | - | - | 9,173,155 | |
| 2027 | 9,184,593 | - | - | - | 9,184,593 | |
| 2028 | 4,449,373 | - | - | - | 4,449,373 | |
| 2029 | 4,439,808 | - | - | - | 4,439,808 | 86.49% |
| 2030 | 4,443,848 | - | - | - | 4,443,848 | |
| 2031 | 4,450,598 | - | - | - | 4,450,598 | |
| 2032 | 3,835,683 | - | - | - | 3,835,683 | |
| 2033 | 3,837,105 | - | - | - | 3,837,105 | |
| 2034 | 3,836,300 | - | - | - | 3,836,300 | 98.47% |
| 2035 | 1,304,125 | - | - | - | 1,304,125 | |
| 2036 | 1,303,125 | - | - | - | 1,303,125 | 100.00% |
| | <u>\$ 170,345,837</u> | <u>\$ (8,040,695)</u> | <u>\$ 5,850,000</u> | <u>\$ 1,124,219</u> | <u>\$ 169,279,361</u> | |

(1) Net of capitalized interest.

(2) Interest is calculated at the rates shown on the inside cover.

AUTHORIZED BUT UNISSUED REVENUE BONDS - NONE

ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The Authority has no current plans to issue additional bonds in the next 12 months.

SELECTED PROVISIONS OF THE CONTRACT

Following is a composite summary of certain provisions of the Contract. Reference is hereby made to the full and complete Contract for further information, copies of which are available upon request from the Financial Advisor.

The Authority and the five Contracting Parties have entered into the Ten Mile Creek Regional Wastewater System Contract (the "Contract" or "this Contract"), the provisions of which are substantially as follows:

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

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

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

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

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

(e) "Annual Payment Period" means the Authority's Fiscal Year, which currently begins on December 1 of each calendar year and ends on the last day of November of the next calendar year, and the first Annual Payment Period under this Contract shall be the period of December 1, 1983, through November 30, 1984, and all payments made by all Initial Contracting Parties shall be made as if this Contract had been in effect as of December 1, 1983.

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

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

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

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

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

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

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

(m) "Existing System" means the "Existing System" as defined in the preamble to this Contract.

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

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

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

(q) "Infiltration water" means the water which leaks into a sewer.

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

(s) "pH" means the common logarithm of the reciprocal of the weight of hydrogen ions in grams per liter of solution.

(t) "Project" means the "Project" as defined in the preamble to this Contract, and as generally described in the Engineering Report.

(u) "POTW" means Publicly Owned Treatment Works as defined in 40 CFR 403.

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

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

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

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

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

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

(y) "System" and "Ten Mile Creek System" means collectively the Existing System and the Project, and all improvements and additions to and extensions, enlargements, and replacements of such facilities which are deemed necessary and feasible by the Authority in order to receive, transport, treat, and dispose of Wastewater from Contracting Parties and to comply with the requirements of the Wastewater regulatory agencies of the State of Texas and the United States of America, and which were initially acquired and constructed with the proceeds from the sale of the Outstanding Bonds. Said terms do not include any facilities acquired or constructed by the Authority with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being revenue obligations of the Authority which are not secured by or payable from Annual Payments made under this Contract and similar contracts with Additional Contracting Parties, and which are payable solely from other sources.

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

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

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

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

Section 3. QUANTITY AND POINTS OF ENTRY. (a) In consideration of the payments to be made by each Contracting Party under this Contract each such Contracting Party is entitled to discharge into the Ten Mile Creek System, during each Annual Payment Period while this Contract is effective, all of the Wastewater generated within its boundaries, at its Point or Points of Entry hereinafter described, subject to the restrictions hereinafter stated; and provided that each such Contracting Party must transport such Wastewater to its Point or Points of Entry. Further, each Initial Contracting Party shall be obligated to transport and discharge into the System at its Points of Entry all Wastewater generated within that portion of its boundaries which lies within the watershed of Ten Mile Creek, except for reasonably small fringe areas which could be more cost effectively served by other means, and which are approved by a majority vote of the Advisory Committee and approved by the Authority.

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

(c) Wastewater meeting the quality requirements of Section 4 of this Contract will be received into the Ten Mile Creek System at the present Points of Entry, respectively, now being used by each Initial Contracting Party, respectively, with respect to the Existing System. Additional Points of Entry may be established by mutual agreement between the Authority and a Contracting Party in the future if such additional Points of Entry are determined by the Authority to be economical and beneficial to the System, and such Contracting Party pays any costs related thereto which the Authority determines should be paid by such Contracting Party.

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

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

General Objectives of Quality Requirements.

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

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

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

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

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

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

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

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

(g) Prohibited Discharge Limitations Subject to Change. Notwithstanding the foregoing provisions of this Section, the parties hereto agree and understand that Federal and State Regulatory Agencies periodically modify standards on prohibited discharges; therefore, revisions to, additions to, or deletions from the items listed in this Section may become necessary in the future to comply with these latest standards. It is the intention of this Contract that prohibited discharge requirements be reviewed periodically by the Authority and revised in accordance with the latest standards of any Federal or State Agency having regulatory powers. Any required revisions shall be made and written notice thereof given to each

Contracting Party. Each Contracting Party shall be responsible for integrating such changes into the local industrial waste ordinance and notifying all affected users of the change within ninety days following written notice to the Contracting Party of such changes.

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

Normal Wastewater Concentration

| | |
|------------------|-------------------------------------|
| BOD | 200 mg/l |
| TSS | 200 mg/l |
| pH | not less than 6 nor greater than 10 |
| Hydrogen Sulfide | 0.1 mg/l |

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

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

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

Section 7. LIABILITY FOR DAMAGES AND RESPONSIBILITY FOR TREATMENT AND DISPOSAL OF WASTEWATER. Liability for damages arising from the transportation, delivery, reception, treatment, and/or disposal of all Wastewater discharged into the System hereunder shall remain in each Contracting Party to its Point or Points of Entry,

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

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

- (1) The number of active domestic sewer connections tributary to the Ten Mile Creek System and which will be served by the Ten Mile Creek System;
- (2) The number of commercial and business sewer connections to be served by the Ten Mile Creek System;
- (3) The number of industrial connections to be served by the Ten Mile Creek System, with name and location of each.

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

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

- (1) Name and address of applicant;
- (2) Type of industry;
- (3) Quantity of plant waste;
- (4) Typical analysis of the waste;
- (5) Type of pre-treatment proposed.

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

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

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

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

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

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

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

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

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

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

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

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

- (i) sampling and testing to determine compliance;
- (ii) disconnection/reconnection of service resulting from noncompliance;
- (iii) abnormal strength wastes;
- (iv) additional costs incurred by Contracting Party or POTW in transporting or treating wastes; and
- (v) filing, revision, or renewal of Permit Application.

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

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

- (i) discharge to sewerage system resulting in violation of POTW's discharge permit conditions;
- (ii) hazard to health or life of POTW personnel or users of receiving waters;
- (iii) violation of any applicable ordinance or regulation; or
- (iv) false information transmitted to approving authority through Permit Application, monitoring reports, etc.

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

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

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

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

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

- (i) The issuance of Bonds;
- (ii) The operation and maintenance of the System;
- (iii) Additional Contracting Parties and the terms and conditions of the contracts with such parties, consistent with the provisions of this Contract;
- (iv) Contracts for services to entities which are not Additional Contracting Parties, and the prices, terms, and conditions of such contracts consistent with the provisions of this Contract;
- (v) The Authority's Annual Budget, prior to its submission by the Authority's General Manager to the Authority's Board;
- (vi) Review of the Authority's Annual Audit;
- (vii) All other pertinent matters relating to the management of the System; and
- (viii) Improvements and extensions of the System.

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

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

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

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

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

- (1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and all amounts required to redeem any Bonds prior to maturity when and as provided in any Bond Resolution plus the fees, expenses, and charges of the Paying Agent/Registrar for paying the principal of and interest on the Bonds and for authenticating, registering and transferring Bonds on the registration books; and
- (2) the proportionate amount of any special, contingency, or reserve funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
- (3) any amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution.

Section 12. ANNUAL BUDGET. Each Annual Budget for the System shall always provide for amounts sufficient to pay the Annual Requirement. The Annual Budget heretofore prepared, approved, and adopted by the Authority for the System for the Authority's fiscal year commencing December 1, 1983, shall be the initial Annual Budget for the System for the first Annual Payment Period under this Contract. On or before August 1 of each fiscal year during the term of this Contract, the Authority shall furnish to each Contracting Party a preliminary estimate of the Annual Payment required from each Contracting Party for the next following Annual Payment Period. Not less than forty days before the commencement of the second Annual Payment Period under this Contract and not less than forty days before the commencement of each Annual Payment Period thereafter the Authority shall cause to be prepared as herein provided its preliminary budget for the Ten Mile Creek System for the next ensuing Annual Payment Period, which budget shall specifically include the Operation and Maintenance Component and the Bond Service Component. A copy of such preliminary budget shall be filed with each Contracting Party. The preliminary budget shall be subject to examination, at reasonable times during business hours, at the office of the Contracting Party Secretary of each Contracting Party. If no protest or request for a hearing on such preliminary budget is presented to the Authority within ten days after such filing of the preliminary budget by one or more Contracting Parties or by the owners of a minimum of 25% in principal amount of the Bonds then outstanding, the preliminary budget for the Ten Mile Creek System shall be considered for all purposes as the "Annual Budget" for the next ensuing Annual Payment Period. But if protest or request for a hearing is duly filed, it shall be the duty of the Authority to fix the date and time for a hearing on the preliminary budget, and to give not less than ten days notice thereof to the Contracting Parties. An appropriate Committee of the Authority shall consider the testimony and showings made in such hearing and shall report its findings to the Board of Directors of the Authority. The

Board of Directors may adopt the preliminary budget or make such amendments thereof as to it may seem proper. The budget thus approved by the Board of Directors of the Authority shall be the Annual Budget for the next ensuing Annual Payment Period. The Annual Budget (including the first Annual Budget) may be amended by the Authority at any time to transfer from one division thereto to another funds which will not be needed by such division. The amount for any division, or the amount for any purpose, in the Annual Budget may be increased through formal action by the Board of Directors of the Authority even though such action might cause the total amount of the Annual Budget to be exceeded; provided that such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in a resolution at the time such action is taken by the Board of Directors. Certified copies of the amended Annual Budget and resolution shall be filed immediately by the Authority with each Contracting Party.

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

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

(c) Notwithstanding the provisions of (b), above, and as an exception thereto, it is agreed that if, during any Annual Payment Period, the estimated and/or actual metered contributing flow of Wastewater into the System of any Contracting Party

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

| | |
|-----------------------------------|----------------------|
| Contracting Party of Cedar Hill: | 233,404,000 gallons |
| Contracting Party of De Soto: | 483,564,000 gallons |
| Contracting Party of Duncanville: | 868,953,000 gallons |
| Contracting Party of Ferris: | 57,348,000 gallons |
| Contracting Party of Lancaster: | 400,728,000 gallons. |

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

- (i) The Authority commences furnishing services of the System to an Additional Contracting Party or Parties;
- (ii) Unusual, extraordinary, or unexpected expenditures for Operation and Maintenance Expenses are required which are not provided for in the Authority's Annual Budget for the System or in any Bond Resolution;
- (iii) Operation and Maintenance Expenses are substantially less than estimated;
- (iv) The Authority issues Bonds which require an increase in the Bond Service Component of the Annual Payment; or
- (v) The Authority receives either significantly more or significantly less revenues or other amounts than those anticipated.

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

(f) Each Contracting Party hereby agrees that it will make payments to the Authority required by this Section on or before the 10th day of each month of each Annual Payment Period. If any Contracting Party at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such complaining party should have been less, or more, the Authority shall promptly revise and reallocate the charges among all Contracting Parties in such manner that such complaining party will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by each Contracting Party or due and owing to any Contracting Party by the Authority shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid. The Authority shall, to the extent permitted by law, discontinue the services of the System to any Contracting Party which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume such services while such Contracting Party is so delinquent. It is further provided and agreed that if any Contracting Party should remain delinquent in any payments due

hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Contracting Party's minimum amount of gallons of Wastewater specified and described in (c), above, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Contracting Parties, and the Authority shall redetermine such percentage on that basis in such event so that the non-delinquent Contracting Parties collectively shall be required to pay all of the Annual Requirement. However, the Authority shall pursue all legal remedies against any such delinquent Contracting Party to enforce and protect the rights of the Authority, the other Contracting Parties, and the holders of the Bonds, and such delinquent Contracting Party shall not be relieved of the liability to the Authority for the payment of all amounts which would have been due hereunder, in the absence of the next preceding sentence. It is understood that the foregoing provisions are for the benefit of the holders of the Bonds so as to insure that all of the Annual Requirement will be paid by the non-delinquent Contracting Parties during each Annual Payment Period regardless of the delinquency of a Contracting Party. If any amount due and owing by any Contracting Party to the Authority is placed with an attorney for collection, such Contracting Party shall pay to the Authority all attorneys fees, in addition to all other payments provided for herein, including interest.

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

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

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

(c) It is estimated that the System will be placed in operation in 1985. It is expressly understood and agreed, however, that any obligations on the part of the Authority to acquire, construct, and complete the System and to provide the services of the System to the Contracting Parties shall be (i) conditioned upon the Authority's ability to obtain all necessary permits, material, labor, and equipment, and upon the ability of the Authority to refund the Outstanding Bonds and finance the cost of the System through the actual sale of the Authority's Bonds and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

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

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

(f) Each of the Contracting Parties agrees throughout the term of this Contract to continuously operate and maintain its combined waterworks and sewer system and to fix and collect such rates and charges for water and sewer services

and/or sewer services to be supplied by its combined waterworks and sewer system as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system, including specifically its payments under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 15. **FORCE MAJEURE.** If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Contracting Party to make the payments required under Section 13 of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties 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, or on account of any other causes not reasonably within the control of the party claiming such inability.

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

Section 17. **TERM OF CONTRACT; MODIFICATION; NOTICES; STATE OR FEDERAL LAWS, RULES, ORDERS, OR REGULATIONS.** (a) This Contract shall be effective on and from December 1, 1983, the Contract Date, and this Contract shall continue in force and effect until the principal of and interest on all Bonds shall have been paid, and thereafter shall continue in force and effect during the entire useful life of the System. This Contract supersedes and completely replaces all of the existing contracts and agreements among the parties hereto with respect to the System, and such instruments shall have no further force or effect; and this Contract shall constitute the sole agreement between the parties hereto with respect to the System. However, any of the provisions of this Contract to the contrary notwithstanding, if the Authority's Bonds to be authorized by its Board of Directors for the purpose of refunding the Outstanding Bonds shall not have been issued and delivered to the purchasers thereof on or before April 1, 1984, then this Contract shall be null and void ab initio and the previously existing contracts and agreements between the parties shall be in full force and effect.

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

(c) Addresses and Notice.

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

Section 18. **SEVERABILITY.** The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or

words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

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

Section 20. **VENUE.** All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Tarrant County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Contract that Tarrant County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Tarrant County, Texas.

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SELECTED PROVISIONS OF THE RESOLUTION

Certain provisions of the Resolution authorizing the Bonds are substantially as set forth below. Reference is hereby made to the full and complete Resolution. For additional information, copies of the Resolution are available upon request from the Financial Advisor.

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

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

The terms "Authority" and "Issuer" mean Trinity River Authority of Texas, a conservation and reclamation district created by the Authority Act pursuant to Article 16, Section 59, of the Texas Constitution.

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

The terms "Bond Resolution" and "Resolution" mean this resolution adopted by the Board of Directors of the Issuer on June 27, 2012, authorizing the issuance of the Bonds.

The term "Bonds" means collectively the Bonds initially authorized to be issued by this Bond Resolution, and all substitute bonds exchanged therefor and all other substitute bonds and replacement bonds as provided for in this Bond Resolution.

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

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

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

The term "Initial Contract" means the Ten Mile Creek Regional Wastewater System Contract, dated December 1, 1983, among the Issuer and the Initial Contracting Parties.

The term "Initial Contracting Parties" means the Cities of Cedar Hill, DeSoto, Duncanville, Ferris, and Lancaster, Texas.

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

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

The term "Parity Bonds" means collectively (i) the Bonds and (ii) the unpaid and unrefunded bonds of the following described Series to be outstanding after the issuance and delivery of the Bonds: Trinity River Authority of Texas Ten Mile Creek System Revenue Bonds, Series 2003A (the "Series 2003A Bonds"), authorized by resolution of the Board on October 22, 2003, Trinity River Authority of Texas Ten Mile Creek System Revenue Bonds, Series 2006 (the "Series 2006 Bonds"), authorized by resolution of the Board on August 23, 2006, Trinity River Authority of Texas Ten Mile Creek System Revenue Bonds, Series 2007 (the "Series 2007 Bonds"), authorized by resolution of the Board on October 24, 2007, Trinity River Authority of Texas Ten Mile Creek System Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), authorized by resolution of the Board on December 2, 2009, Trinity River Authority of Texas Ten Mile Creek System Revenue Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"), authorized by resolution of the Board on February 24, 2010 and Trinity River

Authority of Texas Ten Mile Creek System Revenue Bonds, Series 2011 (the "Series 2011 Bonds"), authorized by resolution of the Board on August 24, 2011..

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

The term "Series 1983 Bond Resolution" means the base resolution of the Board, adopted on December 7, 1983, authorizing the issuance of the Trinity River Authority of Texas Ten Mile Creek System Revenue Bonds, Series 1983, the provisions of which set forth the conditions for the issuance of all Parity Bonds.

The terms "Ten Mile Creek System" and "System" mean all of the Issuer's existing wastewater reception, transportation, treatment and disposal facilities serving the Initial Contracting Parties in the area of Ten Mile Creek (a tributary of the Trinity River) in Dallas and Ellis Counties, Texas, which facilities initially were acquired and constructed with the proceeds from the sale of the heretofore issued Parity Bonds, and all improvements and additions to and extensions, enlargements, and replacements of such facilities. However, said terms do not include any facilities acquired or constructed by the Issuer with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being revenue obligations of the Issuer which are not issued as Additional Bonds, and which are payable from any source, contract, or revenues whatsoever other than the Pledged Revenues; and Special Facilities Bonds may be issued for any lawful purpose and made payable from any source, contract, or revenues whatsoever other than the Pledged Revenues.

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

Section 6. PLEDGE. (a) The Bonds authorized by this Bond Resolution are "Additional Bonds" as permitted by Sections 21 and 22 of the Series 1983 Bond Resolution, and it is hereby declared, determined, and resolved that all of the Parity Bonds are and shall be secured and payable equally and ratably on a parity, and that Sections 5 through 21 of this Bond Resolution are supplemental to and cumulative of Sections 8 through 24 of the Series 1983 Bond Resolution, with Sections 5 through 21 of this Bond Resolution being equally applicable to all of the Parity Bonds.

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

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

Section 8. INTEREST AND REDEMPTION FUND. For the sole purpose of paying the principal of and interest on all Parity Bonds and any Additional Bonds, as the same come due, there has been created and established and there shall be maintained at an official depository bank of the Issuer a separate fund to be entitled the "Trinity River Authority of Texas Ten Mile Creek System Revenue Bonds Interest and Redemption Fund" (hereinafter called the "Interest and Redemption Fund").

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

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

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

(b) Money in any Fund maintained pursuant to this Bond Resolution may, at the option of the Authority, be deposited and invested and reinvested in securities as permitted by Section 8-B of the Authority Act; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of October 1 of each year. Interest and income derived from such deposits and investments shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Bonds or Additional Bonds.

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

Section 13. DEBT SERVICE REQUIREMENTS. (a) The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Redemption Fund the amounts, at the times, as follows:

(1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Parity Bonds on the next succeeding interest payment date; and

(2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Parity Bonds, or required to be prepaid or redeemed prior to scheduled due date or maturity, on the next succeeding principal payment date.

Section 14. RESERVE REQUIREMENTS. There is now on deposit in the Reserve Fund an amount of money and investments in market value at least equal to the average annual principal and interest requirements of the unpaid and unrefunded Parity Bonds to be outstanding after the delivery of the Bonds. Immediately after the delivery of the Bonds, if necessary, there shall be deposited ratably into the Reserve Fund, from the proceeds from the sale of the Bonds, an amount which, together with the amount now contained therein, will cause the Reserve Fund to contain an amount of money and investments in market value equal to the average annual principal and interest requirements on all Parity Bonds. When and so long as the money and investments in the Reserve Fund are not less in market value than a "Required Amount" equal to the average annual principal and interest requirements of all then outstanding Parity Bonds, no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said "Required Amount" in market value, then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund, the Issuer shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds, until the Reserve Fund is restored to said "Required Amount" in market value. So long as the Reserve Fund contains said "Required Amount" in market value, any surplus in the Reserve Fund over said "Required Amount" in market value shall, immediately upon receipt, be deposited to the credit of the Interest and Redemption Fund.

Section 15. CONTINGENCY REQUIREMENTS. There is now on deposit in the Contingency Fund an amount of money and/or investments in market value at least equal to \$250,000. No additional deposits are required to be made to the credit of the Contingency Fund unless and until such amount therein is reduced or depleted or unless the Issuer, upon the advice and recommendation of an independent engineer or firm of engineers, determines it necessary to increase such amount in order adequately to provide for contingencies related to the System, or unless the Issuer provides for an increase in such amount in any resolution authorizing Additional Bonds. If and when such amount in the Contingency Fund is reduced or depleted, or an increase in such amount has been provided for, then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund and the Reserve Fund, such reduction or depletion shall be restored, and/or such amount shall be increased, to the extent not otherwise funded, from amounts which shall be provided for such purpose in the Issuer's Annual Budget for the next ensuing fiscal year or years; provided that the Issuer is not required to budget more than one third of the amount to be accumulated for such purpose during any one fiscal year. So long as the Contingency Fund contains money and investments not less than the amount of \$250,000 (or the amount to which the Contingency Fund may be increased as aforesaid) in market value, any surplus in the Contingency Fund over said amount shall, immediately upon receipt, be deposited to the credit of the Interest and Redemption Fund.

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

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

Section 17. PAYMENT OF PARITY BONDS AND ADDITIONAL BONDS. On or before the last day of the January or July immediately following delivery of the Bonds, and semiannually on or before the last day of each January and of each July thereafter while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to each Paying Agent/Registrar therefor, out of the Interest and Redemption Fund, the Contingency Fund, or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or come due on the February 1 or August 1 immediately following.

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

(b) The Interest and Redemption Fund and the Reserve Fund established pursuant to this Bond Resolution shall secure and be used to pay all Additional Bonds as well as the Parity Bonds, all on a parity. However, each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Bond Resolution and the provisions of each resolution authorizing Additional Bonds to be deposited to the credit of the Interest and Redemption Fund, the Issuer shall deposit to the credit of the Interest and Redemption Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the delivery of the then proposed Additional Bonds, of not less than 1/60th of the balance of said required additional amount not deposited in cash as permitted above).

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

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

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

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

(a) **PERFORMANCE.** It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each resolution authorizing the issuance of the Parity Bonds and any Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Parity

Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds, and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Redemption Fund and the Reserve Fund and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board of Directors, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of each resolution authorizing the issuance of the Parity Bonds and Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board of Directors, and its officials and employees.

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

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

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

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

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

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

(h) **INSURANCE.** (1) That it will cause to be insured such parts of the System as would usually be 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, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless legal counsel for the Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the Issuer, its Board of Directors, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the owners of the Bonds and their representatives at all reasonable times.

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

provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

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

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

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

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

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

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

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

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

(n) ANNUAL BUDGET. The Issuer shall prepare and adopt an Annual Budget for the System for each fiscal year as required by the Contracts.

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

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

- (2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all of the Parity Bonds and Additional Bonds then outstanding;
- (6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent/Registrar for the Parity Bonds and Additional Bonds, for inspection by all owners of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to the owner of each of the Parity Bonds and Additional Bonds.

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

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

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

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

Section 22. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this 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 22(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the

making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

(c) The term "Defeasance Securities" means 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 23. 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 3 of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 24. COVENANTS REGARDING TAX-EXEMPTION. 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 (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 are so used, that 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 (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.

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.

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 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 modification or expansion, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the General Manager of the Issuer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose

for the issuance of the Bonds. This Resolution is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

Section 25. **DISPOSITION OF PROJECT.** The Issuer covenants that the property constituting the Project financed with the proceeds of 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.

Section 26. **CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION, CUSIP NUMBERS, AND INSURANCE.** The President of the Board of Directors of the Issuer is hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Bonds. 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 Parity 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 and all other Bonds shall bear an appropriate legend concerning insurance as provided by the insurer.

Section 27. **FURTHER PROVISIONS AND PROCEDURES.** The President, Vice President and Secretary of the Board of Directors of the Issuer, the General Manager 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 28. **CONTINUING DISCLOSURE OF INFORMATION.** (a) As used in this Article, 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 individual Contracting Parties, the Issuer and the Contracting Parties have undertaken for the benefit of the beneficial owners of the Bonds, to the extent set forth therein, to provide continuing disclosure of financial information and operating data with respect to the Contracting Parties in accordance with the Rule as promulgated by the SEC.

(c) The Issuer shall, for the benefit of the beneficial owners of the Bonds, undertake to 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:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults, if material;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. 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;

- G. Modifications to rights of holders of the Bonds, if material;
- H. Bond calls, if material, and tender offers;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds, if material;
- K. Rating changes;
- L. Bankruptcy, insolvency, receivership or similar event of the Issuer;
- M. 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
- N. Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

As used in clause L. above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Issuer 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 Issuer, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Issuer 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 Issuer.

Section 29. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under Section 6 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 Pledged Revenues granted by the Issuer under Section 5 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 30. EXPIRATION OF AUTHORIZATION. The authority of the General Manager, as Authorized Officer, to execute a bond purchase agreement as described in Section 2(b) of this Resolution shall expire on the one-year anniversary date of the adoption of this Resolution by the Board.

Section 31. 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.

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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"). Persons other than the Authority operate the remainder of these projects (referred to below as "Non-Operating"). These projects and those served include:

THE AUTHORITY'S REVENUE-BASED PROJECTS

| Project Name (Operating) | Cities and Communities Served or to be Served |
|---|--|
| Central Regional Wastewater System | Addison, Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Dallas/Fort Worth International Airport Board, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, and Southlake |
| Ten Mile Creek Regional Wastewater System | Cedar Hill, DeSoto, Duncanville, Ferris, and Lancaster |
| Denton Creek Regional Wastewater Treatment System | Argyle, Circle T Municipal Utility District No. 1, Circle T Municipal Utility District No. 3, Flower Mound, Fort Worth, Haslet, Keller, Northlake, Roanoke, Southlake and Westlake. |
| Red Oak Creek Regional Wastewater Project | Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak |
| Mountain Creek Regional Wastewater System | Grand Prairie, 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. |

| Project Name (Non-Operating) | Cities and Entities Served |
|---|--|
| Lake Livingston Project | Houston, 22 lakeside communities (and two industries) |
| Livingston Recreation Facilities | Serving the General Public |
| Walker-Calloway Branches Outfall Line | Hurst and North Richland Hills |
| Northeast Lakeview Project | Cedar Hill, Grand Prairie |
| Lakeview Regional Water Supply Project | Cedar Hill, Duncanville, and Grand Prairie |
| 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 |
| 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. |

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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, Bédias, 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 other indebtedness outstanding which is listed below. The other outstanding indebtedness is not payable from Net Revenues of the System which provide for payment for the interest and principal of the Bonds as defined in the Resolution.

| | Outstanding August 1, 2012 |
|--|-------------------------------|
| Bond Issues: | |
| Central Regional Wastewater System | \$ 878,040,000 |
| Community Waste Disposal, Inc. | 16,920,000 |
| Cade Branch Wastewater Interceptor | 190,000 |
| Denton Creek Regional Wastewater Treatment System | 133,695,000 |
| Denton Creek Wastewater Interceptor(Fort Worth Project) | 1,100,000 |
| Denton Creek Wastewater Pressure Interceptor System | 1,755,000 |
| City of Fort Worth Water & Wastewater Transmission Contract (Sendra Ranch Project) | 6,685,000 |
| General Improvement | 3,115,000 |
| City of Huntsville Sewer System Project | 375,000 |
| Huntsville Regional Water Supply System | 26,595,000 |
| Livingston Regional Water Supply Project | 2,640,000 |
| Mountain Creek Regional Wastewater System | 12,790,000 |
| Northeast Lakeview Wastewater Transportation Project | 14,930,000 |
| Red Oak Creek Regional Wastewater System | 53,860,000 |
| Tarrant County Water Project | 141,805,000 |
| Texas Utilities Electric Company Pollution Control | 51,075,000 |
| Town of Flower Mound Wastewater Transportation Project | 4,425,000 |
| Trinity County Regional Water Supply System Project | 1,120,000 |
| TOTAL | <u>\$ 1,351,115,000</u> |

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.

| | Outstanding August 1, 2012 |
|---|-------------------------------|
| Project: | |
| Bardwell Reservoir (City of Ennis and Ellis Co. WCID#1) | \$ 1,736,452 |
| Joe Pool Lake (Cities of Cedar Hill, Duncanville, Grand Prairie and Midlothian) | 71,365,046 |
| Wallisville Lake (City of Houston) | 9,378,313 |
| TOTAL | <u>\$ 82,479,810</u> |

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TAX MATTERS

OPINION...On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, 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 will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. **See Appendix D -- Form of Bond Counsel's Opinion.**

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Issuer, including information and representations contained in the Issuer's federal tax certificate, (b) covenants of the Issuer contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the Refunded Bonds and the property financed or refinanced therewith and (c) the verification report prepared by Grant Thornton LLP. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgement 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. 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 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 property financed or refinanced with proceeds of the Bonds or the Refunded Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds. Bond Counsel's opinion is not binding on the Internal Revenue Service. If an Internal Revenue Service 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, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax 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.

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 specified material events, to Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The Contracting Parties will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Contracting Parties of the general type included in Appendix B of this Official Statement. The Contracting Parties will update and provide this information within six months after the end of each fiscal year. The Contracting Parties will provide the updated information to the MSRB through the "EMMA" information system in accordance with recent amendments to Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC").

The Contracting Parties may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if a Contracting Parties commissions an audit and it is completed by the required time. If audited financial statements of a Contracting Parties are not available by the required time, the Contracting Parties will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles in effect at the time or that the Contracting Parties may be required to employ from time to time pursuant to state law or regulation.

Each of the Contracting Parties' and the Authority's current fiscal year end is September 30. Accordingly, the Contracting Parties must provide updated information by March 31 in each year, unless a Contracting Parties changes its fiscal year. If a Contracting Parties changes its fiscal year, it will notify the MSRB of the change.

MATERIAL 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 above, 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. Neither the Bonds nor the Resolution make any provision for liquidity enhancement. 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 to the MSRB. The SEC has approved amendments to the Rule, which became effective July 1, 2009. To make such continuing disclosure information available to investors free of charge, the MSRB has established the Electronic Municipal Market Access ("EMMA") system. The Contracting Parties will be required to file their continuing disclosure information using the EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB at <http://emma.msrb.org>.

LIMITATIONS AND AMENDMENTS . . . The Authority and the Contracting Parties have agreed to update information and to provide notices of material 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 of 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. 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 SEC Rule 15c2-12.

Except as described below, during the last five years, the Authority has complied in all material respects with all continuing disclosure undertakings made by it, as an issuer of other bonds or as a contracting party relating to other system financings in accordance with SEC Rule 15c2-12. Due to an administrative oversight, the Authority did not timely file its audited financial statements for fiscal year ending 2007 as required by a continuing disclosure undertaking as a contracting party for another system financing. In previous official statements, the Authority mistakenly stated it was in compliance with all of its prior continuing disclosure undertakings. All information has since been filed, including a notice of late filing. The Authority has implemented procedures to ensure timely filing of all future financial information as a contracting party.

During the last five years, the Cities of Cedar Hill, Duncanville, Ferris and Lancaster have complied in all material respects with all continuing disclosure undertakings made by them in accordance with SEC Rule 15c2-12.

During the last five years, the City of Desoto (the "City") has complied with its prior continuing disclosure agreements entered into pursuant to the Rule in all material respects, with the exception of the fiscal year ended September 30, 2011. For the fiscal year ended September 30, 2011, the City timely filed certain quantitative financial information and operating data prior to March 31, 2012; however, due to an administrative oversight, the audited financial statements of the City dated March 28, 2012 were not filed until July 9, 2012. Procedures are now in place to ensure all documents are filed on time in the future.

OTHER INFORMATION

RATINGS

The Bonds have been assigned a rating of "AA-" by S&P, without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the Authority makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of the 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, or to their knowledge threatened, litigation against the Authority that would have a material adverse financial impact upon the Authority's financial condition or its operations.

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 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 of the Public Security Procedures Act (Chapter 1201, 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, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. 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 at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, 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.

LEGAL OPINIONS

The Authority will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions 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 opinions 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 Underwriter 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 has been engaged by and only represents the Authority. 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 any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "Plan of Financing" (except under the subcaption "Use of Proceeds"), "The Bonds" (exclusive of subcaption "Book-Entry-Only System"), "Selected Provisions of the Contract", "Selected Provisions of the Resolution", "Tax Matters" and "Continuing Disclosure of Information" (except under the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Bonds for Sale", "Legal Opinions" and "Legal Investments and Eligibility to Secure Public Funds in Texas" in the Official Statement 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 fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinions 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 Kelly Hart & Hallman LLP, Fort Worth, Texas, Counsel to the Underwriters. The legal fees to be paid Counsel to the Underwriters for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

The 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 that 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.

USE OF AUDITED FINANCIAL STATEMENTS

Deloitte & Touche LLP, Fort Worth, Texas, the District's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Deloitte & Touche LLP also has not performed any procedures relating to this Official Statement. On June 27, 2012, the Board of Directors selected Weaver, LLP, Dallas, Texas as the Authority's Independent Auditor.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

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

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

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 fees for services rendered with respect to the sale of the Bonds are 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

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Authority, at an underwriting discount of \$56,915.05. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibility to investors under the federal securities laws, but the Underwriter does 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 financial data and other information contained herein have been obtained from the Authority's 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.

The Resolution authorizing the issuance of the Bonds delegated authority to the General Manager of the Authority to approve 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 Underwriter. The General Manager has approved the form and content of this Official Statement.

TRINITY RIVER AUTHORITY OF TEXAS

J. KEVIN WARD
General Manager

SCHEDULE I

REFUNDED BONDS

Revenue Bonds, Series 2003A

| <u>Original Dated Date</u> | <u>Original Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>Principal Amount Refunded</u> | <u>Principal Amount Remaining</u> |
|--------------------------------|------------------------------|--------------------------|---|--|---|
| 10/1/2003 | 8/1/2014 | 4.500% | \$ 50,000 | \$ 50,000 | \$ -0- |
| | 8/1/2015 | 4.500% | 50,000 | 50,000 | -0- |
| | 8/1/2016 | 4.500% | 55,000 | 55,000 | -0- |
| | 8/1/2017 | 5.000% | 350,000 | 350,000 | -0- |
| | 8/1/2018 | 5.000% | 375,000 | 375,000 | -0- |
| | 8/1/2019 | 4.500% | 390,000 | 390,000 | -0- |
| | 8/1/2020 | 4.600% | 410,000 | 410,000 | -0- |
| | 8/1/2021 | 4.650% | 1,270,000 | 1,270,000 | -0- |
| | 8/1/2022 | 4.700% | 1,320,000 | 1,320,000 | -0- |
| | 8/1/2023 | 4.800% | 1,390,000 | 1,390,000 | -0- |

The 2014 – 2023 maturities will be redeemed on August 1, 2013 at a price of par.

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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 2011.

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.

LINDA D. TIMMERMAN, Ed.D., of Streetman, Texas (chair, executive committee). Timmerman coordinates strategic business development for Texas Dermatology Associates. She is a past president of the Corsicana Area Chamber of Commerce board of directors. Timmerman is active with the American Cancer Society, serving as a Reach-to-Recovery volunteer and as co-chairwoman of the Bladder/Kidney Cancer Survivors Support Group at Baylor Sammons Cancer Center in Dallas. She is past president of the National Council of Instructional Administrators and past president of the Texas Community College Instructional Administrators. Timmerman is active in the choir at St. John's Episcopal Church. She earned a bachelor's degree and a doctorate from Texas A&M University-Commerce. Timmerman was reappointed director for Freestone County in 2008.

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 a director for Tarrant County in 2010.

CHRISTINA MELTON CRAIN of Dallas, Texas (sales; 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 2011.

MICHAEL CRONIN of Terrell, Texas (member, resources development committee). Cronin is vice chairman of the board of directors of American National Bank of Texas; he is also a member of the Independent Bankers Association of Texas and the Texas Bankers Association. Cronin is a past president of the Terrell Economic Development Corporation, the Terrell Industrial Foundation and the Terrell Chamber of Commerce, and 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 2008.

STEVE CRONIN of Shepherd, Texas (member, utility services committee). Cronin is director of transportation at the Coldspring-Oakhurst 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 a secretary/treasurer and past president of the County Farm Bureau, and he serves as financial advisor for the Coldspring FFA Booster Club and on the San Jacinto County Fair Association Committee. Cronin is a coach for the Dixie Youth League and a leader with 4-H; he 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. Cronin received a bachelor's and a master's degree from Sam Houston State University. He was reappointed as director for San Jacinto County in 2011.

AMANDA B. DAVIS of Buffalo, Texas (member, legal committee). Davis is an assistant principal at Buffalo Elementary School in the Buffalo Independent School District. Davis is a member of the Texas Farm Bureau, the Leon County Veterans Memorial Committee, the Science Teachers Association of Texas and the Elementary Principals Association. Davis earned a bachelor's degree from Sam Houston State University, graduating *magna cum laude*, and is pursuing a master's degree at Abilene Christian University. She is a member of the National Honor Society. Davis was reappointed as director for Leon County in 2011.

RONALD J. GOLDMAN of Fort Worth, Texas (member, executive committee, 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, and she 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 2011.

HAROLD E. JENKINS of Irving, Texas (member, legal committee). Jenkins is president of CTJ Maintenance Inc., a commercial maintenance and labor staffing company. In addition to being a member of the Dallas Building Owners and Managers Association, the Dallas and Irving/Las Colinas Chambers of Commerce, and the Texas Judicial Compensation Commission, Jenkins is also a past board member of the Texas Workforce Investment Council, the Bear Creek Development Corporation, and the Dallas County Child Welfare Board. He earned a bachelor's degree from Texas Tech University. Jenkins was appointed as director for Dallas County in 2012.

JOHN W. JENKINS of Hankamer, Texas (member, executive committee; chairman, utility services 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, and 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 2009-2011.

JESS A. LAIRD of Athens, Texas (member, executive committee; 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 appointed as director for Henderson County in 2008.

NANCY E. LAVINSKI of Palestine, Texas (member, utility services committee). Lavinski is a retired educator with over sixteen years of classroom and departmental leadership experience in English and government. Currently she is co-managing partner of the Royalty Valuation Services Group and an advisory board member of Propensity, Ltd., a human resource advisory and consultancy. Lavinski is an active fundraiser for the American Cancer Society and served as co-chair of the 2004 Cattle Barons' Ball. She is a member of the Literary Review Society and serves on the staff-parish relations committee at the First United Methodist Church. Lavinski received a bachelor's degree from the University of Texas at Austin. She was reappointed as director for Anderson County in 2008.

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 appointed as director for Liberty County in 2008.

ANDREW MARTINEZ of Huntsville, Texas (member, resources development committee). Martinez is a retired construction safety supervisor for the Texas Department of Criminal Justice. He attended Sam Houston State Teachers College and is ordained as a Baptist minister. He has served as interim pastor at Faith Memorial Baptist Church and is now a member of the Second Baptist Church. He has been active as a prison ministry volunteer for 40 years, including serving as facilitator for the Voyager Program at the Huntsville Prison Unit. Martinez is a past elected member of the Huntsville City Council and the Huntsville Independent School District board of trustees, and a past chairman of the Republican Party of Walker County. He is a member of the World Safety Organization, the 32nd degree Scottish Rite, the Arabia Temple Shrine and the Huntsville Lions Club. Martinez was a charter member of the League of United Latin American Citizens and a member of the City of Huntsville Cultural Planning Council. He served on the City of Huntsville Arts Commission and the Gulf Coast Trade Center board of trustees. Martinez was appointed as director for Walker County in 2004.

KEVIN MAXWELL of Crockett, Texas (member, executive committee; 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 2011.

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 at Austin. He was appointed as director for Dallas County in 2008.

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

AMIR RUPANI of Dallas, Texas (member, utility services committee). Rupani is chief executive officer and president of King Import Warehouse. He is also president and chief executive officer of Texas Prince Inc. He serves as chairman of the Greater Dallas Asian American Chamber of Commerce and on the board of directors for the World Affairs Council in Dallas/Fort Worth. Formerly, he served on the board of directors for the Dallas Convention and Visitor's Bureau, the Dallas Citizens Council, the Dallas Assembly and the Dallas Planning and Zoning Board. He is the founder, organizer and former president of One World

Holding Inc. and former chairman of One World Bank. Rupani was named Businessman of the Year in 2005 by the Pakistan American Congress in Washington, D.C. He received the Pioneer Award in 2006 from the Dallas/Fort Worth Asian American Citizens Council and the Minority Business Leader Award in 2008 from the *Dallas Business Journal*. Under his leadership, King Import Warehouse was named Exemplary Importer/Exporter Firm of the Year in 2004 by the Minority Business Development Agency, a branch of the U.S. Department of Commerce. King Import Warehouse was named the Fastest Growing Company in Dallas by the Cox School of Business at Southern Methodist University in 2004. Rupani attended City College of Karachi in Pakistan. He was appointed as director at large in 2008.

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 she 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 2004.

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 10 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 re-appointed as director for Chambers County in 2009.

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 2011.

Tarrant County, Place 2 – Vacant.

MANAGEMENT OFFICERS

J. KEVIN WARD, general manager. Ward's role as chief executive officer of TRA tasks him with oversight of the largest wholesale provider of wastewater treatment services in Texas. 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 \$2 billion and a current operating budget of more than \$200 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 Trinity River Authority of Texas in March 2011. Following eight years of consulting engineering experience early in her career, she joined the city of Arlington, Texas, as a water utilities civil engineer. Over her 20-year career at the city of Arlington, Allen served in various roles, including water utilities field operations manager, assistant director of utilities/operations and engineering, and assistant director of utilities/business services. She was promoted to director of utilities and subsequently, in 2005, served as interim deputy city manager over information technology, human resources, management services, finance and general services. In 2006, she was named deputy city manager/capital investment, overseeing public works, water utilities and environmental services. In 2009, she was named deputy city manager/economic development, overseeing aviation, convention center, planning and development, and the economic development office, with the duties of supervising public works and water utilities added in 2010. Allen retired from the city of Arlington in February 2011. She holds licenses as a professional engineer and a registered sanitarian, and holds TCEQ class B-distribution operator and class III wastewater system operator licenses. She is a member of the Texas A&M University and University of Texas at Arlington civil engineering advisory councils, 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.

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.

ALISON A. MACKEY, chief financial officer. Mackey received a bachelor's degree from Texas Tech University, as well as an MBA in finance from the University of Texas at Arlington. Mackey became a certified public accountant in 1985, and she was employed by Hunt Energy Corp. for several years before joining TRA in 2001 as internal auditor. Mackey was named manager of special projects, then executive assistant to the general manager, and executive project manager before being appointed chief financial officer. She is currently serving as secretary of the Arlington Federal Credit Union board of directors, and 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. Mackey is currently a member of the Texas Society of Certified Public Accountants, the Texas Water Conservation Association, the American Water Works Association and the Water Environment Federation.

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.

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.

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.

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APPENDIX B

CERTAIN FINANCIAL AND OPERATING DATA
OF THE
CONTRACTING PARTIES

CITY OF CEDAR HILL, TEXAS
CITY OF DESOTO, TEXAS
CITY OF DUNCANVILLE, TEXAS
CITY OF FERRIS, TEXAS
CITY OF LANCASTER, TEXAS

The information contained in this Appendix consists of information relating to the Contracting Parties for the Fiscal Year Ending September 30, 2011. Each Contracting Party has executed a Continuing Disclosure Agreement pursuant to which it has undertaken to provide annually the financial information and operating data specified herein. Any financial statements to be provided shall be provided to each nationally recognized municipal securities information repository and to the state information depository. See "Other Information - Continuing Disclosure of Information" herein.

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CITY OF CEDAR HILL, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

| | Fiscal Year Ended September 30, | | | | |
|---|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| OPERATING REVENUES | | | | | |
| Water Sales | \$10,395,866 | \$ 7,901,704 | \$ 8,575,481 | \$ 9,085,245 | \$ 7,752,744 |
| Sewer Sales | 5,752,101 | 5,453,589 | 5,244,621 | 4,941,585 | 4,530,261 |
| Other Charges | 543,416 | 406,748 | 483,755 | 517,488 | 617,519 |
| Total Operating Income | <u>\$16,691,383</u> | <u>\$13,762,041</u> | <u>\$14,303,857</u> | <u>\$14,544,318</u> | <u>\$12,900,524</u> |
| OPERATING EXPENSES | | | | | |
| Sewage Treatment | \$ 4,677,823 | \$ 4,680,129 | \$ 4,068,763 | \$ 3,809,777 | \$ 3,441,542 |
| Purchase of Water | 3,267,212 | 3,212,622 | 3,025,125 | 2,811,772 | 3,140,673 |
| Personnel Services | 2,602,062 | 2,690,839 | 2,537,922 | 2,370,241 | 2,211,241 |
| Depreciation | 1,633,013 | 1,518,792 | 1,476,514 | 1,602,646 | 1,666,907 |
| Gross Receipts Tax | 726,659 | 627,021 | 642,213 | 644,739 | 552,735 |
| Heat, Light and Power | 471,003 | 417,263 | 459,475 | 498,065 | 376,878 |
| Maintenance | 311,234 | 297,286 | 294,709 | 304,158 | 208,050 |
| Contractual Services | 557,290 | 490,723 | 437,362 | 391,466 | 473,223 |
| Bad Debts | - | - | - | - | 428,691 |
| Materials and Supplies | 337,206 | 921,099 | 323,617 | 328,398 | 244,764 |
| Miscellaneous | 72,562 | 92,020 | 250,291 | 79,604 | 73,075 |
| Total Operating Expenses | <u>\$14,656,064</u> | <u>\$14,947,794</u> | <u>\$13,515,991</u> | <u>\$12,840,866</u> | <u>\$12,817,779</u> |
| OPERATING INCOME | <u>\$ 2,035,319</u> | <u>\$ (1,185,753)</u> | <u>\$ 787,866</u> | <u>\$ 1,703,452</u> | <u>\$ 82,745</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Other Revenues | \$ 62,077 | \$ 64,610 | \$ 45,274 | \$ 41,527 | \$ 53,283 |
| Interest Revenue | 125,261 | 186,944 | 219,773 | 604,215 | 767,361 |
| Gain (Loss) on Retirement of Assets | (1,195,204) | 24,117 | - | (11,189) | (58,192) |
| Interest and Fiscal Charges | (523,717) | (604,986) | (629,480) | (523,216) | (424,801) |
| Total Non-Operating Income | <u>\$ (1,531,583)</u> | <u>\$ (329,315)</u> | <u>\$ (364,433)</u> | <u>\$ 111,337</u> | <u>\$ 337,651</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | <u>\$ 503,736</u> | <u>\$ (1,515,068)</u> | <u>\$ 423,433</u> | <u>\$ 1,814,789</u> | <u>\$ 420,396</u> |
| Contributions | \$ 238,020 | \$ 370,066 | \$ 1,138,633 | \$ 3,429,343 | \$ 2,011,817 |
| Contributions, Tap Fees & Other | 116,149 | 153,328 | 35,380 | 200,131 | 623,568 |
| TRANSFER OUT | <u>(1,800,000)</u> | <u>(1,800,000)</u> | <u>(1,800,000)</u> | <u>(1,802,000)</u> | <u>(1,801,000)</u> |
| NET INCOME | <u>\$ (942,095)</u> | <u>\$ (2,791,674)</u> | <u>\$ (202,554)</u> | <u>\$ 3,642,263</u> | <u>\$ 1,254,781</u> |
| ADDITIONS | | | | | |
| Depreciation | \$ 1,633,013 | \$ 1,518,792 | \$ 1,476,514 | \$ 1,602,646 | \$ 1,666,907 |
| Interest & Fiscal Charges | 523,717 | 604,986 | 629,480 | 523,216 | 424,801 |
| Gain (Loss) on Retirement of Assets | - | (24,117) | - | 11,189 | 58,192 |
| Capital Recovery Fees | 1,053,840 | 1,621,250 | - | - | - |
| Transfer Out | <u>1,800,000</u> | <u>1,800,000</u> | <u>1,800,000</u> | <u>1,802,000</u> | <u>1,801,000</u> |
| TOTAL ADDITIONS | <u>\$ 5,010,570</u> | <u>\$ 5,520,911</u> | <u>\$ 3,905,994</u> | <u>\$ 3,939,051</u> | <u>\$ 3,950,900</u> |
| DEDUCTIONS | | | | | |
| Contributions | \$ 238,020 | \$ 370,066 | \$ 1,138,633 | \$ 3,429,343 | \$ 2,011,817 |
| Capital Recovery Fees | 221,580 | - | 35,380 | 199,483 | 614,292 |
| Interest Income-Cap. Rec. Fees | 81,576 | - | 23,351 | 117,167 | 194,721 |
| Interest Income-Bond Proceeds | <u>-</u> | <u>91,053</u> | <u>79,428</u> | <u>313,218</u> | <u>258,546</u> |
| TOTAL DEDUCTIONS | <u>\$ 541,176</u> | <u>\$ 461,119</u> | <u>\$ 1,276,792</u> | <u>\$ 4,059,211</u> | <u>\$ 3,079,376</u> |
| NET REVENUES | <u><u>\$ 3,527,299</u></u> | <u><u>\$ 2,268,118</u></u> | <u><u>\$ 2,426,648</u></u> | <u><u>\$ 3,522,103</u></u> | <u><u>\$ 2,126,305</u></u> |

TABLE 2 - COVERAGE AND FUND BALANCES

| | |
|--|--------------|
| Average Annual Principal and Interest Requirements, 2012 | \$ 809,175 |
| Net Revenue Available for Debt Service | \$ 3,527,299 |
| Coverage of Average Requirements by 9/30/11 Net Revenue | 4.36 Times |
| Maximum Principal and Interest Requirements, 2022 | \$ 908,959 |
| Net Revenue Available for Debt Service | \$ 3,527,299 |
| Coverage of Maximum Requirements by 9/30/11 Net Revenue | 3.88 Times |
| Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/12 | \$ 9,795,000 |
| Interest and Sinking Fund, 9/30/11 | \$ 448,280 |
| Debt Service Reserve Fund, 9/30/11 | \$ 1,010,103 |

TABLE 3 - REVENUE BONDS AUTHORIZED BUT UNISSUED

As of September 30, 2011 the City has no voted but unissued revenue bonds, and pursuant to State law is not required to approve its revenue bonds through election.

TABLE 4 - HISTORICAL WATER USAGE

| Fiscal Year Ended 9/30 | Daily Average (MGD) | Peak Day (MGD) | Peak Month (MGD) | Total Usage (MGD) | Water Revenue |
|------------------------|---------------------|----------------|------------------|-------------------|---------------|
| 2007 | 6.94 | 12.9 | 264.8 | 2,528.0 | \$ 7,752,744 |
| 2008 | 8.31 | 13.1 | 337.5 | 3,031.5 | 9,085,245 |
| 2009 | 8.70 | 14.0 | 346.4 | 3,175.7 | 8,575,481 |
| 2010 | 8.10 | 13.2 | 316.4 | 2,951.0 | 7,901,704 |
| 2011 | 8.54 | 12.9 | 368.0 | 3,118.6 | 10,395,866 |

TABLE 5 - WATER RATES (EFFECTIVE OCTOBER 1, 2010)

| | New Rates | |
|---------------------|-------------|--------------|
| | Inside City | Outside City |
| First 1,000 Gallons | \$ 7.25 | \$ 7.25 |
| Over 1,000 Gallons | 4.98 | 4.98 |
| | Old Rates | |
| | Inside City | Outside City |
| First 1,000 Gallons | \$ 7.00 | \$ 7.00 |
| Over 1,000 Gallons | 4.98 | 4.98 |

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TABLE 6 - SEWER RATES (EFFECTIVE OCTOBER 1, 2010)

| | Residential | | | |
|---------------------------------------|----------------|-----------------|----------------|-----------------|
| | New Rates | | Old Rates | |
| | Inside City | Outside City | Inside City | Outside City |
| First 1,000 Gallons | \$ 7.50 | \$ 7.50 | \$ 7.25 | \$ 7.25 |
| Over 1,000 Gallons | 6.27 | 6.27 | 5.84 | 5.84 |
| Residential charges capped at \$64.00 | | | | |
| | Commercial | | | |
| | New Rates | | Old Rates | |
| | Inside City | Outside City | Inside City | Outside City |
| First 1,000 Gallons | \$ 7.50 | \$ 7.50 | \$ 7.25 | \$ 7.25 |
| Over 1,000 Gallons | 6.27 | 6.27 | 5.84 | 5.84 |

TABLE 7 - CAPITAL RECOVERY FEES

As of Sept. 30, 2011 the capital recovery fee funds may be used for capital projects and to pay debt service on projects for which the fee was levied and to date has produced approximately \$14,663,119 for the City:

| | |
|---------------------|-----------------|
| Water Sources | \$ 8,432,994.00 |
| Sewer Sources | 3,575,236.00 |
| Investment Earnings | 2,785,209.00 |

To date, the City has used approximately \$13,321,257 of the funds for water and wastewater projects and has remaining funds of \$1,472,182.

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CITY OF DESOTO, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

| | Fiscal Year Ended September 30, | | | | |
|-------------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Operating Revenues: | | | | | |
| Charges for Services | \$ 16,615,080 | \$ 14,155,822 | \$ 13,704,524 | \$ 13,808,696 | \$ 12,579,614 |
| Interest Income | 23,250 | 24,569 | 24,915 | 42,110 | 173,603 |
| Other | 65,631 | 83,856 | 331,920 | - | - |
| Total Operating Revenues | <u>\$ 16,703,961</u> | <u>\$ 14,264,247</u> | <u>\$ 14,061,359</u> | <u>\$ 13,850,806</u> | <u>\$ 12,753,217</u> |
| Operating Expenses: | | | | | |
| Financial Services | \$ - | \$ - | \$ - | \$ 889,310 | \$ 690,847 |
| Development Services | - | - | - | 7,253,019 | 7,179,997 |
| Personal Services | 1,511,639 | 1,485,294 | 1,492,498 | - | - |
| Water Supply | 3,800,513 | 3,614,715 | 3,522,320 | - | - |
| Wastewater Treatment | 3,084,698 | 3,152,655 | 2,849,550 | - | - |
| Refuse Collection Expenses | - | - | - | - | - |
| Administrative Charges | 1,269,164 | 1,233,677 | 1,444,272 | - | - |
| Contractual Services | 204,717 | 218,916 | 161,151 | - | - |
| Utilities | - | 15,508 | 16,524 | - | - |
| Repairs and Maintenance | 757,852 | 407,854 | 568,054 | - | - |
| Other supplies and Expenses | 261,092 | 115,745 | 192,497 | - | - |
| Insurance Claims and Expenses | - | 33,944 | 12,503 | - | - |
| Nondepartmental Management Services | - | - | - | 2,366,572 | 2,322,128 |
| Total | <u>\$ 10,889,675</u> | <u>\$ 10,278,308</u> | <u>\$ 10,259,369</u> | <u>\$ 10,508,901</u> | <u>\$ 10,192,972</u> |
| Net Available for Debt Service | \$ 5,814,286 | \$ 3,985,939 | \$ 3,801,990 | \$ 3,341,905 | \$ 2,560,245 |
| Water Customers | 16,008 | 15,879 | 15,729 | 12,489 | 15,211 |
| Sewer Customers | 15,118 | 14,946 | 14,822 | 14,553 | 14,365 |

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2011, the City of DeSoto, Texas, has no water and sewer revenue debt outstanding.

TABLE 3 - HISTORICAL WATER CONSUMPTION

| Fiscal Year | Total Number of Pumped Gallons | Average Daily Pumpage | Peak Daily Pumpage |
|----------------|-----------------------------------|--------------------------|-----------------------|
| 2007 | 2,286,115,000 | 6,263,329 | 15,384,000 |
| 2008 | 2,535,513,000 | 7,055,000 | 10,726,000 |
| 2009 | 2,501,192,000 | 8,362,833 | 7,586,750 |
| 2010 | 2,665,008,000 | 7,301,000 | 14,120,000 |
| 2011 | 2,992,123,000 | 8,197,597 | 14,791,000 |

TABLE 4 - TEN LARGEST WATER CUSTOMERS

| Customer | Fiscal 2011 Water Usage Gallons | Percent of Gallons | Fiscal 2011 Water Revenues | Percent of Water Revenue |
|--------------------------------------|---------------------------------|--------------------|----------------------------|--------------------------|
| 1 City of DeSoto | 46,841,000 | 1.85% | \$ 245,586.41 | 2.31% |
| 2 Dynamic Mobile Home Parks I & II | 23,611,000 | 0.93% | 116,083.98 | 1.09% |
| 3 Desoto Independent School District | 21,376,000 | 0.84% | 111,263.35 | 1.04% |
| 5 DeSoto Apartments, LTD | 18,386,000 | 0.72% | 87,483.66 | 0.82% |
| 6 Mt. Vernon Apartments | 18,187,000 | 0.72% | 96,875.46 | 0.91% |
| 7 Williamsburg Village Healthcare | 17,973,000 | 0.71% | 80,737.54 | 0.76% |
| 8 Windsong Place Apt | 17,143,000 | 0.68% | 83,092.71 | 0.78% |
| 9 Wintergreen Place Apartments | 16,759,000 | 0.66% | 83,396.95 | 0.78% |
| 10 TX Kimwood Apt., LP | 15,263,000 | 0.60% | 73,224.68 | 0.69% |
| 4 Creekwood Apartments | 15,110,000 | 0.60% | 73,840.29 | 0.69% |
| | <u>210,649,000</u> | <u>8.30%</u> | <u>\$ 1,051,585.03</u> | <u>9.87%</u> |

TABLE 5 - MONTHLY WATER RATES

| Meter Size | Base Rate (First 1,000 Gallons) |
|------------|------------------------------------|
| | Minimum Charge |
| | Rates Effective October 1, 2010 |
| 3/4" | \$7.93 |
| 1 | 15.07 |
| 1 1/2 | 26.95 |
| 2 | 41.21 |
| 3 | 74.51 |
| 4 | 122.07 |
| 6 | 383.62 |
| 8 | 668.52 |
| 10 | 1,049.41 |
| 12 | 1,287.20 |

Volume Charge: 3.05/1,000 for 0 to 15,000 gallons

Volume Charge: 3.80/1,000 for 15,001 to 30,000 gallons

Volume Charge: 4.55/1,000 for 30,001 and above gallon
(gallons over base rate usage)

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TABLE 6 - MONTHLY SEWER RATES

| Residential | Effective October 1, 2010 |
|---------------------|---|
| First 1,000 gallons | \$6.51 (Minimum) |
| Over 1,000 gallons | 5.12/1,000 gallons 2 months winter average |

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

| | |
|---------------------|---|
| Multi-family | |
| First 1,000 gallons | \$6.51 (Minimum) |
| Over 1,000 gallons | 5.12/1,000 gallons 2 months winter average |

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

| | |
|-----------------------|--------------------|
| Commercial/Industrial | |
| First 1,000 gallons | \$6.51 (Minimum) |
| Over 1,000 gallons | 5.12/1,000 gallons |

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CITY OF DUNCANVILLE, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

| | Fiscal Year Ended September 30, | | | | |
|---------------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Revenues | | | | | |
| Water Sales | \$ 7,231,917 | \$ 6,030,170 | \$ 6,141,467 | \$ 6,562,111 | \$ 5,458,513 |
| Sewer Services | 4,756,780 | 4,775,447 | 4,819,134 | 4,797,385 | 4,571,614 |
| Investment Income | 6,682 | 18,168 | 36,962 | 136,454 | 264,421 |
| Service Fees and Miscellaneous | 328,000 | 309,241 | 234,113 | 690,672 | 735,171 |
| Total Revenues | \$ 12,323,379 | \$ 11,133,026 | \$ 11,231,676 | \$ 12,186,622 | \$ 11,029,719 |
| Expenses | | | | | |
| Water Services | \$ 4,157,419 | \$ 3,973,073 | \$ 3,949,899 | \$ 4,027,089 | \$ 3,955,878 |
| Wastewater Treatment | 3,760,371 | 4,224,424 | 3,076,415 | 4,852,065 | 3,728,710 |
| Administration and Fiscal | 1,150,797 | 1,151,122 | 1,142,836 | 1,100,227 | 1,191,859 |
| Total Expenses | \$ 9,068,587 | \$ 9,348,619 | \$ 8,169,150 | \$ 9,979,381 | \$ 8,876,447 |
| Net Available for Debt Service | \$ 3,254,792 | \$ 1,784,407 | \$ 3,062,526 | \$ 2,207,241 | \$ 2,153,272 |
| Water Customers | 12,269 | 12,254 | 12,262 | 12,242 | 12,202 |
| Sewer Customers | 11,059 | 11,045 | 11,048 | 11,033 | 10,795 |

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2011, the City has no outstanding Waterworks and Sewer System Revenue Debt.

TABLE 3 - REVENUE BONDS AUTHORIZED BUT UNISSUED

| Election Date | Purpose | Amount Authorized | Issued to Date | Unissued ⁽¹⁾ |
|------------------|------------|----------------------|---------------------|-------------------------|
| 6/26/1965 | Water | \$ 1,160,000 | \$ 964,000 | \$ 196,000 |
| 6/26/1965 | Sewer Impr | 935,000 | 341,000 | 594,000 |
| 11/20/1971 | Sewer Impr | 1,071,000 | 868,000 | 203,000 |
| Total | | \$ 3,166,000 | \$ 2,173,000 | \$ 993,000 |

- (1) It is unlikely that bonds authorized for Water and Sewer improvements will be issued due to the age of the authorizations and the utilization of revenue bonds for these improvements. The City has received advice from Bond Counsel that bonds authorized November 20, 1971 for the City Hall and Police Station Building not be issued due to a change in circumstances under which the authorization was voted.

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TABLE 4 - HISTORICAL WATER CONSUMPTION

| <u>Fiscal Year Ended 30-Sep</u> | <u>Average Daily Usage in Gallons</u> | <u>Peak Daily Usage in Gallons</u> | <u>Total Water Treated and Purchased</u> |
|---|---|--|--|
| 2007 | 4,613 | 7,669 | 1,683,823 |
| 2008 | 5,428 | 9,691 | 1,981,207 |
| 2009 | 4,890 | 8,719 | 1,784,846 |
| 2010 | 4,729 | 8,520 | 1,726,380 |
| 2011 | 5,750 | 9,500 | 1,789,753 |

TABLE 5 - TOP TEN CUSTOMERS

| <u>Customer</u> | <u>FYE 2011 Water Usage Gallons</u> | <u>Water Revenue</u> |
|-----------------------------------|---|--------------------------|
| Duncanville ISD | 38,927,000 | \$ 211,996 |
| Wimberley Park Apartments | 33,506,000 | 129,979 |
| C.H. Guenther & Son | 23,484,000 | 92,480 |
| Heartland Realty Investors Inc | 13,871,000 | 54,575 |
| Vista Ridge Apartments | 16,009,000 | 62,374 |
| Colonial Village at Main Park | 18,500,000 | 70,975 |
| Center Ridge Apartments | 21,484,000 | 83,785 |
| ICAP Westwood Townhomes | 8,200,000 | 31,986 |
| La Mexicana Tortilla Factory Inc. | 7,045,000 | 27,612 |
| 1402 Acton Lp DBA Candlelight | 9,848,000 | 38,469 |
| Total | <u>190,874,000</u> | <u>\$ 804,231</u> |

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TABLE 6 - WATER RATES (EFFECTIVE OCTOBER 1, 2011)**Residential** ⁽¹⁾

\$7.00 First 1000 Gallons (minimum charge).
 \$2.81 per 2,000 to 7,000 gallons usage
 \$3.63 per 8,000 to 15,000 gallons usage
 \$4.47 per 16,000 to 30,000 gallons usage
 \$5.30 per 31,000 and above gallons usage

Irrigation

\$7.00 First 1000 Gallons (minimum charge).
 \$2.88 per 2,000 to 7,000 gallons usage
 \$3.73 per 8,000 to 15,000 gallons usage
 \$4.57 per 16,000 to 30,000 gallons usage
 \$5.40 per 31,000 and above gallons usage

Apartments & Multi Family

\$7.00 First 1000 Gallons (minimum charge).
 \$2.53 per 2,000 to 7,000 gallons usage
 \$3.30 per 8,000 to 15,000 gallons usage
 \$4.07 per 16,000 to 30,000 gallons usage
 \$4.07 per 31,000 and above gallons usage

Commercial

\$7.00 First 1000 Gallons (minimum charge).
 \$2.53 per 2,000 to 7,000 gallons usage
 \$3.30 per 8,000 to 15,000 gallons usage
 \$4.07 per 16,000 to 30,000 gallons usage
 \$4.07 per 31,000 and above gallons usage

Schools

\$7.00 First 1000 Gallons (minimum charge).
 \$4.10 per 2,000 to 7,000 gallons usage
 \$4.85 per 8,000 to 15,000 gallons usage
 \$5.60 per 16,000 to 30,000 gallons usage
 \$6.35 per 31,000 and above gallons usage

Municipal

\$7.00 First 1000 Gallons (minimum charge).
 \$4.85 per 2,000 to 7,000 gallons usage
 \$5.60 per 8,000 to 15,000 gallons usage
 \$6.35 per 16,000 to 30,000 gallons usage
 \$7.10 per 31,000 and above gallons usage

(1) Residential rates are determined by meter readings / consumption based on billing for January, February, and March.

TABLE 7 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2011)

| User Class | Monthly Charge | |
|----------------------------|--------------------------|--|
| | <u>Fixed Rate</u> | <u>Variable Rate</u> |
| Residential ⁽¹⁾ | \$9.02 | \$3.85/1000 gallons (Max 20,000 gallons) |
| Multi-Family | \$4.25/Unit | \$4.33/1000 gallons@90% |
| Commercial | \$4.25/Connection | \$4.33/1000 gallons@85% |
| Schools | \$4.25/Connection | \$4.33/1000 gallons@85% |
| Municipal | \$4.25/Connection | \$4.33/1000 gallons@85% |

(1) Residential rates are determined by meter readings / consumption based on billing for January, February and March.

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CITY OF FERRIS, TEXAS

TABLE 1- WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

| | Fiscal Year Ended September 30, | | | | |
|--------------------------------|---------------------------------|--------------|------------|-------------|-----------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Income: | \$ 1,152,830 | \$ 1,055,769 | \$ 961,155 | \$882,574 | \$856,101 |
| Expenses: | | | | | |
| Payment to TRA | \$ 187,966 | \$ 184,067 | \$ 188,691 | \$184,219 | \$168,360 |
| Other | 674,950 | 605,307 | 640,110 | 785,913 | 664,620 |
| Total Expenses | \$ 862,916 | \$ 789,374 | \$ 828,801 | \$970,132 | \$832,980 |
| Net Available for Debt Service | \$ 289,914 | \$ 266,395 | \$ 132,354 | \$ (87,558) | \$ 23,121 |
| Water Customers | 976 | 970 | 969 | 950 | 957 |
| Sewer Customers | 881 | 880 | 870 | 849 | 855 |

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2011, the City of Ferris, Texas has no waterworks and sewer system revenue debt outstanding.

TABLE 3 - REVENUE BONDS AUTHORIZED BUT UNISSUED

As of September 30, 2011, the City has no authorized but unissued revenue bonds.

TABLE 4 - HISTORICAL WATER USE

| Fiscal Year | Water Sold | Average Daily Pumped | Peak Daily Pumped |
|----------------|-------------|----------------------------|----------------------|
| 2007 | 101,621,500 | 273,507 | 713,000 |
| 2008 | 95,966,500 | 300,290 | 713,000 |
| 2009 | 98,075,900 | 329,500 | 704,000 |
| 2010 | 101,253,800 | 308,025 | 714,000 |
| 2011 | 116,071,000 | 358,953 | 957,000 |

(Remainder of page intentionally left blank.)

TABLE 5 - TEN LARGEST WATER CUSTOMERS

| Customers | Fiscal 2011 Water Usage In Gallons | Estimated % of Total Water Usage |
|--------------------------|--|--|
| Ferris Housing Authority | 531,900 | 0.46% |
| Ferris ISD | 469,900 | 0.40% |
| ATCO Holding Corp | 452,500 | 0.39% |
| EHS - Loc # 6 | 430,900 | 0.37% |
| EHS - Loc # 6 | 411,900 | 0.35% |
| City of Ferris | 400,400 | 0.34% |
| McDonald Elementary | 356,900 | 0.31% |
| EHS - Loc # 9 | 339,800 | 0.29% |
| EHS - Loc # 9 | 319,000 | 0.27% |
| Ferris Elementary | 300,700 | 0.26% |
| Total | 4,013,900 | 3.46% |

TABLE 6 - MONTHLY WATER RATES (EFFECTIVE SEPTEMBER, 2009)

| Commercial | |
|------------------------------|--------------------------|
| First 2,000 gallons | \$20.00 (Minimum) |
| Over 2,000 gallons | \$4.16 per 1,000 gallons |
| Residential and Multi-Family | |
| First 2,000 Gallons | \$20.00 (Minimum) |
| 2,001 to 12,000 Gallons | \$4.16 per 1,000 gallons |
| 12,001 to 42,000 Gallons | \$5.31 per 1,000 gallons |
| 42,001 and above Gallons | \$6.47 per 1,000 gallons |
| Fire Hydrant Meter | |
| Base | \$51.000 (Minimum) |
| | \$4.16 per 1,000 gallons |

TABLE 7 - MONTHLY SEWER RATES (EFFECTIVE SEPTEMBER 2009)

| User Class | Fixed Rate | Variable Rate |
|--------------|---------------------------|---|
| Residential | \$20.00 per living unit + | \$3.60 per 1,000 gal. or portion thereof. |
| Multi-Family | \$20.00 per living unit + | \$3.60 per 1,000 gal. or portion thereof. |
| Commercial | \$20.00 per living unit + | \$3.60 per 1,000 gal. or portion thereof. |

CITY OF LANCASTER, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

| | Fiscal Year Ended September 30, | | | | |
|--|---------------------------------|--------------|--------------|--------------|-----------------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Operating Revenues | \$11,379,128 | \$10,816,530 | \$10,752,836 | \$ 9,505,771 | \$ 9,109,409 |
| Direct Operating Expenses ⁽¹⁾ | \$ 7,742,007 | \$ 8,295,335 | \$ 7,826,412 | \$ 8,407,574 | \$ 7,779,519 |
| Net Available for Debt Service | \$ 3,637,121 | \$ 2,521,195 | \$ 2,926,424 | \$ 1,098,197 | \$ 1,329,890 ⁽²⁾ |
| Water Customers | 11,759 | 10,975 | 10,833 | 10,718 | 9,547 |
| Sewer Customers | 11,355 | 9,600 | 9,501 | 9,401 | 9,213 |

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

(2) Due to excessively wet weather in Texas during fiscal year 2007, the City's water and sewer fund did not generate sufficient revenues to offset debt service expenditures. The City raised water and sewer rates effective February 2008 and also plans to utilize available net working capital to cover revenue bond debt service as well as general obligation bond debt service supported by water and sewer revenues.

TABLE 2 - COVERAGE AND FUND BALANCES

| | |
|---|------------|
| Average Annual Principal and Interest Requirements, 2012-2015 | \$ 105,687 |
| Coverage of Average Requirements by 09/30/11 Net Income | 34.41x |
| Maximum Principal and Interest Requirements, 2014 | \$ 105,873 |
| Coverage of Maximum Requirements by 09/30/11 Net Income | 34.35x |
| Waterworks and Sewer System Revenue Bonds Outstanding, 09/30/11 | \$ 370,000 |
| Interest and Sinking Fund, 9/30/11 ⁽¹⁾ | \$ - |
| Reserve Fund, 9/30/11 ⁽¹⁾ | \$ - |

(1) A separate fund was not set up for the bond. Debt service payments are budgeted and paid directly from the Water/Wastewater Fund.

TABLE 3 - WATER USAGE

| Fiscal Year 9/30 | Total Water Consumption | Average Daily Pumpage | Peak Day Capacity |
|------------------------|----------------------------|-----------------------------|-------------------------|
| 2007 | 1,525,000,000 | 4,178,000 | 7,050,000 |
| 2008 | 1,659,380,000 | 4,546,250 | 7,195,000 |
| 2009 | 1,684,396,000 | 4,614,874 | 7,250,000 |
| 2010 | 1,540,000,000 | 4,219,180 | 7,050,000 |
| 2011 | 1,693,001,000 | 5,000,000 | 8,100,000 |

TABLE 4 - TEN LARGEST WATER CUSTOMERS

| Customer | Fiscal 2011 Water Usage in Gallons | Estimated % of Total Water Usage | Revenues Received |
|--|--|--|----------------------|
| Lancaster MUD #1 | 27,575,200 | 1.63% | \$ 115,238 |
| Hunter's Creek /River Bend Apartments | 23,974,200 | 1.42% | 68,481 |
| Lancaster ISD | 23,191,400 | 1.37% | 39,501 |
| Hunter's Creek Apartments | 21,912,100 | 1.29% | 117,650 |
| MEA Texas Lancaster, LTD (Rolling Hills Apts) | 18,917,600 | 1.12% | 102,380 |
| Portofino Apartments | 10,514,600 | 0.62% | 118,958 |
| Pleasant Creek Corner Apartments | 8,981,800 | 0.53% | 49,725 |
| Creekwood Apartments | 8,059,000 | 0.48% | 45,913 |
| S.B.C. | 7,569,800 | 0.45% | 43,896 |
| Villas of Lancaster | 6,387,400 | 0.38% | 76,051 |
| | <u>157,083,100</u> | <u>9.28%</u> | <u>\$ 777,793</u> |

TABLE 5 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2009)

| Meter Size: | Minimum Monthly Meter Charge: |
|-------------------|-------------------------------------|
| 3/4 or 5/8" Meter | \$ 19.60 |
| 1" Meter | \$ 49.00 |
| 1 1/2" Meter | \$ 98.00 |
| 2" Meter | \$ 156.80 |
| 3" Meter | \$ 313.60 |
| 4" Meter | \$ 490.00 |
| 6" Meter | \$ 980.00 |
| 8" Meter | \$ 1,568.00 |
| 10" Meter | \$ 2,450.00 |

TABLE 6 - WASTEWATER TREATED

| Fiscal Year 9/30 | Total Usage (1,000 Gallons) | Daily Average Gallons | Monthly Average |
|------------------------|--------------------------------|-----------------------------|--------------------|
| 2007 | 700,400 | 1,918,900 | 58,406,520 |
| 2008 | 736,028 | 2,016,500 | 61,377,220 |
| 2009 | 814,796 | 2,232,300 | 67,945,630 |
| 2010 | 745,000 | 2,041,100 | 62,083,333 |
| 2011 | 1,375,685 | 3,769,000 | 114,640,417 |

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TABLE 7 - TEN LARGEST WASTEWATER CUSTOMERS

| Customer | Fiscal 2011 Consumption | Revenues Received |
|--|----------------------------|----------------------|
| MEA Texas Lancaster, Ltd. DBA, Rolling Hills | 22,594,097 | \$ 155,000 |
| Pleasant Run Apartments, LLC | 17,858,900 | 117,376 |
| Hunters Creek Apartments | 11,951,800 | 89,591 |
| Portofino Apartments | 10,595,100 | 86,422 |
| Lancaster Independent School District | 10,395,900 | 57,441 |
| Pleasant Creek Corner Apartments | 9,656,699 | 62,871 |
| Rosemont of Lancaster | 8,398,600 | 66,696 |
| CJ Meadows LLC | 8,076,400 | 52,484 |
| River Bend Apartments | 6,646,800 | 48,653 |
| Villas of Lancaster | 6,183,200 | 41,936 |
| | <u>112,357,496</u> | <u>\$ 778,471</u> |

TABLE 8 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2011)Residential Rates

\$14.10 (Minimum Charge)

Plus \$7.25 per 1,000 gallons

Multi-Family

\$7.25 (Minimum Charge)

Plus \$7.25 per 1,000 gallons

Commercial Rates

\$14.10 (Minimum Charge)

Plus \$7.25 per 1,000 gallons

Industrial Rate

\$14.10 (Minimum Charge)

Plus \$7.25 per 1,000 gallons

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APPENDIX C
CERTAIN FINANCIAL AND OPERATING DATA
OF
TEN MILE CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

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**TEN MILE CREEK
REGIONAL WASTEWATER
SYSTEM
ENTERPRISE FUND**

TRINITY RIVER AUTHORITY OF TEXAS
TEN MILE CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

STATEMENT OF NET ASSETS
NOVEMBER 30, 2011

ASSETS

CURRENT ASSETS:

| | | | |
|--|--|----|------------------|
| Cash (Note 1) | | \$ | 300 |
| Equity in Pooled Cash and Investments (Note 1) | | | 1,999,174 |
| Accounts Receivable - Contracting Parties | | | 1,660,713 |
| Prepays and Other Assets | | | 81,908 |
| Due to Construction Fund | | | (806,025) |
| Total Current Assets | | | <u>2,936,070</u> |

RESTRICTED ASSETS (Note 1):

| | | | |
|---------------------------------------|----|----------------|------------|
| Interest and Sinking Fund: | | | |
| Equity in Pooled Cash and Investments | \$ | 4,225,915 | |
| Reserve Fund: | | | |
| Equity in Pooled Cash and Investments | | 7,033,829 | |
| Contingency Fund: | | | |
| Equity in Pooled Cash and Investments | | 250,000 | |
| Construction Fund: | | | |
| Equity in Pooled Cash and Investments | \$ | 27,756,946 | |
| Money Market Fund | | 25,222,527 | |
| Accounts Receivable | | 2,077 | |
| Due from Current Assets | | <u>806,025</u> | 53,787,575 |
| Total Restricted Assets | | | 65,297,319 |

CAPITAL ASSETS (Notes 3 and 6):

| | | | |
|--------------------------|---------------------|-------------------|--|
| Land and Easements | | 4,375,560 | |
| Sewage System | 125,540,186 | | |
| Accumulated Depreciation | <u>(46,629,090)</u> | 78,911,096 | |
| Machinery and Equipment | 1,647,472 | | |
| Accumulated Depreciation | <u>(1,162,950)</u> | 484,522 | |
| Construction-in-Progress | | <u>17,157,322</u> | |

Total Capital Assets - Net 100,928,500

DEFERRED CHARGES - Unamortized Bond Expense 2,746,069

TOTAL ASSETS 171,907,958

LIABILITIES**CURRENT LIABILITIES:****Payable from Current Assets:**

| | | | |
|--|----|---------|------------|
| Accounts Payable and Accrued Expenses | \$ | 350,142 | |
| Accounts Payable - Contracting Parties | | 216,599 | |
| Due to Other Authority Funds (Note 7) | | 67,675 | \$ 634,416 |

Payable from Restricted Assets:

| | | | |
|---|--|-----------|------------------|
| Accounts and Retainage Payable | | 2,239,492 | |
| Revenue Bonds - Current Maturities (Note 4) | | 3,390,000 | |
| Accrued Interest on Bonds Payable | | 1,222,784 | 6,852,276 |
| Total Current Liabilities | | | <u>7,486,692</u> |

LONG-TERM DEBT:

| | | | |
|---|--|-------------|--------------------|
| Revenue Bonds, Less Current Maturities (Note 4) | | 118,185,000 | |
| Unamortized Bond Premium (Discount) | | 97,815 | |
| Deferred Amount on Refunding | | (302,154) | |
| Accounts Payable and Accrued Expenses | | 77,668 | |
| Total Long-Term Debt - Net | | | <u>118,058,329</u> |

TOTAL LIABILITIES125,545,021**NET ASSETS**

| | | | |
|---|----------------|------------------|--|
| Invested in Capital Assets, Net of Related Debt | | 33,851,991 | |
| Restricted for: | | | |
| Debt Service | 10,036,961 | | |
| Other Purposes | <u>250,000</u> | 10,286,961 | |
| Unrestricted | | <u>2,223,985</u> | |

TOTAL NET ASSETS\$ 46,362,937

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

TRINITY RIVER AUTHORITY OF TEXAS
TEN MILE CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

EXHIBIT 9-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED NOVEMBER 30, 2011

OPERATING REVENUE (Note 2):

Sewage Service Contract Charges:

| | |
|-------------------------|-------------------|
| Duncanville | \$ 2,525,435 |
| Cedar Hill | 2,671,755 |
| Lancaster | 3,590,812 |
| Ferris | 198,093 |
| DeSoto | <u>3,100,112</u> |
| Total Operating Revenue | <u>12,086,207</u> |

OPERATING EXPENSES:

| | |
|----------------------------|------------------|
| Personal Services | \$ 1,598,961 |
| Supplies | 642,193 |
| Other Services and Charges | 3,323,531 |
| Depreciation | <u>3,542,088</u> |
| Total Operating Expenses | <u>9,106,773</u> |

OPERATING INCOME **2,979,434**

NON-OPERATING REVENUE (EXPENSES):

| | |
|---|--------------------|
| Investment Income | 216,245 |
| Miscellaneous Income | 2,067 |
| Interest Expense | (2,185,636) |
| Paying Agent Fees | (1,671) |
| SEC Disclosure Fees | (12,250) |
| Amortization of Bond Sale Expense | <u>(132,874)</u> |
| Total Non-Operating Revenue (Expense) - Net | <u>(2,114,119)</u> |

INCOME BEFORE CONTRIBUTIONS AND TRANSFERS **865,315**

CONTRIBUTIONS (Note 9) **1,363,984**

TRANSFERS IN (Note 8) **14,630**

CHANGE IN NET ASSETS **2,243,929**

NET ASSETS - DECEMBER 1, 2010 **44,119,008**

NET ASSETS - NOVEMBER 30, 2011 **\$ 46,362,937**

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

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TRINITY RIVER AUTHORITY OF TEXAS
TEN MILE CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|---|------------------|--------------|
| Cash Received from Customers | \$ 9,976,888 | |
| Cash Received from Other Funds for Services | 12,023 | |
| Cash Payments to Suppliers for Goods and Services | (3,169,102) | |
| Cash Payments for Employee Services | (1,590,632) | |
| Cash Payments to Other Funds for Services | <u>(698,692)</u> | |
| Net Cash Provided by Operating Activities | | \$ 4,530,485 |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

| | | |
|---|--------------|-----------|
| Contributions | 1,363,984 | |
| Transfer from Other Authority Funds | 14,630 | |
| Other Cash Receipts | <u>2,067</u> | |
| Net Cash Provided by Non-Capital Financing Activities | | 1,380,681 |

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

| | | |
|---|-----------------|-----------|
| Principal Paid on Revenue Bond Maturities | (3,265,000) | |
| Interest Paid on Revenue Bonds and Related Fees | (3,448,135) | |
| Acquisition and Construction of Capital Assets | (10,532,517) | |
| Proceeds from Issuance of Bonds | 27,197,040 | |
| Bond Sale Expenses Paid | (238,010) | |
| Paying Agent Fees | (1,671) | |
| SEC Disclosure Fees | <u>(12,250)</u> | |
| Net Cash Provided by Capital and Related Financing Activities | | 9,699,457 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|-------------------------------------|----------------|--|
| Cash Received for Investment Income | <u>216,245</u> | |
|-------------------------------------|----------------|--|

NET INCREASE IN CASH AND CASH EQUIVALENTS **15,826,868**

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR **50,661,823**

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$ 66,488,691**

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

| | | |
|------------------|--|--------------|
| Operating Income | | \$ 2,979,434 |
|------------------|--|--------------|

Adjustments to Reconcile Operating Income to Net**Cash Provided by Operating Activities:**

| | | |
|--------------|--------------|--|
| Depreciation | \$ 3,542,088 | |
|--------------|--------------|--|

Change in Assets and Liabilities:

| | | |
|---|-------------|--|
| Accounts Receivable - Contracting Parties | (1,633,359) | |
|---|-------------|--|

| | | |
|--------------------------|---------|--|
| Prepays and Other Assets | (3,013) | |
|--------------------------|---------|--|

| | | |
|---------------------------------------|---------|--|
| Accounts Payable and Accrued Expenses | 109,272 | |
|---------------------------------------|---------|--|

| | | |
|--|-----------|--|
| Accounts Payable - Contracting Parties | (475,960) | |
|--|-----------|--|

| | | |
|------------------------------|--------|--|
| Due to Other Authority Funds | 12,023 | |
|------------------------------|--------|--|

| | | |
|-------------------|--|------------------|
| Total Adjustments | | <u>1,551,051</u> |
|-------------------|--|------------------|

| | | |
|---|--|---------------------|
| Net Cash Provided by Operating Activities | | <u>\$ 4,530,485</u> |
|---|--|---------------------|

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:

| | |
|---------------------------------------|-------------|
| Amortization of Bond Premium/Discount | \$ (21,897) |
|---------------------------------------|-------------|

| | |
|--|--------|
| Amortization of Deferred Amount on Refunding | 46,727 |
|--|--------|

| | |
|---|---------|
| Change in Liabilities Related to Capital Assets | 621,056 |
|---|---------|

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

TRINITY RIVER AUTHORITY OF TEXAS
TEN MILE CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2011

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 Cedar Hill, DeSoto, Duncanville, Ferris and Lancaster, Texas ("Cities") whereby the Authority agreed to sell its bonds for the purpose of constructing facilities to provide for transportation, treatment and disposal services for sewage. The Cities have agreed to pay the Authority for operation and maintenance of the facilities and the debt service for its outstanding bonds - See Note 4.

Bonded debt for which the Cities have agreed to pay consists of revenue bonds that are secured by and payable from net revenues of the fund. Specifically, net revenues from contracts between the Authority and the Cities 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, 2011, debt service of \$6,828,208 was secured by pledged revenues of \$6,534,040, escrowed cash of \$245,693, and interest income earned on accounts restricted for debt service of \$48,475. The pledge continues for the life of the bond.

3. Capital Asset activity and the related changes in accumulated depreciation for the year ended November 30, 2011 are as follows:

| | <u>Balance</u> <u>December 1, 2010</u> | <u>Additions</u> <u>and Transfers</u> | <u>Deletions</u> <u>and Transfers</u> | <u>Balance</u> <u>November 30, 2011</u> |
|--------------------------|---|--|--|--|
| Land and Easements | \$ 3,537,270 | \$ 838,290 | | \$ 4,375,560 |
| Sewage System | 125,784,004 | 558,431 | \$ (802,249) | 125,540,186 |
| Accumulated Depreciation | (43,264,895) | (3,364,195) | | (46,629,090) |
| Machinery and Equipment | 1,614,011 | 33,461 | | 1,647,472 |
| Accumulated Depreciation | (985,057) | (177,893) | | (1,162,950) |
| Construction-in-Progress | <u>5,429,629</u> | <u>12,400,111</u> | <u>(672,418)</u> | <u>17,157,322</u> |
| Total | <u>\$ 92,114,962</u> | <u>\$ 10,288,205</u> | <u>\$ (1,474,667)</u> | <u>\$ 100,928,500</u> |

4. The outstanding bonds of the Ten Mile Creek Regional Wastewater System Enterprise Fund as of November 30, 2011 are comprised of the following:

| <u>Series</u> | <u>Outstanding Principal Amount</u> | <u>Interest Rates</u> |
|------------------------------|---|-----------------------|
| Ten Mile Creek System | | |
| Revenue Bonds: | | |
| Series 2003A | \$ 5,760,000 | 4.50% - 5.00% |
| Series 2006 | 15,270,000 | 4.00% - 5.25% |
| Series 2007 | 42,005,000 | 2.70% - 3.50% |
| Series 2010 Refunding | 7,440,000 | 2.00% - 4.00% |
| Series 2010 | 23,410,000 | 0.60% - 4.25% |
| Series 2011 | <u>27,690,000</u> | 0.00% - 3.4% |
| Total | \$ <u>121,575,000</u> | |

Changes in the long-term debt during the year ended November 30, 2011 were as follows:

| <u>Series</u> | <u>Balance December 1, 2010</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance November 30, 2011</u> | <u>Current Portion</u> |
|----------------|-------------------------------------|-----------------------------|----------------------------|--------------------------------------|----------------------------|
| 2003 | \$ 285,000 | | \$ 285,000 | NIL | |
| 2003A | 6,055,000 | | 295,000 | \$ 5,760,000 | \$ 50,000 |
| 2006 | 15,775,000 | | 505,000 | 15,270,000 | 525,000 |
| 2007 | 43,880,000 | | 1,875,000 | 42,005,000 | 1,930,000 |
| 2010 Refunding | 7,745,000 | | 305,000 | 7,440,000 | 865,000 |
| 2010 | 23,410,000 | | NIL | 23,410,000 | 15,000 |
| 2011 | NIL | \$ 27,690,000 | NIL | 27,690,000 | 5,000 |
| | <u>97,150,000</u> | <u>27,690,000</u> | <u>3,265,000</u> | <u>121,575,000</u> | <u>3,390,000</u> |
| Arbitrage | | | | | |
| Liability | 156,373 | | 145,673 | 10,700 | |
| Compensated | | | | | |
| Absences | <u>152,725</u> | <u>73,772</u> | <u>70,738</u> | <u>155,759</u> | <u>78,091</u> |
| Total | \$ <u>97,459,098</u> | \$ <u>27,763,772</u> | \$ <u>3,481,411</u> | \$ <u>121,741,459</u> | \$ <u>3,468,091</u> |

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

Each series matures serially, generally in graduated amounts. Annual debt service requirements to maturity, including interest, for each series are set forth in Exhibit 49 and are summarized as follows:

| <u>Year Ending November 30</u> | <u>Interest</u> | <u>Principal</u> |
|------------------------------------|----------------------|-----------------------|
| 2012 | \$ 3,936,917 | \$ 3,390,000 |
| 2013 | 3,970,922 | 3,515,000 |
| 2014 | 3,866,072 | 3,625,000 |
| 2015 | 3,752,393 | 5,205,000 |
| 2016 | 3,615,997 | 5,355,000 |
| 2017-2021 | 15,653,911 | 29,595,000 |
| 2022-2026 | 10,263,065 | 35,500,000 |
| 2027-2031 | 4,458,218 | 22,510,000 |
| 2032-2036 | <u>1,236,337</u> | <u>12,880,000</u> |
| Total | \$ <u>50,753,832</u> | \$ <u>121,575,000</u> |

On October 7, 2011, the Authority issued \$27,690,000 of Ten Mile Creek Regional Wastewater System Revenue Bonds Series 2011 for the purpose of improving existing plant facilities, providing additional interceptor capacity, and paying costs of issuance. The bonds bear interest at a rate of 0.0% to 3.4% per annum and mature serially on August 1 of each year.

5. The Ten Mile Creek Regional Wastewater System construction program includes various projects to construct and improve plant facilities. At November 30, 2011, the Authority was committed under construction contracts for \$39,759,959 of which \$30,583,155 has been incurred, and committed under engineering contracts for \$12,174,819 of which \$5,870,402 has been incurred.
6. The Authority capitalized interest in 2011 in connection with construction in the Ten Mile Creek Regional Wastewater System. The net interest capitalized for the year in connection with this project was \$1,360,735.
7. As of November 30, 2011, Ten Mile Creek Regional Wastewater System owed Central Regional Wastewater System \$67,675 for lab services.
8. In 2011, Ten Mile Creek Regional Wastewater System received a transfer of \$14,630 from Risk Retention Fund as a rebate of insurance premiums.
9. The Ten Mile Creek Regional Wastewater System recognized a \$1,363,984 contribution receivable from the Texas Department of Transportation to compensate the System for the cost of relocating a sewer line to accommodate the expansion of roadway right-of-way.

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TRINITY RIVER AUTHORITY OF TEXAS
TEN MILE CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

SCHEDULE OF EXPENSES - BUDGETED AND ACTUAL
YEAR ENDED NOVEMBER 30, 2011

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL |
|---|--------------------|-----------------|--------------|
| SEWAGE TREATMENT: | | | |
| Personal Services: | | | |
| Salaries | \$ 1,151,430 | \$ 1,162,030 | \$ 1,140,589 |
| Payroll Taxes - FICA | 88,080 | 88,280 | 85,693 |
| Employee Benefit - Health/Life Insurance | 227,790 | 227,790 | 227,787 |
| Employee Benefit - Pension | 126,860 | 116,060 | 115,059 |
| Unemployment Compensation | 2,000 | 2,000 | |
| Employee Recognition Program | 16,140 | 23,440 | 23,215 |
| Employee Benefit - Education | 3,600 | 6,700 | 6,618 |
| Total | 1,615,900 | 1,626,300 | 1,598,961 |
| Supplies: | | | |
| Office Supplies | 6,700 | 6,700 | 6,078 |
| Dues and Subscriptions | 13,000 | 13,000 | 10,549 |
| Fees - Other Than Dues and Subscriptions | 103,420 | 106,420 | 105,273 |
| Maintenance and Operating Supplies | 49,000 | 78,000 | 72,108 |
| Laboratory Supplies | 20,600 | 23,600 | 22,670 |
| Process Chemicals and Supplies | 375,460 | 355,160 | 354,285 |
| Fuel, Oil and Lubricants | 29,460 | 36,660 | 36,208 |
| Instrumentation Maintenance & Supplies | 11,700 | 29,700 | 27,593 |
| Computer Software, Lic. & Instr. Supplies | 8,400 | 8,400 | 7,429 |
| Total | 617,740 | 657,640 | 642,193 |
| Other Services and Charges: | | | |
| Auditing | 34,130 | 34,130 | 34,000 |
| Engineering | 78,000 | 78,000 | 46,914 |
| Legal | 2,000 | 2,000 | |
| Outside Services | 42,070 | 43,070 | 42,773 |
| Other Professional Services | 139,200 | 30,550 | 9,585 |
| IT Support Services | 58,710 | 58,810 | 58,770 |
| Telephone and Telemetering | 29,650 | 34,850 | 31,911 |
| Postage | 500 | 1,900 | 1,351 |
| Printing and Binding | 700 | 700 | 366 |
| Insurance | 53,220 | 53,220 | 53,110 |
| Travel | 2,450 | 2,450 | 1,139 |
| Laundry, Uniforms and Ind. Equipment | 9,580 | 9,580 | 8,050 |
| Training | 8,700 | 10,200 | 10,015 |
| Utilities | 2,700 | 18,700 | 17,283 |
| Power | 1,188,330 | 818,030 | 786,070 |
| Repairs and Maintenance - Collection | 154,200 | 190,200 | 168,899 |
| Repairs and Maintenance - Equipment | 22,100 | 32,750 | 31,443 |
| Repairs and Maintenance - Plant & Bldgs. | 91,700 | 162,200 | 149,621 |
| Repairs and Maintenance - Vehicles | 4,400 | 7,400 | 5,892 |
| Total Forward | 1,922,340 | 1,588,740 | 1,457,192 |

EXHIBIT 9-5

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL |
|--|----------------------|----------------------|----------------------|
| Total Forward | \$ 1,922,340 | \$ 1,588,740 | \$ 1,457,192 |
| Repairs and Maintenance - Electrical | 65,000 | 98,300 | 92,041 |
| Off-site Sludge Disposal | 855,250 | 1,105,250 | 1,051,825 |
| Rent - Machinery and Equipment | 33,500 | 33,500 | 23,781 |
| Interfund Services and Charges | 452,600 | 452,600 | 352,492 |
| Administrative Overhead | 346,200 | 346,200 | 346,200 |
| Total | 3,674,890 | 3,624,590 | 3,323,531 |
| TOTAL OPERATING EXPENSES EXCLUSIVE OF DEPRECIATION AND AMORTIZATION | 5,908,530 | 5,908,530 | 5,564,685 |
| DEBT SERVICE: | | | |
| Bond Principal Payments | 3,265,000 | 3,265,000 | 3,265,000 |
| Interest on Long-Term Debt* | 3,295,990 | 3,295,990 | 3,275,848 |
| Paying Agent Fees | 3,410 | 3,410 | 1,671 |
| SEC Disclosure Fees | 12,250 | 12,250 | 12,250 |
| TOTAL DEBT SERVICE | 6,576,650 | 6,576,650 | 6,554,769 |
| TOTAL | \$ 12,485,180 | \$ 12,485,180 | \$ 12,119,454 |

* For Interest on Long-Term Debt, amounts represent interest expense net of amount paid from escrow and excludes amortization of bond premium/discount and deferred amount on refunding.

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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 TEN MILE CREEK SYSTEM REVENUE
REFUNDING BONDS, SERIES 2012, DATED AUGUST 1, 2012, IN THE PRINCIPAL AMOUNT
OF \$5,850,000

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 (the "Bond Resolution").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Number 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 laws applicable to the Issuer relating to federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, which rights may be limited by general principles of equity which permit the exercise of judicial discretion, (i) the covenants and agreements in the Resolution constitute valid and binding obligations of the Issuer, and the Bonds constitute valid and legally binding special obligations of the Issuer, which, together with other parity bonds, are secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined in the Bond Resolution, which include the "Net Revenues of the System", as defined in the Bond Resolution, and include amounts received by the Issuer pursuant to the "Ten Mile Creek Regional Wastewater System Contract" dated December 1, 1983, among the Issuer and the Cities of Cedar Hill, De Soto, Duncanville, Ferris, and Lancaster, Texas (the "Contracting Cities"), and (ii) said Ten Mile Creek Regional Wastewater System Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with its terms and provisions.

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

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

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised from taxes levied by the Issuer or from any source whatsoever other than specified in the Bond Resolution.

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

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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Contracting Cities, or the adequacy of the Pledged Revenues, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and sufficiency of the Pledged Revenues. Our role in connection with the Issuer's offering document prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

Respectfully,

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