



(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated September 28, 2011

**Ratings:
S&P: "AA"
See ("Other Information - Ratings" herein)**

NEW ISSUE - Book-Entry-Only

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

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

\$9,655,000

**TRINITY RIVER AUTHORITY OF TEXAS
DENTON CREEK REGIONAL WASTEWATER TREATMENT SYSTEM
REVENUE REFUNDING BONDS, SERIES 2011**

Dated Date: September 15, 2011

Due: February 1, as shown on Page ii

Interest to accrue from delivery date

PAYMENT TERMS . . . Interest on the \$9,655,000 Trinity River Authority of Texas Denton Creek Regional Wastewater Treatment System Revenue Refunding Bonds, Series 2011 (the "Bonds") will accrue from the initial delivery of the Bonds (the "Delivery Date") and will be payable February 1 and August 1 of each year, commencing February 1, 2012, 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. **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, Regular Session, 1955, Chapter 518 as amended, Chapter 1207, 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 to (i) refund portions of the outstanding Trinity River Authority of Texas Denton Creek Regional Wastewater Treatment System Revenue Bonds (see Schedule I) and (ii) pay costs of issuance associated with the issuance of the Bonds.

CUSIP PREFIX: 896564

**MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page ii**

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter 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 Locke Lord LLP, counsel to the Underwriter.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about November 4, 2011.

MORGAN KEEGAN

Maturity Schedule

Amount	Maturity February 1	Rate	Yield	CUSIP Suffix ⁽¹⁾
\$ 65,000	2012	2.000%	0.500%	SS1
2,130,000	2013	3.000	0.650	ST9
1,125,000	2014	3.000	0.840	SU6
2,090,000	2015	3.000	1.060	SV4
925,000	2016	2.000	1.420	SW2
635,000	2017	2.000	1.660	SX0
645,000	2018	2.000	1.930	SY8
660,000	2019	2.500	2.250	SZ5
680,000	2020	2.500	2.470	TA9
700,000	2021	3.000	2.620	TB7

(Interest to accrue from the Delivery Date)

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

REDEMPTION . . . The Bonds are not callable prior to maturity.

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

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 jurisdiction 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.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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 other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE 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.

None of the Authority, the Financial Advisor or 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 as described under "BOOK-ENTRY-ONLY SYSTEM," as such information has been provided by The Depository Trust Company for use herein.

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

The agreements of the Authority and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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 THE 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.

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CITY OF KELLER

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CITY OF ROANOKE

CITY OF SOUTHLAKE

TOWN OF WESTLAKE

CIRCLE T MUNICIPAL UTILITY DISTRICT No. 1

CIRCLE T MUNICIPAL UTILITY DISTRICT No. 3

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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 54th 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 \$9,655,000 Denton Creek Regional Wastewater Treatment System Revenue Refunding Bonds, Series 2011. The Bonds are issued as serial bonds maturing February 1, 2012 through February 1, 2021 (see “The Bonds - Description of the Bonds”).

PAYMENT OF INTEREST Interest on the Bonds accrues from the Delivery Date, and is payable February 1, 2012, and each August 1 and February 1 thereafter until maturity (see “The Bonds - Description of the Bonds,”).

AUTHORITY FOR ISSUANCE The Bonds are issued pursuant to the provisions of Acts of the 54th Legislature of Texas, Regular Session, 1955, Chapter 518 as amended, Chapter 1207, Texas Government Code, as amended, and other applicable laws. (see “The Bonds - Authority for Issuance”).

SECURITY FOR THE BONDS The Bonds constitute special obligations of the Authority, payable both as to principal and interest, and secured by a first lien on a pledge of the Pledged Revenues of the Authority under the Contracts entered into with the Contracting Parties (see “The Bonds - Security and Source of Payment”).

REDEMPTION The Bonds are not callable 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.

Reference is made to the additional disclosure that has been added to this final Official Statement regarding recently proposed legislation under “TAX MATTERS – Future and Proposed Legislation”.

USE OF PROCEEDS Proceeds from the sale of the Bonds will be used to refund certain outstanding Trinity River Authority of Texas Denton Creek Regional Wastewater Treatment System Revenue Bonds and to pay the costs associated with the issuance of the Bonds. See Schedule I.

RATING..... The Bonds are rated “AA” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services Company LLC business (“S&P”). The Outstanding Parity Bonds of the Authority are also rated “AA” by S&P, without regard to credit enhancement (see “Other Information - Rating”).

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. 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 nor have any of the Contracting Parties.

For additional information regarding the Authority, please contact:

Ms. Fiona M. Allen
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
Linda D. Timmerman, Ed.D.	President and Member, Executive Committee	Freestone County
Harold L. Barnard	Vice-President and Member, Executive Committee	Ellis County
Michael Cronin	Chairman, Executive Committee	Kaufman County
Patricia Carlson	Member, Resources Development Committee	Tarrant County
William W. Collins, Jr.	Member, Resources Development Committee	Tarrant County
Christina Melton Crain	Member, Legal Committee	Dallas County
Steve Cronin	Member, Resources Development Committee	San Jacinto County
Amanda B. Davis	Member, Administration Committee	Leon County
Ronald J. Goldman	Member, Utility Services Committee	Director at Large
Martha A. Hernandez	Member, Legal Committee	Tarrant County
John W. Jenkins	Chairman, Legal Committee, Member, Exec. Comm.	Director at Large
Keith W. Kidd*	Member, Legal Committee	Dallas County
Jess A. Laird	Member, Administration Committee	Henderson County
Nancy E. Lavinski	Chair, Administration Committee, Member, Exec. Comm.	Anderson County
David B. Leonard	Member, Utility Services Committee	Liberty County
Andrew Martinez	Member, Legal Committee	Walker County
Kevin Maxwell	Member, Utility Services Committee	Houston County
Dennis "Joe" McCleskey	Member, Administration Committee	Trinity County
James W. Neale	Member, Administration Committee	Dallas County
Manny Rachal	Member, Utility Services Committee	Polk County
Amir Rupani	Member, Administration Committee	Director at Large
Ana Laura Saucedo	Chair, Resources Dev. Comm., Member, Exec. Comm.	Dallas County
Shirley K. Seale	Member, Resources Development Committee	Chambers County
J. Carol Spillars	Member, Utility Services Committee	Madison County
Kim C. Wyatt	Chairman, Utility Services Comm., Member, Exec. Comm.	Navarro County

* Resignation effective September 30, 2011.

Management Officers

J. Kevin Ward	General Manager
Fiona M. Allen, P.E.	Regional Manager, Northern Region
Jimmie R. Sims	Regional Manager, Southern Region
Robert E. Moore, CPA.....	Manager, Financial Services
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 Staff Attorney

Consultants and Advisors

General 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

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OFFICIAL STATEMENT

RELATING TO

\$9,655,000

TRINITY RIVER AUTHORITY OF TEXAS DENTON CREEK REGIONAL WASTEWATER TREATMENT SYSTEM REVENUE REFUNDING BONDS, SERIES 2011

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$9,655,000 Trinity River Authority of Texas Denton Creek Regional Wastewater Treatment System Revenue Refunding Bonds, Series 2011. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution authorizing the issuance of the Bonds (the "Resolution"), except as otherwise indicated herein (see "Selected Provisions of the Resolution").

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

DESCRIPTION OF THE AUTHORITY . . . The Authority is a government agency of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution pursuant to Chapter 518, Acts of the 54th Legislature of Texas, Regular Session, 1955, as amended (the "Authority Act"). 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 had 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 . . . The Bonds are being issued for the purpose of refunding certain outstanding Trinity River Authority of Texas Denton Creek Regional Wastewater Treatment System Revenue Bonds (the "Refunded Bonds") described in Schedule I attached hereto and to pay costs associated with the issuance of the Bonds.

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

The Refunded Bonds and the interest due thereon are to be paid on their scheduled interest payment and maturity dates, or date 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 as to the Underwriter, the Authority will deposit with the Escrow Agent an amount, together with other lawfully available funds, which 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").

Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. The escrowed funds will not be available to pay the debt service on the Bonds.

By the deposit of the 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 resolution 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 Pledged Revenues of the Authority under the Contracts described herein, but will be payable solely from the 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. First Southwest Company, acting as Financial Advisor to the Authority, will provide a sufficiency report which Bond Counsel will rely upon as to the sufficiency of funds to be deposited with the Escrow Agent for the defeasance and redemption of the Refunded Bonds.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 15, 2011, and mature on February 1 in each of the years and in the amounts shown on page ii hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from the Delivery Date and will be payable until maturity on February 1 and August 1 of each year, commencing February 1, 2012. 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 the Authority Act, Chapter 1207, Texas Government Code, as amended, and other applicable laws. Under the Constitution and the statutes of the State of Texas, the Authority has broad powers to effectuate flood control and the conservation and use for all beneficial purposes of storm and flood waters in the Trinity River watershed, and as a necessary aid to these purposes, the Authority has specific authority to construct, own and operate water and wastewater treatment, collection and transportation systems, and to make contracts in reference thereto with municipalities and others. The Bonds are "Additional Bonds" permitted to be issued by the resolutions of the Board of Directors of the Authority authorizing the issuance of the currently outstanding Denton Creek Regional Wastewater Treatment System Revenue Bonds.

SECURITY AND SOURCE OF PAYMENT . . . The Contracting Parties (see "Selected Contract Provisions") have contracted with the Authority to make payments sufficient to pay debt service on the Bonds and the debt service on any Additional Bonds (see "Selected Provisions of The Resolution") that are required to complete the construction of the project. The Contracting Parties will pay their obligation to the Authority out of moneys received from the operation of their Water and Sewer System said obligation to be an operation and maintenance expense of each Contracting Parties' Water and Sewer System which is senior to their Water and Sewer Revenue debt. The Bonds are payable from and secured by a first lien on and pledge of the Pledged Revenues of the Authority under the Contracts with the Contracting Parties as described above. The Authority has no taxing power. No taxes are pledged to the Bonds.

The expense of operating the Authority's Denton Creek Regional Wastewater Treatment 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 into the system. Each Contracting Party is then billed monthly according to their projected annual flow with provisions for adjustment. The Fiscal Provisions of the Contracts with the Authority are summarized in this Official Statement.

Actual net cost to the Contracting Parties for wastewater treatment for fiscal year 2010 was \$3.135 per 1,000 gallons. Estimated net cost of wastewater treatment to the Contracting Parties for billing purposes for fiscal year 2011 is \$3.499 per 1,000 gallons.

RESERVE FUND . . . There has previously been created a Reserve Fund to be used to finally retire or to pay when due debt service on Parity Bonds and any Additional Bonds to the extent the amounts in the Interest and Sinking Fund are insufficient. The Bond Resolution provides that so long as the market value of the money and investments in the Reserve Fund are not less than a "Reserve 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 The Resolution").

REDEMPTION . . . The Bonds are not callable prior to maturity.

DEFEASANCE . . . The Resolution provides that the Authority may discharge its obligations to the registered owners of any or all of the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal and all interest to accrue on the Bonds to maturity and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the

issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a Authority, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of Bonds have been made as described above, all rights of the Authority to initiate proceedings or take any other action amending the terms of such Bonds are extinguished.

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

ADDITIONAL BONDS . . . The Authority has received approval of two State Revolving Fund loans from the Texas Water Development Board in the total amount of \$51,800,000 and the Authority anticipates issuing bonds in the amount of \$37,765,000 on October 6, 2011, with the balance to be issued prior to September 30, 2012.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds are 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 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 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Bonds, 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 instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of 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 users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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 Bonds at any time by giving reasonable notice to the Authority or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond 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 15th 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 Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . The Resolution does not specify events of default with respect to the Bonds. If the Authority defaults in the payment of principal or interest on the Bonds when due, or the Authority defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of mandamus to compel the Authority or Authority officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Authority's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the Authority to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex.2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Authority's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the Authority for breach of the Bonds or Resolution covenants in the absence of Authority action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the Authority, permits the Authority to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the Authority has not waived sovereign immunity. 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 any remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. In addition, while the Authority has covenanted to secure the Bonds by a first lien on the Pledged Revenues, Bond Counsel will opine only that a valid and enforceable lien has been granted on the Pledged Revenues. Bond Counsel has not been requested to, and has not, rendered any opinion as to the priority status of the pledge of the Pledged Revenues.

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds are expected to be applied approximately as follows:

Sources of Funds

Par Amount of Bonds	\$ 9,655,000.00
Reoffering Premium	314,218.25
Transfer of Excess from Debt Service Reserve Fund	116,269.17
Total Sources of Funds	\$ 10,085,487.42

Uses of Funds:

Deposit to Escrow Fund	\$ 9,879,110.15
Underwriter's Discount	67,830.63
Costs of Issuance	135,000.00
Rounding Amount	3,546.64
Total Uses of Funds	\$ 10,085,487.42

THE SYSTEM

THE SYSTEM... The System provides regional wastewater collection and treatment services for several communities lying generally west of Lake Grapevine in Tarrant and Denton Counties in northeast Texas. The System currently features a 11.5 MGD activated sludge wastewater treatment plan, with special peak flow treatment facilities designed specifically for major events at the Texas Motor Speedway in north Fort Worth. The plant was originally placed in service in 1988, and has undergone several subsequent upratings and expansions.

Each of the contracting parties agree to pay a percent of operating costs, including debt service, based on actual metered contributing flow with a minimum of:

City of Forth Worth:	43,158,695 gallons
City of Haslet:	22,082,500 gallons
City of Roanoke:	40,150,000 gallons
City of Southlake:	10,950,000 gallons
Circle T Municipal Utility District No. 1 of Tarrant and Denton Counties, Texas	365,000 gallons
City of Keller:	10,950,000 gallons
Circle T Municipal Utility District No. 3	10,950,000 gallons
Town of Argyle, Texas	10,950,000 gallons
Town of Flower Mound, Texas	10,950,000 gallons
Town of Northlake, Texas	10,950,000 gallons
Town of Westlake, Texas	10,950,000 gallons

The Authority has entered into contracts with the following Contracting Parties (the "Contracts"): City of Fort Worth, Texas, City of Haslet, Texas, City of Keller, Texas, City of Roanoke, Texas, City of Southlake, Circle T Municipal Utility District No. 1, Circle T Municipal Utility District No. 3, Town of Argyle, Texas, Town of Flower Mound, Texas, Town of Northlake, Texas and Town of Westlake, Texas, see "SUMMARY OF CONTRACT PROVISIONS".

THE PROJECT... In order to respond to projected population and industrial development growth, potentially more stringent effluent quality regulations, and a need to renovate several existing facilities, the Authority has completed the construction of a major plant expansion and upgrade to the System. The expansion to 11.5 MGD was completed in April 2011 and will provide the service area's wastewater treatment needs through approximately year 2014, while offering flexibility for future expansions. In addition, the project involved upgrades and renovations of several existing process units, and enhancement for operation and maintenance activities.

Denton Creek Regional Wastewater System Enterprise Fund

Fiscal Year Ended November 30

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Operating Revenue	\$ 6,822,754	\$ 5,443,969	\$ 3,831,521	\$ 3,841,146	\$ 2,659,413
Operating Expenses (Exclusive of Depreciation)	(2,544,067)	(2,794,025)	(2,113,762)	(1,770,707)	(1,441,910)
Net Non-Operating Revenues/(Expenses) (Exclusive of Interest and Amortization Expenses)	<u>(2,384)</u>	<u>138,217</u>	<u>553,985</u>	<u>161,951</u>	<u>115,364</u>
Net Funds Available for Debt Service	\$ 4,276,303	\$ 2,788,161	\$ 2,271,744	\$ 2,232,390	\$ 1,332,867

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

ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The Authority has received approval of two State Revolving Fund loans from the Texas Water Development Board in the total amount of \$51,800,000 and the Authority anticipates issuing bonds in the amount of \$37,765,000 on October 6, 2011, with the balance to be issued prior to September 30, 2012.

DEBT INFORMATION

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding Debt Service ⁽¹⁾			Less: Series 2000	Less: Series 2003	The Bonds ⁽²⁾⁽³⁾			Total	Percent of Principal Retired
	Principal	Net Interest	Total	Refunded Bonds	Refunded Bonds	Principal	Interest	Total	Outstanding	
				Debt Service	Debt Service				Debt Service	
November 30										
2012	\$ 1,930,000	\$ 2,868,844	\$ 4,798,844	\$ 208,593	\$ 220,448	\$ 65,000	\$ 192,369	\$ 257,369	\$ 4,627,173	
2013	2,800,000	3,513,165	6,313,165	1,921,405	558,548	2,130,000	227,000	2,357,000	6,190,213	
2014	3,955,000	4,083,340	8,038,340	868,093	554,281	1,125,000	178,175	1,303,175	7,919,141	
2015	4,615,000	4,245,883	8,860,883	1,789,018	554,053	2,090,000	129,950	2,219,950	8,737,763	
2016	5,640,000	4,092,786	9,732,786	573,608	557,659	925,000	89,350	1,014,350	9,615,870	14.025%
2017	5,825,000	3,936,468	9,761,468	6,035	775,268	635,000	73,750	708,750	9,688,916	
2018	6,020,000	3,767,272	9,787,272	5,809	771,670	645,000	60,950	705,950	9,715,743	
2019	6,230,000	3,583,811	9,813,811	5,580	771,006	660,000	46,250	706,250	9,743,475	
2020	6,460,000	3,386,606	9,846,606	5,349	773,160	680,000	29,500	709,500	9,777,597	
2021	6,695,000	3,175,056	9,870,056	5,116	773,120	700,000	10,500	710,500	9,802,320	36.930%
2022	6,950,000	2,948,335	9,898,335						9,898,335	
2023	7,215,000	2,706,355	9,921,355						9,921,355	
2024	7,500,000	2,449,462	9,949,462						9,949,462	
2025	7,810,000	2,176,290	9,986,290						9,986,290	
2026	8,130,000	1,887,097	10,017,097						10,017,097	64.644%
2027	8,450,000	1,593,185	10,043,185						10,043,185	
2028	4,875,000	1,363,156	6,238,156						6,238,156	
2029	5,650,000	1,180,488	6,830,488						6,830,488	
2030	5,735,000	980,551	6,715,551						6,715,551	
2031	5,835,000	773,752	6,608,752						6,608,752	87.155%
2032	5,935,000	560,376	6,495,376						6,495,376	
2033	2,500,000	403,106	2,903,106						2,903,106	
2034	2,360,000	307,177	2,667,177						2,667,177	
2035	2,320,000	213,377	2,533,377						2,533,377	
2036	1,980,000	126,576	2,106,576						2,106,576	98.279%
2037	1,160,000	65,125	1,225,125						1,225,125	
2038	1,175,000	21,749	1,196,749						1,196,749	100.000%
	<u>\$135,750,000</u>	<u>\$ 56,409,383</u>	<u>\$ 192,159,383</u>	<u>\$ 5,388,604</u>	<u>\$ 6,309,211</u>	<u>\$ 9,655,000</u>	<u>\$ 1,037,794</u>	<u>\$10,692,794</u>	<u>\$ 191,154,362</u>	

⁽¹⁾ Outstanding as of 9/1/2011. Net of Capitalized Interest. Includes TWDB SRF Loan, Series 2011 in the amount of \$37,765,000, scheduled to close October 6, 2011.

⁽²⁾ Refunding maturities 2013 to 2021.

⁽³⁾ Average life of the Refunding issue - 4.152 years. Interest is calculated at the rates shown on page ii herein.

SELECTED CONTRACT PROVISIONS

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.

PARTIES AND TERMS. The Authority has entered into contracts with the following Contracting Parties (the "Contracts"), with the effective date of each contract being as designated below:

City of Fort Worth, Texas (10-28-87)
City of Haslet, Texas (10-28-87)
City of Keller, Texas (4-22-92)
City of Roanoke, Texas (10-28-87)
City of Southlake (4-27-88)
Circle T Municipal Utility District No. 1 (4-27-88)
Circle T Municipal Utility District No. 3 (8-24-94)
Town of Argyle, Texas (12-6-06; amended 12-5-07)
Town of Flower Mound, Texas (3-1-00)
Town of Northlake, Texas (12-1-01)
Town of Westlake, Texas (3-1-00)

The Contracts will remain in force and effect for the useful life of the System or until any Bonds, or any Bonds issued to refund same, have been paid in full whichever period is longer.

CERTAIN DEFINITIONS. Certain terms and expressions used in the fiscal provisions of each of the contracts are substantially as set forth below:

"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.

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

"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.

"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.

"Annual Payment Period" means the Authority's Fiscal Year, which currently begins on December 1 of each calendar year and ends on the last day of November of the next calendar year, and the first Annual Payment Period under this Contract is estimated to be the period of December 1, 1989, through November 30, 1990.

"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.

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

"Bonds" means all bonds issued by the Authority, and the interest thereon, to acquire and construct the System (including all bonds issued to complete the acquisition and construction of the System), and for all bonds issued subsequently to improve and/or extend the System, and any bonds issued to refund any Bonds or to refund any such refunding bonds.

"Contracting Parties" means the Cities of Fort Worth, Haslet, Keller, Roanoke and Southlake, Texas, the Towns of Argyle, Flower Mound, Northlake and Westlake, Texas and Circle T Municipal Utility Districts No. 1 and No. 3 of Tarrant and Denton Counties, Texas, together with any other party or parties which hereafter becomes one of the Contracting Parties by becoming an Additional Contracting Party.

"Contracting Party" means any one of the Contracting Parties.

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

"Operation and Maintenance Expenses" means all costs and expenses of operation and maintenance of the System and the Wastewater Interceptor 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 and the Wastewater Interceptor System, including the Authority's general overhead expenses attributable to the System and the Wastewater Interceptor System, insurance premiums, equipment necessary for proper operation and maintenance of the System and the Wastewater Interceptor 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 and the Wastewater Interceptor System. The term does not include depreciation.

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

"System" means the regional wastewater treatment system described in the preamble to this Contract and in the Engineering Report, and all improvements and additions to and extensions, enlargements, and replacements of such facilities which are deemed necessary and feasible by the Authority in order to receive, treat, and dispose of Wastewater from Contracting Parties and to comply with the requirements of the Wastewater regulatory agencies of the State of Texas and the United States of America. Said term does 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 the Base Contract and this Contract and similar contracts with Additional Contracting Parties, and which are payable solely from other sources.

"Wastewater Interceptor System" means the "Interceptor System" as defined in the "Trinity River Authority of Texas - Denton Creek Wastewater Interceptor System Contract", dated October 28, 1987, executed between the Authority and the Cities of Fort Worth, Haslet, and Roanoke concurrently with the execution of the Base Contract and in the "Trinity River Authority of Texas - Denton Creek Wastewater Interceptor System Installment Sale Contract (City of Southlake and Circle T Municipal Utility District No. 1 Project)" executed by the parties hereto as of the Contract Date (collectively, the "Interceptor Contracts"), and being facilities intended to collect and transport Wastewater into the "System", as defined in this Contract, together with any other Wastewater collection and transportation facilities which are not part of the System as herein defined, and which are intended to collect and transport the Wastewater of any Additional Contracting Party into the System as herein defined.

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 issuing 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 the Base Contract and this Contract and similar contracts with Additional Contracting Parties, if any, will be the primary source available to the Authority to provide the Annual Requirement, and that, in compliance with the Authority's statutory duty to fix and from time to time revise the rates of compensation or charges for services of the System rendered and made available by the Authority, the Annual Requirement will change from time to time, and that each such Annual Requirement shall be allocated among the Contracting Parties as hereinafter provided, and that the Annual Requirement for each Annual Payment Period shall be provided for in each Annual Budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of:

(A) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expenses of the System and the Wastewater Interceptor System. It is understood and agreed that although the Wastewater Interceptor System will not be a part of the System as defined in this Contract, it will consist of facilities which are ancillary to and integrated into the operation of the System, and therefore will be operated and maintained in effect as a part of the System under the provisions of the Base Contract and this Contract, consistent with the terms of the Interceptor Contracts; 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 each 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.

OPERATION AND MAINTENANCE; ANNUAL BUDGET. The Authority shall operate and maintain the System, and also the Wastewater Interceptor System in the same manner as if it were part of the System, and shall prepare an Annual Budget, including the operation and maintenance expenses of the Wastewater Interceptor System, for such purpose. With respect to each Annual Budget the term "System" shall be deemed to mean and include the Wastewater Interceptor System. Each Annual Budget for the System shall always provide for amounts sufficient to pay the Annual Requirement. The Annual Budget for the System for all or any part of the Annual Payment Period during which the System is first placed into operation shall be prepared by the Authority based on estimates made by the Authority after consultation with the Advisory Committee. On or before August 1 of each year after the

System is first placed in operation, the Authority shall furnish to each Contracting Party a preliminary estimate of the Annual Payment required from each Contracting Party for the next following Annual Payment Period. Not less than forty days before the commencement of the Annual Payment Period after the System is first placed into operation, and not less than forty days before the commencement of each Annual Payment Period thereafter, the Authority shall cause to be prepared as herein provided its preliminary budget for the System for the next ensuing Annual Payment Period, which budget shall specifically include the Operation and Maintenance Component and the Bond Service Component. A copy of such preliminary budget shall be filed with each Contracting Party. The preliminary budget shall be subject to examination, at reasonable times during business hours, at the office of the City Secretary of each Contracting Party that is a City, and at the then current business office of each other 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 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 thereof 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 the 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.

PAYMENTS BY CONTRACTING PARTIES. (a) For the Wastewater services to be provided to the Contracting Parties under the Contract, each of the Contracting Parties shall 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 periods 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 payment 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 debt 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 future contracts with each 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 Contracting Party is unconditionally liable, without offset or counterclaim (as stated herein), the contributing flow of Wastewater into the System of each such 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 Contracting Party as follows:

City of Fort Worth:	43,158,695 gallons
City of Haslet:	22,082,500 gallons
City of Roanoke:	40,150,000 gallons
City of Southlake	10,950,000 gallons
Circle T Municipal Utility District No. 1 of Tarrant and Denton Counties, Texas	365,000 gallons
City of Keller:	10,950,000 gallons
Circle T Municipal Utility District No. 3:	10,950,000 gallons
Town of Argyle, Texas	10,950,000 gallons
Town of Flower Mound, Texas	10,950,000 gallons
Town of Northlake, Texas	10,950,000 gallons
Town of Westlake, Texas	10,950,000 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 shall 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

* Payments by Argyle shall be delayed until the earlier of the 10th day of the first full month following the date of the awards of the construction contract for the wastewater transportation facilities to serve Argyle on January 1, 2010.

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.

SPECIAL PROVISIONS. (a) The Authority will continuously operate and maintain the System (which, for operation and maintenance purposes only, also includes the Wastewater Interceptor 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 (including self insurance to the extent deemed advisable by the Authority) 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) The System was initially placed in operation in 1989. It is expressly understood and agreed, however, that any obligations on the part of the Authority to improve and extend the System to the Contracting Parties shall be conditioned (i) upon the Authority's ability to obtain all necessary permits, material, labor, and equipment, (ii) upon the ability of the Authority to finance the cost of the System through the actual sale of the Authority's Bonds, and (iii) 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) Each of the 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, 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 are necessary and essential to the operation of its aforesaid system, and that the System constitutes the best available and adequate method for discharging, receiving, treating, and disposing of its Wastewater from the Denton Creek drainage area, and, accordingly, all payments required by this Contract to be made by each Contracting Party shall constitute reasonable and necessary operating expenses of its systems, respectively, as described above, with the effect that the obligation to make such payments from revenues of such systems, respectively, shall have priority over any obligation to make any payments from such revenues of principal, interest, or otherwise, with respect to all bonds or other similar obligations heretofore or hereafter issued by such Contracting Party.

(e) Each of the Contracting Parties agrees 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 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, (ii) its payments from such revenues required under any other contracts, and (iii) 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; provided, however, that since District No. 1 has pledged ad valorem taxes to its payments under this Contract, it shall be required only to use its best reasonable efforts to fix and collect rates as provided in this sub-section (e).

(f) The District specifically covenants and represents: that neither its waterworks system nor sewer system, nor the revenues therefrom, are presently encumbered with respect to any bonds or other similar obligations; that bonds have been duly voted in the District in accordance with law for the purpose of acquiring and constructing additional waterworks and sewer system facilities for inhabitants of the District; and that sufficient bonds will be issued as soon as practicable, and waterworks and sewer system facilities will be acquired and constructed and placed in operation as soon as practicable, to the end that additional and adequate water and

sewer services will be provided to the inhabitants of the District; that it will operate its waterworks and sewer facilities as a combined waterworks and sewer system; and that all operating and maintenance expenses of its combined waterworks and sewer system, including all payments under this Contract, will be payable from and constitute a first charge against its water system revenues as well as its sewer system revenues.

[Applicable to District No. 1 only:]

(g) If the aforesaid waterworks and/or sewer system revenues of the District No. 1 should not be available or sufficient at any time for making all or any part of the payments required to be made by such District under this Contract, then, to the extent required, such payments shall be made from any lawfully available funds of the District and/or from the District's ad valorem taxes. The District shall make provision in each annual District Budget for the payment of all amounts required to be paid by the District under this Contract. In preparing the budget the District may take into consideration the estimated revenues of the District's combined waterworks and sewer system and other funds to be available for such purpose. To the extent that such revenues and funds are not available at any time to make such payments, then the District's ad valorem taxes shall be used to make such payments, and the proceeds of an annual ad valorem tax (in addition to all maintenance taxes) are hereby pledged for such payments to the extent so required. During each year hereafter, the governing body of the District shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money necessary to make all or any necessary part of such payments, including indemnities, required to be made by the District under this Contract. Said rate and amount of ad valorem tax is hereby pledged to such payments, to the extent so required, and it shall be assessed, levied, and collected against all taxable property in the District for each such year.

[Applicable to District No. 3 only:]

(h) If the aforesaid waterworks and/or sewer system revenues of District No. 3 should not be available or sufficient at any time for making all or any part of the payments required to be made by such District under this Contract, then, to the extent required, such payments shall be made from any lawfully available funds of such District. Such District shall make provision in each annual District Budget for the payment of all amounts required to be paid by such District under this Contract. In preparing the budget such District may take into consideration the estimated revenues of such District's combined waterworks and sewer system and other funds to be available for such purpose.

(i) The Authority covenants and agrees that neither the proceeds from the sale of the Bonds, nor the moneys paid to it pursuant to this Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes except those directly relating to the System, the Wastewater Interceptor System, and the Bonds as provided in this Contract; provided that the Authority may rebate any excess arbitrage earnings from such investment earnings to the United States of America in order to prevent any Bonds from becoming "arbitrage bonds" within the meaning of the IRS Code of 1986 or any amendments thereto in effect on the date of issue of such Bonds. Each of the Contracting Parties covenants and agrees that it will not use or permit the use of the System in any manner that would cause the interest on any of the Bonds to be or become subject to federal income taxation under the IRS Code of 1986 or any amendments thereto in effect on the date of issue of such Bonds.

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.

EFFECTIVE DATE AND TERM OF CONTRACT; MODIFICATION; NOTICES; STATE OR FEDERAL LAWS, RULES, ORDERS, OR REGULATIONS. (a) The Base Contract and this Contract shall be effective on and from the Contract date, subject to its execution by all of the Contracting Parties and the Authority, the Base Contract 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.

(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.

REMEDIES UPON DEFAULT. If it not intended hereby to specify (and this Contract shall not be considered as specifying) any 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.

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. The definitions set forth in the preamble hereto are incorporated herein as if set forth in this section. As used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The terms "Authority" and "Issuer" shall have the meaning set forth in the preamble.

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 August 24, 2011, authorizing the issuance of the Bonds.

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

The term "Parity Bonds" means collectively (i) the Bonds and (ii) any Series 2000 Bonds, Series 2003 Bonds, Series 2006 Bonds, Series 2007 Bonds, Series 2008 Bonds, Series 2009 Bonds, Series 2011 Bonds and Series 2011A Bonds (if issued) which will be outstanding and payable from the Pledged Revenues after the delivery of the Bonds.

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

The terms "Denton Creek System" and "System" mean all of the Issuer's wastewater reception, treatment, and disposal facilities, as described and defined in the Contracts, serving the Contracting Parties in the area of the watershed or drainage basin of Denton Creek (a tributary of the Trinity River) in Denton and Tarrant Counties, Texas, together with all improvements and additions to and extensions, enlargements, and replacements of such facilities. However, said terms do not include any facilities acquired or constructed by the Issuer with the proceeds from the issuance of "Special Facilities Bonds", 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 term "Initial Contracting Parties" means the Cities of Fort Worth, Haslet, and Roanoke, Texas.

The term "First Supplemental Contracting Parties" means the City of Southlake, Texas, and Circle T Municipal Utility District No. 1 of Tarrant and Denton Counties, Texas (formerly Lake Turner Municipal Utility District No. 1 of Tarrant and Denton Counties, Texas).

The term "Second Supplemental Contracting Party" means the City of Keller, Texas.

The term "Third Supplemental Contracting Party" means Circle T Municipal Utility District No. 3 of Tarrant and Denton Counties, Texas (formerly Lake Turner Municipal Utility District No. 3 of Tarrant and Denton Counties, Texas).

The term "Fourth Supplemental Contracting Party" means the Town of Flower Mound, Texas.

The term "Fifth Supplemental Contracting Party" means the Town of Westlake, Texas.

The term "Sixth Supplemental Contracting Party" means the Town of Northlake, Texas.

The term "Seventh Supplemental Contracting Party" means the Town of Argyle, Texas.

The term "Contracting Parties" means the Initial Contracting Parties, the First Supplemental Contracting Parties, the Second Supplemental Contracting Party, the Third Supplemental Contracting Party, the Fourth Supplemental Contracting Party, the Fifth Supplemental Contracting Party, the Sixth Supplemental Contracting Party, the Seventh Supplemental Contracting Party, and any other entity which becomes an Additional Contracting Party and therefore a Contracting Party pursuant to the Base Contract, the First Supplemental Contract, the Second Supplemental Contract, the Third Supplemental Contract, the Fourth Supplemental Contract, the Fifth Supplemental Contract, the Sixth Supplemental Contract and the Seventh Supplemental Contract.

The term "Base Contract" means the Trinity River Authority of Texas-Denton Creek Regional Wastewater Treatment System Contract, dated October 28, 1987, between the Issuer and the Initial Contracting Parties.

The term "First Supplemental Contract" means the Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Supplemental Contract (City of Southlake and Lake Turner Municipal Utility District No. 1), dated April 27, 1988, between the Issuer and the First Supplemental Contracting Parties.

The term "Second Supplemental Contract" means the Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Second Supplemental Contract (City of Keller, Texas), dated April 22, 1992, between the Issuer and the Second Supplemental Contracting Party.

The term "Third Supplemental Contract" means the Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Third Supplemental Contract (Lake Turner Municipal Utility District No. 3), dated August 24, 1994, between the Issuer and the Third Supplemental Contracting Party.

The term "Fourth Supplemental Contract" means the Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Fourth Supplemental Contract (Town of Flower Mound, Texas), dated March 1, 2000, between the Issuer and the Fourth Supplemental Contracting Party.

The term "Fifth Supplemental Contract" means the Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Fifth Supplemental Contract (Town of Westlake, Texas), dated March 1, 2000, between the Issuer and the Fifth Supplemental Contracting Party.

The term "Sixth Supplemental Contract" means the Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Sixth Supplemental Contract (Town of Northlake, Texas), dated December 1, 2001, between the Issuer and the Sixth Supplemental Contracting Party.

The term "Seventh Supplemental Contract" means the Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Sixth Supplemental Contract (Town of Argyle, Texas), dated December 6, 2006, as amended on December 5, 2007, between the Issuer and the Seventh Supplemental Contracting Party.

The term "Contracts" means collectively (a) the Base Contract, (b) the First Supplemental Contract, (c) the Second Supplemental Contract, (d) the Third Supplemental Contract, (e) the Fourth Supplemental Contract, (f) the Fifth Supplemental Contract, (g) the Sixth Supplemental Contract, (h) the Seventh Supplemental Contract, (i) any contracts with any entity which becomes an Additional Contracting Party and therefore a Contracting Party pursuant to the Base Contract, and (j) 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 income from the investment of money in any Funds created by this Resolution, excepting any amounts required to be rebated to the Internal Revenue Service in accordance with this Resolution.

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 resolutions authorizing the issuance of Parity Bonds, 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 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 "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 terms "year" or "fiscal year" shall mean the Authority'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 Resolution are "Additional Bonds" as permitted by Sections 18 and 19 of the resolutions authorizing the issuance of the Series 2000 Bonds, the Series 2003 Bonds, Series 2006 Bonds, Series 2007 Bonds, Series 2008 Bonds, Series 2009 Bonds, Series 2011 Bonds and Series 2011A Bonds (if issued), and Sections 5 through 21 of this Resolution are supplemental to and cumulative of Sections 5 through 21 of the resolutions authorizing the issuance of the Series 2000 Bonds, Series 2003 Bonds, Series 2006 Bonds, Series 2007 Bonds, Series 2008 Bonds, Series 2009 Bonds, Series 2011 Bonds and Series 2011A Bonds (if issued), with Sections 5 through 21 of this Resolution to be applicable to all Parity Bonds. 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 Sinking Fund, the Reserve Fund, and the Contingency Fund as provided in this Resolution.

(b) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under this Section, 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 this Section 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 7. REVENUE FUND CREATION. There has been created, and there shall be established and 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 Denton Creek Regional Wastewater Treatment System Revenue Bonds Revenue Fund" (hereinafter called the "Revenue Fund"). All Gross Revenues of the System (excepting investment income from any Fund other than the Revenue Fund) shall be credited to the Revenue Fund promptly after they become available. All Operation and Maintenance Expenses of the System shall be paid from the Gross Revenues of the System, as a first charge against same.

Section 8. INTEREST AND SINKING FUND. For the sole purpose of providing an interest and sinking fund for paying the principal of and interest on all Parity Bonds and any Additional Bonds, as the same come due, there has been created and there shall be established and maintained on the books of the Issuer a separate fund to be entitled the "Trinity River Authority of Texas Denton Creek Regional Wastewater Treatment System Revenue Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund").

Section 9. RESERVE FUND. There has been created and there shall be established and maintained on the books of the Issuer a separate fund to be entitled the "Trinity River Authority of Texas Denton Creek Regional Wastewater Treatment 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 Sinking Fund and Contingency Fund are insufficient for such purpose.

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

Section 11. REVENUE FUND. All Pledged Revenues shall be credited as received by the Issuer to the Revenue Fund, and shall be deposited from the Revenue Fund into the other Funds created by this Resolution, in the manner and amounts hereinafter provided, and each of such Fund shall have priority as to such deposits in the order in which they are treated in the following Sections.

Section 12. INTEREST AND SINKING FUND REQUIREMENTS. There shall be deposited into the Interest and Sinking Fund the following:

(a) promptly after the delivery of the Bonds the Issuer shall cause to be deposited to the credit of the Interest and Sinking Fund, from the proceeds received from the sale and delivery of the Bonds, the accrued interest received, if any.

(b) on or before the last day of the January or July, whichever comes first, immediately following delivery of the Bonds to the purchaser thereof, and semiannually thereafter, on or before the last day of each January and July, an amount sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest and/or principal and interest scheduled to accrue and come due on the Parity Bonds and any Additional Bonds on the next succeeding interest payment date.

The Interest and Sinking Fund shall be used solely to pay the principal of and interest on the Parity Bonds and any Additional Bonds as such principal matures and such interest comes due.

Section 13. RESERVE REQUIREMENTS. If required, immediately after the delivery of the Bonds, the Issuer will deposit in the Reserve Fund an amount of money derived from the sale of the Bonds which, when added to the amount of money and investments now on deposit will at least equal in market value the average annual principal and interest requirements of the Parity Bonds (the "Reserve Required Amount"). No deposits shall be made into the Reserve Fund as long as the money and investments in the Reserve Fund are at least equal in market value to the Reserve Required Amount; but if and whenever the market value of money and investments in the Reserve Fund is reduced below said Reserve Required Amount because of a decrease in market value of investments, then the Issuer shall require the Contracting Parties to increase their payments under their Contracts as soon as practicable, and in any event within one year, in an amount sufficient to restore the Reserve Fund to the Reserve Required Amount; and in the event the Reserve Fund is used to pay the principal of or interest on the Parity Bonds because of insufficient amounts being available in the Interest and Sinking Fund and/or the Contingency Fund, then the Issuer shall require the Contracting Parties to increase their payments under their Contracts in an amount sufficient to restore the Reserve Fund to the Reserve Required Amount in market value, and the Issuer shall deposit in the Reserve Fund, in approximately equal semiannual installments, such amounts as are required to restore the Reserve Fund to the Reserve Required Amount in market value within five years from any date of the use of the Reserve Fund to pay such principal or interest. If and whenever Additional Bonds are issued pursuant to Section 18, then the term "Reserve Required Amount" thereafter shall mean an amount in market value equal to the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance of each installment of Additional Bonds.

Section 14. CONTINGENCY REQUIREMENTS. There is currently on deposit in the Contingency Fund the sum of \$100,000. 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 Sinking 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 \$100,000 (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 Sinking Fund.

Section 15. INVESTMENTS. (a) Money in any Fund maintained pursuant to this Resolution may, at the option of the Issuer, be placed in interest bearing time deposits with banks secured by obligations of the kind hereinafter described, or be invested in direct obligations of the United States of America, obligations the principal of and interest on which are guaranteed by the United States of America, or invested in direct obligations of the Federal Intermediate Credit Banks, Federal Land Banks, Banks for Cooperatives, or Federal Home Loan Banks. Such deposits and investments shall be made consistent with the estimated requirements of such Funds, and any obligation in which money is so invested shall be kept and held for the benefit of the owners of the Parity Bonds, and shall be promptly sold and the proceeds of sale applied to the making of all payments required to be made from the Fund from which the investment was made. All earnings from the deposit or investment of any such Fund shall be credited to such Fund, except that if on February 1 of any year the Reserve Fund should contain an amount in excess of the Reserve Required Amount in market value, such excess shall be deposited into the Interest and Sinking Fund. All investment earnings on deposit in the Interest and Sinking Fund shall reduce the amounts which otherwise would be required to be deposited therein. Uninvested money in any Fund shall be secured in the manner prescribed by law for securing funds of the Issuer.

(b) Notwithstanding any other provisions of this Resolution, all investment income, if any, required by the United States Internal Revenue Code to be rebated by the Issuer to the Internal Revenue Service in order to prevent the Parity Bonds from being or becoming taxable "arbitrage bonds" under said Code shall be withdrawn from each Fund created by this Resolution and so rebated to the extent so required.

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 Sinking Fund, the Reserve Fund, and the Contingency Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Subject to making the required deposits to the credit of the Interest and Sinking Fund, the Reserve Fund, and the Contingency Fund, when and as required by this 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 February 1 or August 1, whichever comes first, immediately following delivery of the Bonds to the purchaser thereof, and semiannually on or before each February 1 and August 1 thereafter while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, or 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 be payable on each such February 1 and August 1.

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 Sinking Fund, the Reserve Fund, and the Contingency Fund established pursuant to this 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 Resolution and the provisions of each resolution authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Issuer shall deposit to the credit of the Interest and Sinking 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 120 approximately equal monthly installments, made on or before the 25th day of each month following the delivery of the then proposed Additional Bonds.

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

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on February 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on February 1 and August 1, and 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 Sinking 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 Sinking 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 and will use its best efforts to acquire and construct the System as provided in the Contracts, that it warrants that it will defend the title to or lawful right to use and operate, all of the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the owners of the Parity Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

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

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

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

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

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

All such policies shall be open to the inspection of the owners of the Parity 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 Sinking 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 any owner of any Parity 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 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 or 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, 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 such 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 Parity 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 Pledged 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 or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

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

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

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

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

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

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

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

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

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

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

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

For purposes of the foregoing (a) and (b), the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and the proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the President of the Board of Authority, or the Authorized Officer, to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the

Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. This Resolution is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

Section 25. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION, CUSIP NUMBERS, AND INSURANCE. The President of the Board of Directors of the Issuer and the Authorized Officer are hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and 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 26. 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 27. CONTINUING DISCLOSURE OF INFORMATION. (a) As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

(d) The Issuer additionally covenants, for the benefit of the beneficial owners of the Bonds, and for the beneficial owners of Texas Water Development Board bonds, to request and use its best efforts to obtain the financial information and operating data from the Contracting Parties of the type to be included in Appendix B of any official statements of the Issuer relating to "Bonds" (as defined in the Continuing Disclosure Agreements), and to file, or cause to be filed, such financial information and operating data in the manner required by the Rule as if the Bonds had been initially sold pursuant to an "Offering" as defined in the Rule.

Section 28. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be used along with other bond proceeds for the purpose for which the Bonds are issued set forth in Section 1 hereof; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Redemption Fund. It is further provided, however, that any interest earnings on bond proceeds which are required to be rebated to the United States of America pursuant to Section 24 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 29. 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 30. EXPIRATION OF AUTHORIZATION. The authority of the Authorized Officer to sell the Bonds 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.

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

<u>Project Name (Operating)</u>	<u>Cities and Communities Served or to be Served</u>
Central Regional Wastewater System	Addison, Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Dallas/Fort Worth International Airport Board, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie,

Project Name (Operating)	Cities and Communities Serviced or to be Served
	Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, and Southlake
Ten Mile Creek Regional Wastewater System	Cedar Hill, DeSoto, Duncanville, Ferris, and Lancaster
Denton Creek Regional Wastewater Treatment System	Argyle, Circle T Municipal Utility District No. 1, Circle T Municipal Utility District No. 3, Flower Mound, Fort Worth, Haslet, Keller, Northlake, Roanoke, Southlake and Westlake.
Red Oak Creek Regional Wastewater Project	Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak
Mountain Creek Regional Wastewater System	Grand Prairie, Midlothian and Venus
Tarrant County Water Supply Project	Bedford, Colleyville, Euless, Grapevine, and North Richland Hills
Huntsville Regional Water Supply System	Huntsville
Livingston Regional Water Supply System	Livingston
Trinity County Regional Water Supply System	Glendale Water Supply Corp, Groveton, Riverside Water Supply Corp, Trinity, Trinity Rural Water Supply Corp and Westwood Shores MUD.
Lake Livingston—Wallisville Project	Houston, 21 lakeside communities (and two industries)
Livingston Recreation Facilities	Serving the General Public
Project Name (Non-Operating)	Cities and Entities Served
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

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

THE FUTURE ROLE OF THE AUTHORITY

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

1. Master Planning.

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

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

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

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

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

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

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

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

PENSION PLAN

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

OTHER OUTSTANDING INDEBTEDNESS OF THE AUTHORITY

The Authority has other outstanding indebtedness which is listed below. The other outstanding indebtedness is not payable from Pledged Revenues which provide payment for the Bonds and are not Parity Bonds as defined in the Resolution.

<u>Bond Issues:</u>	<u>Outstanding September 1, 2011</u>
Central Regional Wastewater System	\$ 795,695,000 ⁽¹⁾
Community Waste Disposal, Inc.	19,790,000
Denton Creek Regional Wastewater Treatment System	88,270,000 ⁽¹⁾⁽³⁾
Denton Creek Wastewater Pressure Interceptor System	2,060,000
Denton Creek Wastewater Interceptor(Fort Worth Project)	1,235,000
Cade Branch Wastewater Interceptor	375,000
Ellis County (Bristol and Buena Vista-Bethel Corps. Water Supply Project)	7,000
City of Fort Worth Water & Wastewater Transmission Contract (Sendera Ranch Project)	495,000 ⁽²⁾
General Improvement	3,245,000
City of Huntsville Sewer System Project	740,000
Huntsville Regional Water Supply System	8,415,000
Livingston Regional Water Supply Project	2,715,000
Mountain Creek Regional Wastewater System	1,775,000 ⁽¹⁾
Northeast Lakeview Wastewater Transportation Project	15,630,000
Red Oak Creek Regional Wastewater System	43,890,000 ⁽¹⁾
Tarrant County Water Project	147,370,000
Ten Mile Creek Regional Wastewater System	93,885,000 ⁽¹⁾
Texas Utilities Electric Company Pollution Control	51,075,000
Town of Flower Mound Wastewater Transportation Project	4,585,000
Trinity County Regional Water Supply System Project	1,185,000
SUB-TOTAL	\$ 1,282,437,000

⁽¹⁾ Additional bonds have been issued and are expected to be delivered during within the next 30 days.

Central Regional Wastewater System Revenue Bonds, Series 2011A	\$ 108,395,000
Denton Creek Regional Wastewater Treatment System Revenue Bonds, Series 2011A	37,765,000
Mountain Creek Regional Wastewater System Revenue Bonds, Series 2011	11,015,000
Red Oak Creek Regional Wastewater System Revenue Bonds, Series 2011	11,710,000
Ten Mile Creek Regional Wastewater System Revenue Bonds, Series 2011	27,690,000
City of Fort Worth Water & Wastewater Transmission Contract (Sendera Ranch Project) Revenue Refunding Bonds, Series	6,795,000
SUB-TOTAL	\$ 1,485,807,000

THE BONDS	\$ 9,655,000
TOTAL	\$ 1,495,462,000

⁽²⁾ Excludes the Series 2002 Refunded Bonds that were refunded by the City of Fort Worth Water & Wastewater Transmission Contract (Sendera Ranch Project) Revenue Refunding Bonds, Series 2011 scheduled to close November 4, 2011.

⁽³⁾ Excludes the Series 2000 and 2003 Refunded Bonds that were refunded by The Bonds.

In addition to the preceding statement of indebtedness, the Trinity River Authority has three outstanding contracts with the United States of America for water rights or flood control.

<u>Project</u>	<u>Outstanding September 1, 2011</u>
Bardwell Reservoir (City of Ennis & Ellis Co. WCID #1)	\$ 1,270,055
Joe Pool Lake (Cities of Cedar Hill, Duncanville, Grand Prarie, and Midlothian)	68,021,686
Wallisville Lake(City of Houston)	9,487,953
	\$ 78,779,694

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 sufficiency report prepared by First Southwest Company. 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 judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. 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. On September 12, 2011, President Obama submitted to Congress a legislative proposal entitled the "American Jobs Act of 2011" (the "Jobs Act"). If enacted, as proposed, the Jobs Act would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. On September 29, 2011, President Obama introduced the Debt Reduction Act of 2011 (the "Debt Act") which, as proposed, would require the Office of Management and Budget to establish steadily declining annual ratios for debt as a percentage of gross domestic product beginning in 2013. If the ratios were not met in any given year, automatic cuts in spending and tax preferences, such as tax-exempt interest, could be implemented. The likelihood of the Jobs Act and Debt Act being enacted in the form introduced or in some other form 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 the Contracting Parties commissions an audit and it is completed by the required time. If audited financial statements of the 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’ current fiscal year end is September 30. Accordingly, the Contracting Parties must provide updated information by March 31 in each year, unless the Contracting Parties changes its fiscal year. If the Contracting Parties changes its fiscal year, it will notify the MSRB of the change.

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 certain specified 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 years ending 2006 and 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, certain of the Contracting Parties have not complied with all continuing disclosure undertakings made by them in accordance with SEC Rule 15c2-12. More specifically, the City of Haslet did not timely file certain information for fiscal years ending 2002 through 2006, and the City of Roanoke did not timely file certain information for fiscal years ending 2003 through 2006. All information has since been filed, including notices of late filing. The Contracting Parties have implemented procedures to ensure timely filing of all future financial information.

OTHER INFORMATION

RATINGS

The Bonds are rated "AA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services Company LLC business ("S&P"). The Outstanding Parity Bonds of the Authority are also rated "AA" by S&P, without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of S&P 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 S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country and developments arising from the Budget Control Act of 2011, including the deliberations and results thereof of the Joint Select Committee on Deficit Reduction, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds.

LITIGATION

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

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 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 not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Rating" 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 AND NO-LITIGATION CERTIFICATE

The Authority will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding special obligations of the Authority, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. Though it represents the Financial Advisor and the 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 was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify and of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "Plan of Financing," "The Bonds" (exclusive of the subcaptions "Book-Entry-Only System" and "Use of Bond Proceeds"), "Selected Contract Provisions," "Selected Provisions of Bond Resolution," "Tax Matters," "Continuing Disclosure of Information," (except under the subcaption "Compliance with Prior Undertakings"), "Other Information – Registration and Qualification of Bonds for Sale," "Other Information - Legal Investments and Eligibility to Secure Public Funds in Texas" and "Other Information – Legal Opinions and No-Litigation Certificate" 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 fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by Locke Lord LLP, counsel for the Underwriter. The legal fee to be paid to counsel for the Underwriter for services rendered in connection with the issuance of the Bonds is 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.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company may submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for 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 \$67,830.63. 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.

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.

The pricing certificate to be executed by an Authorized Officer of the Authority, which certificate is a part of the Resolution authorizing the issuance of the Bonds, will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriter.

TRINITY RIVER AUTHORITY OF TEXAS

/s/ J. KEVIN WARD

J. KEVIN WARD

General Manager

SCHEDULE 1
REFUNDED BONDS

Trinity River Authority of Texas
Denton Creek Regional Wastewater Treatment System
Denton Creek Regional Wastewater Treatment System Revenue Bonds, Series 2000

Original <u>Maturity</u>	Interest <u>Rates</u>	Amount <u>Refunded</u>	Redemption <u>Date</u>	Redemption <u>Price</u>
2/1/2013	4.250%	\$1,750,000	11/4/2011	Par
2/1/2014	4.300%	750,000	11/4/2011	Par
2/1/2015	4.400%	1,725,000	11/4/2011	Par
2/1/2016	4.450%	560,000	11/4/2011	Par
2/1/2017	4.500%	5,000	11/4/2011	Par
2/1/2018	4.550%	5,000	11/4/2011	Par
2/1/2019	4.600%	5,000	11/4/2011	Par
2/1/2020	4.650%	5,000	11/4/2011	Par
2/1/2021	4.650%	5,000	11/4/2011	Par
		\$4,810,000		

Trinity River Authority of Texas
Denton Creek Regional Wastewater Treatment System

Denton Creek Regional Wastewater Treatment System Revenue Improvement and Refunding Bonds, Series 2003

Original <u>Maturity</u>	Interest <u>Rates</u>	Amount <u>Refunded</u>	Redemption <u>Date</u>	Redemption <u>Price</u>
2/1/2013	4.000%	\$345,000	2/1/2012	Par
2/1/2014	4.150%	355,000	2/1/2012	Par
2/1/2015	4.250%	370,000	2/1/2012	Par
2/1/2016	4.375%	390,000	2/1/2012	Par
2/1/2017	4.400%	630,000	2/1/2012	Par
2/1/2018	4.500%	655,000	2/1/2012	Par
2/1/2019	4.650%	685,000	2/1/2012	Par
2/1/2020	4.700%	720,000	2/1/2012	Par
2/1/2021	4.800%	755,000	2/1/2012	Par
		\$4,905,000		

APPENDIX A

BIOGRAPHICAL INFORMATION

Board of Directors

and

Management Officers

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BOARD OF DIRECTORS

LINDA D. TIMMERMAN, Ed.D., of Streetman, Texas (president and member, executive committee). Timmerman coordinates strategic business development for Texas Dermatology Associates. She is a member of the Texas Association of Community College Teachers, the Corsicana Area Chamber of Commerce board of directors and Rotary International. Timmerman is active with the American Cancer Society, serving as a Reach-to-Recovery volunteer. She is past president of the National Council of Instructional Administrators and past president of the Texas Community College Instructional Administrators. Timmerman is a member of Lakeside United Methodist Church. Timmerman received a bachelor's degree and a doctorate from Texas A&M University-Commerce. Timmerman was reappointed director for Freestone County in 2008.

HAROLD L. BARNARD of Waxahachie, Texas (vice 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 current director and past president of the Ellis County Museum board of directors. He is a 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.

MICHAEL CRONIN of Terrell, Texas (chairman, executive committee). Cronin is vice chairman of the board of directors of American National Bank of Texas. He is a member of the Independent Bankers Association of Texas and the Texas Bankers Association. He has served as president of the Terrell Economic Development Corporation since its inception in 1990. He is also president of the Terrell Industrial Foundation, a member and past chairman of the Terrell Chamber of Commerce and a member of the Terrell Rotary Club. Cronin earned a bachelor's degree from the University of North Texas. He was reappointed as director for Kaufman County in 2011.

PATRICIA CARLSON of Fort Worth, Texas (member, resources development committee). Carlson is vice president of Carlson Engineering Inc. She is a member of the Council for National Policy and a member of the Fort Worth Rotary Club. She served on the Southwestern Baptist Theological Seminary Advisory Council. Carlson is a graduate of Polytechnic High in Fort Worth and attended college. Carlson was appointed as director for Tarrant County in 2008.

WILLIAM W. COLLINS JR., of Fort Worth, Texas (member, resources development committee). Collins is an attorney in private practice. He is a member of the State Bar of Texas and the Tarrant County Bar Association. He is a trustee of the Modern Art Museum of Fort Worth, a member of the Fort Worth Rotary Club, and a life member of the Tarrant County Historical Society and the University of Texas Alumni Association. Collins is a past chair of the Texas Motor Vehicle Commission, past commissioner of the Texas Commission on the Arts, and a past member of the Fort Worth Transportation Authority executive committee. He is also past chair of the American Cancer Society-Fort Worth. Collins earned a bachelor's degree from the University of Texas at Austin and a law degree from the University of Tennessee Law School. Collins was appointed as director for Tarrant County in 2010.

CHRISTINA MELTON CRAIN of Dallas, Texas (member, legal 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 a 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 chair of the Dallas One-Stop Optimized Re-entry System and re-entry co-chair of the Dallas County Criminal Justice Advisory Board. 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. 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 chair 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 as well as Leadership Texas and Leadership Dallas. She is a former director of the Baylor Healthcare System Foundation. Crain is a former 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.

STEVE CRONIN of Shepherd, Texas (member, resources development committee). Cronin is director of transportation at the Coldspring Independent School District and the owner of Triple B Goat Ranch. 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. He serves as financial advisor for the Coldspring FFA Booster Club and on the San Jacinto County Fair Association Committee. He is a coach for the Dixie Youth League and a leader with 4-H. Cronin served more than seven years as an agriculture field representative for the Texas Farm Bureau and more than six years as an agriculture extension agent for the Texas A&M University System. He received a bachelor's and a master's degree from Sam Houston State University. Cronin was reappointed as director for San Jacinto County in 2011.

AMANDA B. DAVIS of Buffalo, Texas (member, administration 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 TRA's Leon County in 2011.

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

MARTHA A. HERNANDEZ of Burleson, Texas (member, legal committee). Hernandez is a retired nutritionist and jailor for the Tarrant County Sheriff's Department. She is a member of Congressman Joe Barton's Advisory Committee. Hernandez is past president of the Burleson Heritage Foundation and the Burleson Garden Club. She is also past chairman of the City of Burleson Parks Board and the Burleson Public Library Board, and she served on the Tarrant County Grand Jury. Hernandez volunteered for the U.S. Secret Service detail for a national political convention and has served at election polls since 1972. Hernandez served as a board member and organizer of the Fiesta de Burleson Cinco de Mayo Celebration from 1997 to 2003. She earned a bachelor's degree from Texas Wesleyan University. Hernandez was reappointed as director for Tarrant County in 2011.

JOHN W. JENKINS of Hankamer, Texas (member, executive committee; chairman of the legal committee; member, Ten Mile Creek Regional Wastewater System Right-of-Way Committee). Jenkins is a self-employed partner in a major farming enterprise. He graduated from Southwest Texas State University in 1981 with a bachelor's degree. He is a member of the Devers Canal Rice Producers Association and the Anahuac Area Chamber of Commerce. He serves on the boards of the Anahuac National Bank, the Hometown Press, 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 from 2003-2005 and as vice president from 2001-2003. He served as chairman of the executive committee from 2005-2007. He was chairman of the resources development committee from 2000-2002.

KEITH W. KIDD of Dallas, Texas (member, legal committee). Kidd is president of Encino International and is a member of the Texas and Washington, D.C. Bar associations. Kidd received a bachelor's degree from Georgetown University, a master's degree from the University of Alabama and a law degree from the Texas Wesleyan School of Law. He has served with the U.S. Army Reserve since 1993 with a current rank of major. Kidd was appointed as director for Dallas County in 2008. Mr. Kidd resigned as a director of the Board effective September 30, 2011.

JESS A. LAIRD of Athens, Texas (member, 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 Chamber of Commerce and the Trinity Valley Community College Foundation. He is 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, executive committee and chair, administration 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, utility services 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, legal 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 32 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 is 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 currently serves on the Gulf Coast Trade Center board of trustees. Martinez was appointed as director for Walker County in 2004.

KEVIN MAXWELL of Crockett, Texas (member, utility services committee). Maxwell is president of S.C. Maxwell Co. Inc., a construction, real estate and ranching business. Maxwell is a member of the Texas Wildlife Association, a member of the Sharon Temple Shriners and a 32nd degree Scottish Rite mason. He is president of the Crockett Athletic Booster Club and a member of the Houston Livestock Show and Rodeo 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, administration 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, administration committee). Neale is president and owner of Quorum Energy Company, an exploration and production company in the oil and gas business. He is chairman of the District 9 advisory council for the Dallas Independent School District and a member of the Trinity Trust Foundation. Neale served as executive assistant to Governor Bill Clements and as an executive committee member for the Dallas Blue Foundation. He served a term as foreman for the Dallas County Grand Jury in January 2005. Neale earned a bachelor's degree from the University of Texas in Austin. He was appointed as director for Dallas County in 2008.

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

AMIR RUPANI of Dallas, Texas (member, administration 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, executive committee and chair, resources development committee). Saucedo invests in residential property. She is a former news reporter for KLIF and KRLD radio in Dallas. Saucedo worked for the Office of Minority Business Enterprise, and the Department of Commerce and was instrumental in developing the Texas Association of Mexican American Chambers of Commerce and the U. S. Hispanic Chamber of Commerce. She spent twelve years volunteering with the Parent Teacher Association and was awarded a Life Member Honor by the Socorro Independent School District in El Paso, Texas. She was elected trustee of Socorro ISD and was appointed to the Texas Commission on Human Rights. She is currently the president of the Pike Park Preservation League and coordinates cultural and historical activities at one of the oldest parks in Dallas. Saucedo was reappointed as director for Dallas County in 2004.

SHIRLEY K. SEALE of Anahuac, Texas (member, resources development committee). Seale is a financial advisor for Edward Jones, an investments company. Seale is a member of the Chambers County Economic Development Board and a member of the West Chambers County Chamber of Commerce. She was a member of the board of directors for the Gulf Coast Waste Disposal Authority from 1997 to 2007. Seale served as a board member for the Chambers County Industrial Development Board and as fundraiser chairman for the Chambers County American Heart Association. She is a member of the Chambers County

Republican Women where she served as treasurer, vice president and delegate to the State Republican Women's Association. Seale is a member of the First Baptist Church of Anahuac and has served as church treasurer for ten years. Seale is a graduate of the Southwestern Graduate School of Banking and attended Lee College, Lamar University and Bank Operations School at East Texas State University. Seale was re-appointed as director for Chambers County in 2009.

J. CAROL SPILLARS of Madisonville, Texas (member, utility services 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.

KIM C. WYATT of Corsicana, Texas (member, executive committee and chairman, utility services committee). Wyatt is president of the Community National Bank & Trust of Texas and chief executive officer of Community Bank Holdings of Texas. He holds a bachelor's degree from Texas A&M University and graduated from the Southwest Graduate School of Banking. Wyatt is a former member of the planning and zoning board of the city of Corsicana. He is a member of the board of trustees of the First United Methodist Church, a member of the Corsicana Optimist Club and a member of Independent Order of Odd Fellows. Wyatt is treasurer of the Corsicana Livestock and Agricultural Center, a member of the Navarro County Extension Service Management Committee, a board member of the Garitty Charity Association and a member of the board of the Navarro Community Foundation. Wyatt is 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.

MANAGEMENT OFFICERS

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

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

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

FIONA M. ALLEN, P.E., regional manager, Northern Region. Allen joined the 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.

ROBERT E. MOORE, CPA, financial services manager. Moore served four years in the United States Navy in the Western Pacific and received an Air Medal for flight operations in a combat zone and the Navy Commendation Medal. He earned a bachelor's degree from the University of Texas at Austin and has taken graduate classes in accounting, finance and computer science at the University of Texas at Arlington. Moore is a member of the Beta Alpha Psi Accounting Honor Society and the Beta Gamma Sigma Business Honor Society. He became a certified public accountant in 1978. Prior to joining TRA, Moore was employed by Arthur Young & Company and General Dynamics. He began working for TRA in 1978 as the senior manager of the finance division. He has held various volunteer leadership positions with the Boy Scouts of America and has served on the supervisory committee of the Arlington Federal Credit Union. He is currently a member of the Texas Society of Certified Public Accountants, the American Institute of Certified Public Accountants, the Government Finance Officers Association of Texas and the Government Treasurer's Association of Texas.

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 staff attorney. 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.

ALISON A. MACKEY, executive assistant to the general manager. Mackey received a bachelor's degree from Texas Tech University and a master's degree from the University of Texas at Arlington. Mackey became a certified public accountant in 1985 and was employed by Hunt Energy Corp. for several years before joining TRA in 2001 as internal auditor. She was promoted to her current position in 2005. Mackey has held various volunteer leadership positions with the Parent Teacher Association of Texas and the YMCA of Arlington where she was a member of the board of directors. She has also served as a volunteer driver for the Meals on Wheels program. She is currently a member of the Texas Society of Certified Public Accountants and the American Institute of Certified Public Accountants. She is also a member of the American Water Works Association and the Water Environment Federation. She is an active member of St. Vincent de Paul Catholic Church in Arlington, Texas.

APPENDIX B

CERTAIN FINANCIAL AND OPERATING DATA

OF THE

CONTRACTING PARTIES

**TRINITY RIVER AUTHORITY
DENTON CREEK REGIONAL WASTEWATER TREATMENT SYSTEM**

Contracting Parties:

*Town of Argyle, Texas
Town of Flower Mound, Texas
City of Fort Worth, Texas
City of Haslet, Texas
City of Keller, Texas
Town of Northlake, Texas
City of Roanoke, Texas
City of Southlake, Texas
Town of Westlake, Texas
Circle T Municipal Utility District No.1
Circle T Municipal Utility District No.3*

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TOWN OF ARGYLE, TEXAS

The Town

The Town of Argyle was incorporated as a General Law, Type A Municipality, in 1963 and is located in Denton County. The Town occupies approximately thirteen (13) square miles in area and has a 2010 population of 3400. Located in the high growth area between the Cities of Fort Worth and Denton, the Town benefits from its proximity to Dallas-Fort Worth Metroplex job centers. Bordered on the west by Interstate Highway 35 and having U.S. Highway 377 traversing south to north through the heart of the Town, the Town enjoys a comprehensive highway corridor network which enhances the Town's continued high growth and development potential. The Town's 2009 form-based Comprehensive Land Use Plan further creates the development standards necessary for the Town to create sustainable new development while preserving its rural-agricultural feel.

Water and Wastewater System

The Town of Argyle contracts with the Argyle Water Supply Corporation (AWSC) for its supply and distribution of potable water. The AWSC serves water to 1229 residents within the Town of Argyle. The Corporation has recently entered into a contract to purchase an additional 1.5 million gallons of water per day from the Upper Trinity Regional Water District (UTRWD) to be delivered through a new UTRWD water transmission line via a secondary delivery point. The additional water supply, supported by the secondary delivery point, solidifies the Town's future water supply necessary to accommodate new growth and development. The 50-year franchise agreement with AWSC will expire in 2013. In addition, AWSC provides wastewater service customer billing and collection for 442 customers served by the Town's limited wastewater system.

The Town of Argyle Wastewater Utility Fund is considered an enterprise fund for the purpose of accounting for wastewater service operations. The Town currently contracts for wastewater collection and treatment with the Trinity River Authority and the City of Denton. All 442 wastewater customers are currently served through the City of Denton system. However, a \$21 million regional wastewater system project, made possible through a 4-party contract with the Trinity River Authority (TRA) and the Towns of Argyle, Flower Mound and Northlake is scheduled for completion in January 2012 that will allow for future development (residential, retail and commercial) along the Interstate Highway 35 and U.S. Highway 377 corridors within the Town, and its Extra-territorial Jurisdiction.

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TOWN OF FLOWER MOUND, TEXAS

TABLE 1 – CONDENSED STATEMENT OF OPERATIONS

Revenues	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Charges for Services	\$ 28,307,619	\$ 29,339,214	\$ 27,498,736	\$ 19,871,689	\$ 25,579,065
Penalties, Fines and Forfeits	252,068	253,411	245,132	218,419	243,542
Interest Income	54,031	349,578	618,685	660,316	459,588
Other	70,110	202,933	76,724	45,246	45,232
Total Revenues	28,683,828	30,145,136	28,439,277	20,795,670	26,327,427
Expenses					
Administration	2,346,453	2,804,561	6,336,510	5,592,151	4,102,430
Maintenance and Operations	21,034,702	19,742,114	16,096,436	14,948,116	15,587,454
Total Expenses	23,381,155	22,546,675	22,432,946	20,540,267	19,689,884
Net Available for Debt Service	\$ 5,302,673	\$ 7,598,461	\$ 6,006,331	\$ 255,403	\$ 6,637,543
Water Customers	21,305	21,245	21,155	21,027	20,986
Sewer Customers	18,639	18,562	18,527	18,473	18,421

TABLE 2 – COVERAGE AND FUND BALANCE ⁽¹⁾

Average Annual Principal and Interest Requirements, 2011-2020 ⁽¹⁾	\$ 1,132,284
Coverage of Average Requirements by 9/30/10 Net Available	4.68
Maximum Principal and Interest Requirements, 2018 ⁽²⁾	\$ 1,228,950
Coverage of Maximum Requirements by 9/30/10 Net Available	4.31
Waterworks and Sewer System Revenue Bonds Outstanding as of 9/30/10	\$ 9,490,000
System Interest and Sinking Fund, 9/30/10	\$ 422,628
Reserve Fund, 9/30/10	\$ 1,197,447

(1) Excludes self supporting debt.

(2) The Town refinanced \$19,525,000 in outstanding water and wastewater revenue bonds with the issuance of \$18,810,000 of combination tax and revenue refunding bonds on December 3, 2007. This refunding reduced debt service expenditures for revenue bonds of the Utility Fund by approximately 1.8 million in fiscal year 2007-2008.

TABLE 3 - HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year Ending 9/30	Total Usage ⁽¹⁾	Average Daily Usage ⁽¹⁾	Peak Day Usage ⁽¹⁾	Actual Peak Day	Total Water & Sewer Revenues Received
2006	5,496,967,155	15,269,353	29,316,000	07/22/06	\$ 24,212,306
2007	3,668,454,585	10,050,561	24,911,000	08/13/07	18,844,729
2008	4,480,146,161	12,279,214	28,068,000	08/10/08	23,191,049
2009	4,496,835,575	12,320,097	27,535,000	07/15/09	27,950,717
2010	4,012,687,164	10,993,663	29,418,000	08/23/10	27,358,928

(1) Gallons of treated water sold.

TABLE 4 - TEN LARGEST WATER CUSTOMERS

CUSTOMER	TYPE OF INDUSTRY	WATER USAGE	% OF TOTAL WATER USAGE	WATER REVENUE
LISD	School District	105,040,570	2.62%	\$669,593
Town of Flower Mound	Municipality	65,120,060	1.62%	205,740
HOA Wellington	Home Owner Association	31,758,960	0.79%	181,438
Tridge Apartments	Apartments	24,381,360	0.61%	193,755
CWS Apartment Homes	Apartments	17,747,600	0.44%	133,449
Lifetime Fitness	Health Fitness Club	16,473,900	0.41%	125,755
Archstone Lexington	Apartments	15,665,470	0.39%	108,783
HOA Stonehill Farms	Home Owner Association	12,766,050	0.32%	66,078
HOA Bridlewood	Home Owner Association	12,685,700	0.32%	80,029
Inland American Retail	Commercial	12,587,060	0.31%	79,866
TOTAL		314,226,730	7.83%	\$1,844,486.00

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

Meter Size	Minimum Bill (Includes 2,000 Gallons)
3/4" or 5/8"	\$25.50
1"	42.93
1 1/2"	71.96
2"	106.82
3"	199.75
4"	304.29
6"	594.69

For customers located outside the Town limits, the minimum charge is double the minimum rate for premises located within the town limits.

Volume rates effective October 1, 2010

2,000-10,000 gallons	\$3.00 per thousand gallons
10,001-15,000 gallons	\$3.68 per thousand gallons
15,001-50,000 gallons	\$4.36 per thousand gallons
50,000+ gallons	\$5.04 per thousand gallons
Town Meters	\$1.11 per thousand gallons
Fire Hydrants	\$5.04 per thousand gallons

WATER IMPACT FEES

Meter Size	Platted	Platted	Platted	Platted	Platted
	Prior to	10/17/94 -	12/18/00 -	4/19/04 -	After
	10/17/94	12/18/00	4/19/04 ⁽¹⁾	2/1/10 ⁽¹⁾	2/1/10 ⁽¹⁾
	Res./Non-Res.	Res./Non-Res.	Residential	Residential	Residential
5/8" x 3/4"	\$ 492.80	\$ 674.00	\$ 1,212.00	\$ 2,342.00	\$ -
5/8" x 3/4" PD	-	-	-	-	3,896.00
3/4" PD	-	-	-	-	5,844.00
1"	877.18	1,685.00	3,030.00	5,856.00	-
1" PD	-	-	-	-	9,740.00
1 1/2"	1,971.20	3,370.00	6,060.00	11,700.00	-
1 1/2" PD	-	-	-	-	19,480.00
2"	3,503.81	5,392.00	9,696.00	18,739.00	-
2" PD	-	-	-	-	31,168.00
2" Compound	-	-	-	-	31,168.00
2" Turbine	-	-	-	-	38,960.00
3"	7,884.80	11,795.00	19,392.00	37,478.00	-
3" Compound	-	-	-	-	62,336.00
3" Turbine	-	-	-	-	93,504.00
4"	14,015.23	20,220.00	30,300.00	58,560.00	-
4" Compound	-	-	-	-	97,400.00
4" Turbine	-	-	-	-	163,632.00
6"	31,539.20	42,125.00	60,600.00	117,120.00	-
6" Compound	-	-	-	-	194,800.00
6" Turbine	-	-	-	-	358,432.00
8"	56,070.78	60,660.00	96,960.00	187,392.00	-
8" Compound	-	-	-	-	311,680.00
8" Turbine	-	-	-	-	623,360.00
10"	87,609.98	97,730.00	139,380.00	269,376.00	-
10" Turbine	-	-	-	-	974,000.00

(1) Commercial project – Rate is reduced to 50% applicable fees

TABLE 6 - WASTEWATER USAGE (GALLONS)

Fiscal Year Ending 9/30	Total Usage	Average Daily Usage
2006	2,290,086,888	6,361,352
2007	2,167,206,174	5,937,551
2008	1,975,266,110	5,411,688
2009	2,033,569,648	5,571,424
2010	1,865,461,305	5,110,853

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

All size meters:
 First 2,000 gallons \$ 17.25 (Minimum)
 Over 2,000 gallons \$ 3.44 per 1,000 gallons

Residential: Monthly bill based on average consumption during months of December, January and February. If no average has been determined, the customer will be charged based on the rates above, not to exceed \$36.17 per month, until average water usage is determined.

Commercial: Monthly bill based on actual metered water use. No maximum.

SEWER IMPACT FEES

Chart A Meter Size	Platted Prior to 10/17/94 Res./Non-Res.	Platted 10/17/94 - 12/18/00 Res./Non-Res.	Platted 12/19/2000 - 1/31/2010 ⁽¹⁾		
			Lakeside Business District	Denton Creek District	Long Prairie District
			Residential	Residential	Residential
5/8" x 3/4"	\$ 1,413.00	\$ 1,396.00	\$ 978.00	\$ 1,254.00	\$ 4,204.00
1"	2,515.00	3,490.00	2,445.00	3,135.00	10,510.00
1 1/2"	5,652.00	6,980.00	4,890.00	6,270.00	21,020.00
2"	10,047.00	11,168.00	7,824.00	10,033.00	33,632.00
3"	22,608.00	24,430.00	15,648.00	20,066.00	67,264.00
4"	40,186.00	41,880.00	24,450.00	31,352.00	105,100.00
6"	90,433.00	87,250.00	48,900.00	62,705.00	210,200.00
8"	160,772.00	125,640.00	78,240.00	100,328.00	336,320.00
10"	251,205.00	202,420.00	112,470.00	144,221.00	483,460.00

Chart B Meter Size	Platted on or after 02/01/10 ⁽¹⁾			
	Long Prairie District	Lakeside District	Denton Creek District	Prairie Vista District
	Residential	Residential	Residential	Residential
5/8" x 3/4" PD	\$ 4,783	\$ 1,723	\$ 511	\$ 894
3/4" PD	7,175	2,585	767	1,341
1" PD	11,958	4,308	1,278	2,235
1 1/2" PD	23,915	8,615	2,555	4,470
2" PD	38,264	13,784	4,088	7,152
2" Compound	38,264	13,784	4,088	7,152
2" Turbine	47,830	17,230	5,110	8,940
3" Compound	76,528	27,568	8,176	14,304
3" Turbine	14,792	41,352	12,264	21,456
4" Compound	119,575	43,075	12,775	22,350
4" Turbine	200,886	72,366	21,462	37,548
6" Compound	239,150	86,150	25,550	44,700
6" Turbine	440,036	158,516	47,012	82,248
8" Compound	382,640	137,840	40,880	71,520
8" Turbine	765,280	275,680	81,760	143,040
10" Turbine	1,195,750	430,750	127,750	223,500

(1) Commercial project – Rate is reduced to 50% applicable fees

STORM WATER UTILITY FEES (EFFECTIVE NOVEMBER 1, 2009)

Residential		Non-residential	
< 1 Acre	\$3.90	1-25,000 sq ft.	\$29.37
1-5 Acres	3.36	25,000-50,000 sq. ft.	40.05
> 5 Acres	2.83	> 50,000 sq. ft.	50.73

Residential with Detention Credit		Non-Residential w/ Detention Credit	
< 1 Acre	\$3.24	1-25,000 sq ft.	\$24.38
1-5 Acres	2.79	25,000-50,000 sq. ft.	33.24
> 5 Acres	2.35	> 50,000 sq. ft.	42.11

CITY OF FORT WORTH, TEXAS

TABLE 1 - HISTORICAL WATER CONSUMPTION DATA (INSIDE CITY LIMITS) ⁽¹⁾

Fiscal Year Ending 9/30	Meters in Service	Total Water Pumped, M.G.	Average Pumped Daily, M.G.D.	Maximum Day's Pumpage, M.G.D.	Average GPD Per Meter	Ratio Maximum Day to Average Day
2006	196,257	53,191.1	145.7	289.10	743	1.98x
2007	218,422	46,084.4	126.3	225.70	578	1.79x
2008	230,817	45,326.0	124.2	277.14	538	2.23x
2009	233,801 ⁽²⁾	44,167.4	121.0	265.80	501	2.20x
2010	234,863	40,311.7	110.4	252.60	470	2.29x

(1) Source: City's Water Department.

(2) Restated.

TABLE 2 - TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)

Customer	Total 2010 Consumption (Gallons)	Revenue	% of Total Water Usage
Miller Brewing Company	943,598,474	\$ 2,029,220	1.71%
Alcon Laboratories	344,210,909	951,264	0.62%
Lockheed Martin	307,741,700	688,521	0.56%
Fort Worth ISD	270,909,528	1,015,075	0.49%
Tarrant County	203,768,675	649,546	0.37%
American Airlines	194,128,733	558,191	0.35%
XTO Energy Inc	179,804,339	868,010	0.33%
Texas Health Resources	176,233,732	569,878	0.32%
Zoological Association	161,780,515	489,048	0.29%
Texas Christian University	159,277,821	550,865	0.29%
	<u>2,941,454,426</u>	<u>\$ 8,369,619</u>	<u>5.33%</u>

Source: City's Water Department.

TABLE 3 - ALL WATER SOLD BY CATEGORY (MILLION GALLONS, BY FISCAL YEAR)

Year Ending 9/30	Residential	Commercial	Industrial	Wholesale Customers	Yard Meters	Total Water Sales
2006	20,947.1	13,335.3	2,704.0	23,477.1	4,823.0	65,286.5
2007	16,504.8	13,473.8	3,651.6	18,011.6	3,201.5	54,843.3
2008	18,899.4	11,429.4	2,674.2	21,598.0	4,206.8	59,807.8
2009	18,380.2	11,305.1	3,514.9	21,417.7	4,132.7	58,750.6
2010	16,988.7	10,611.8	3,398.2	20,900.8	3,313.9	55,213.4

Source: City's Water Department.

TABLE 4 - TREATED WATER PUMPED (MILLION GALLONS)

<u>Fiscal Year</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>	<u>Total Water Pumped</u>
2006	53,191.1	22,531.4	75,722.5
2007	46,084.4	18,011.6	62,740.7
2008	45,326.0	21,638.1	66,917.3
2009	44,167.4	20,816.4	64,983.8
2010	40,311.7	21,999.0	62,310.7

Source: City's Water Department.

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

Monthly Service Charge: Based on the size of meter serving the customer.

A monthly service charge in the following amount shall be charged based on the size of the meter serving the customers ⁽¹⁾:

<u>Meter Size</u>	<u>Monthly Service Charge</u>	<u>Meter Size</u>	<u>Monthly Service Charge</u>
5/8" x 3/4"	\$ 7.00	3"	\$ 58.38
3/4" x 3/4"	7.25	4"	102.25
1"	10.25	6"	222.00
1 1/2"	18.00	8"	380.00
2"	27.00	10"	595.00

(1) Rates for outside-the-city-limit customers have a 1.25% multiplier.

(2) Source: City's Water Department.

TABLE 6 - MONTHLY WATER RATES (VOLUME CHARGE ONLY) (EFFECTIVE JANUARY 1, 2011)

Volume Charge: Based on volume of water used ⁽¹⁾

<u>Residential Customers Rate</u>		<u>Irrigation Rate</u>		<u>Gas Well Driller Rate</u>	
<u>Cubic Feet</u>	<u>Rate</u>	<u>Cubic Feet</u>	<u>Rate</u>	<u>Cubic Feet</u>	<u>Rate</u>
First 800	\$1.91 per 100 Cu. Ft.	First 5,000	\$2.68 per 100 Cu. Ft.	All	\$4.50 per 100 Cu. Ft.
Next 1,200	2.68 per 100 Cu. Ft.	Next 5,000	3.31 per 100 Cu. Ft.		
Next 1,000	3.31 per 100 Cu. Ft.	Over 10,000	3.98 per 100 Cu. Ft.		
Over 3,000	3.98 per 100 Cu. Ft.				

<u>Commercial Rate</u>		<u>Industrial Rate</u>		<u>Superuser</u>	
<u>Cubic Feet</u>	<u>Rate</u>	<u>Cubic Feet</u>	<u>Rate</u>	<u>Cubic Feet</u>	<u>Rate</u>
All	\$2.15 per 100 Cu. Ft.	All	\$1.90 per 100 Cu. Ft.	All	\$1.63 per 100 Cu. Ft.

**Raw Water Service
(Effective January 1, 2011)**

All use per month	\$0.8201 per 1,000 gallons inside Tarrant Regional Water District
All use per month	\$0.8496 per 1,000 gallons outside Tarrant Regional Water District

(1) Rates for outside-the-city-limit customers have a 1.25% multiplier.

(2) Source: City's Water Department.

Rates for Wholesale Water Service
(Effective October 1, 2010)

The City has a contract for raw water supply from the District. The contract allows the District to proceed with operation of Richland Chambers, West Fork and Cedar Creek Reservoirs.

Prior to October 1 of each year, the District will establish its operating budget and will advise the City of the charge for raw water. This amount can vary each year, and if the revenue does not equal the expenditures, the rate can and will be adjusted to recover additional costs.

The District has advised the City that the charges for raw water have changed. Charges to the City for water sold to customers inside the District include a raw water component, plus a street rental charge of 4% and a system loss charge of 4% which increases the raw water cost to wholesale customers inside the District to \$0.8201 per 1,000 gallons. The Volume Charge is made up of two components: (1) the total raw water cost to the wholesale customer of \$0.8201 per 1,000 gallons; and (2) the cost of treatment, pumping, etc. to deliver water to the wholesale customer's meter at \$0.7212 per 1,000 gallons. The total volume charge will be \$1.5413 per 1,000 gallons.

1. Monthly charges based on the greater of either \$1,000 or a sum equal to the Volume Charge for the actual volume of water taken plus 1/12 of the sum of the estimated Rate of Use Charges and a \$25 per meter charge. For purposes of estimating the rate of use payments, the current rate of use charges will be derived from the prior Fiscal Year's Maximum Day Demand, Maximum Hour Demand and Average Daily Use.

Computations for the monthly charge based on the water used and for the Rate of Use Charge shall be made in accordance with the following rates:

	Inside District	Outside District
Volume Charge, per 1,000 Gallons	\$ 1.5413	\$ 1.5708
Excess Maximum Day Demand (per MGD of daily demand in excess of average day demand)	\$ 122,742	\$ 122,742
Excess Maximum Hour Demand (annual charge per MGD of hourly demand in excess of maximum day demand)	\$ 28,691	\$ 28,691
Service Charge per Meter per Month	\$ 25	\$ 25

2. Annual payments will be the greater of the following:
 - a. The charges calculated by applying the current Volume Charge to annual consumption, the appropriate meter reading and billing charge, and the Rate of Use Charge for the current fiscal year; or
 - b. The current fiscal year volume charge, the appropriate meter reading and billing charge, and the current Fiscal Year Rate of Use Charge applied to the average of the Maximum Day Demand above Average Daily Use and the average of the Maximum Hour Demand above Maximum Day Demand for the most recently completed three Fiscal Year, which include the current Fiscal Year; or
 - c. Twelve thousand dollars (\$12,000)

TABLE 7 - TEN LARGEST WASTEWATER CUSTOMERS

Customer	Total 2010 Usage (Gallons)	Revenue	% of Total Wastewater Usage
Miller Brewing Company	594,604,184	\$ 2,632,694	1.69%
Alcon Laboratories	213,605,135	732,714	0.61%
Lockheed Martin	189,416,975	651,032	0.54%
Tarrant County	155,832,559	666,018	0.44%
Fort Worth ISD	146,750,214	640,401	0.42%
Bell Helicopter Textron	121,621,153	481,107	0.35%
Dannon Company Inc.	113,862,615	714,807	0.32%
American Airlines	110,183,781	408,315	0.31%
Texas Health Resources	107,874,299	463,561	0.31%
Kroger LP	98,169,871	549,880	0.28%
	1,851,920,787	\$ 7,940,529	5.26%

Note: These accounts represent retail (inside City) customers only. Source: City's Water Department.

TABLE 8 - WASTEWATER SALES BY CUSTOMER CLASS FROM FISCAL YEAR 2010 BILLING RECORDS ⁽¹⁾

<u>Customer Class</u>	<u>Number of Accounts</u>	<u>Volume Billed MG</u>	<u>Sales</u>
Residential	197,553	10,430.8	\$ 48,582,859
Commercial	13,347	8,664.5	40,537,900
Commercial Monitored	610	353.5	1,926,404
Industrial	180	157.2	693,553
Industrial Monitored	168	2,221.4	10,193,873
Municipalities	24	13,292.5	25,438,319
Effluent	1	110.0	61,052
Total	211,883	35,229.9	\$ 127,433,960

(1) Source: City's Water Department.

TABLE 9 - WASTEWATER RETAIL SERVICE RATES (EFFECTIVE JANUARY 1, 2011)

Rates for Sewerage Service Only ⁽¹⁾

That Chapter 35, "Water and Sewers", Article III, "Charges", Section 35-56. "Water and Sewer Rates within the City", subsections (c) and (d) of the Code of the City of Fort Worth (1986), as amended, is hereby further amended to be as follows:

(c) The following schedule of rates per month, or fraction thereof, shall be the charges to all residential and nonresidential customers for furnishing sewerage service to such customers located within the city. The residential monthly volume charge for sewerage service shall be the charges to the residential class, as defined in this chapter, for furnishing sewerage service to nonresidential sewer customers located within the city.

(1) Monthly Service Charge for Sewerage Service Only

<u>Meter Size (inches)</u>	<u>Monthly Charge</u>
5/8	\$ 5.10
3/4 x 5/8	\$ 5.10
3/4 x 3/4	\$ 5.40
1	\$ 6.00
1-1/2	\$ 7.50
2	\$ 9.30
3	\$ 17.55
4	\$ 27.00
6	\$ 52.50
8	\$ 88.50
10	\$ 130.50
12	\$ 163.50

(2) A monthly volume charge shall also be charged to residential customers in the amount of two dollars and sixty-four cents (\$2.64) per one hundred (100) cubic feet of water used, and to nonresidential/non-monitored customers in the amount of three dollars and twenty-four cents (\$3.24) per one hundred (100) cubic feet of water used, or wastewater produced, as more specifically set forth hereinafter.

The monthly volume charges for residential class customers will be based on the individual customer's average monthly water use during the preceding winter quarter months of December, January and February, but in no event shall the volume used to compute this monthly charge for a single family residential unit or a duplex unit exceed three thousand (3,000) cubic feet. The volumes used to compute these charges are based on the amount of water used by the residential class customer as measured by a meter. Where no preceding winter quarter average is available from records, the director shall estimate a volume to be used for this monthly volume charge.

The monthly charges to the nonresidential/non-monitored customers will be based on total water use as measured by appropriate meters, with the provision that if a customer can prove, to the satisfaction of the director, that a significant portion of the metered water usage does not enter the sanitary sewers, the customer will be charged for only that volume entering the sewers, as determined by a method approved by the director.

TABLE 10 – WATER AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

9/30	Aggregate Debt Service		
	Principal	Interest	Total
2011	\$ 56,725,000	\$ 31,128,135	\$ 87,853,135
2012	61,715,000	32,093,878	93,808,878
2013	59,005,000	30,097,528	89,102,528
2014	61,200,000	27,604,077	88,804,077
2015	62,805,000	24,988,057	87,793,057
2016	58,815,000	22,397,718	81,212,718
2017	60,050,000	19,839,757	79,889,757
2018	62,720,000	18,178,228	80,898,228
2019	55,480,000	14,667,020	70,147,020
2020	48,595,000	12,527,453	61,122,453
2021	40,835,000	10,709,435	51,544,435
2022	42,515,000	9,020,268	51,535,268
2023	38,270,000	7,394,873	45,664,873
2024	35,990,000	5,947,504	41,937,504
2025	33,640,000	4,622,954	38,262,954
2026	25,275,000	3,493,462	28,768,462
2027	26,310,000	2,485,389	28,795,389
2028	13,630,000	1,711,242	15,341,242
2029	14,185,000	1,181,758	15,366,758
2030	14,775,000	625,181	15,400,181
2031	6,800,000	170,000	6,970,000

TABLE 11 – AUTHORIZED BUT UNISSUED REVENUE BONDS⁽¹⁾

<u>Purpose of Authorization</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Previously Issued</u>	<u>Unissued Balance</u>
Water Improvements	2/7/1978	\$ 20,000,000	\$ 16,500,000	\$ 3,500,000
Sewer Improvements	2/8/1978	24,000,000	10,000,000	14,000,000
Water Improvements	4/14/1983	25,250,000	6,000,000	19,250,000
Sewer Improvements	4/15/1983	12,300,000	8,000,000	4,300,000
Totals		<u>\$81,550,000</u>	<u>\$40,500,000</u>	<u>\$41,050,000</u>

(1) The City has adopted a policy whereby, consistent with the laws of the State of Texas and the City Charter, an election is no longer required for the City to issue Water and Sewer System Revenue Bonds supported by a lien on and pledge of the Pledged Revenues of the City's System. The City does not anticipate issuing any of the "Authorized But Unissued Revenue Bonds" described above.

TABLE 12 – WATER AND SEWER CONDENSED STATEMENT OF OPERATIONS (000’S OMITTED)

<u>Revenues</u>	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Charges for Services	\$ 304,831	\$ 303,111	\$ 298,118	\$ 257,989	\$ 282,762
Other Operating Revenue	117	62	31	384	11,050
Interest on Investments	3,340	6,675	14,296	12,070	8,455
Miscellaneous Revenue	13,078	276	943	5,820	877
Total Revenues	\$ 321,366	\$ 310,124	\$ 313,388	\$ 276,263	\$ 303,144
<u>Expenses</u>					
Personnel Services	\$ 66,768	\$ 64,806	\$ 60,877	\$ 49,769	\$ 44,490
Supplies and Materials	19,143	20,201	19,529	17,272	16,366
Contractual Services	103,418	98,304	89,663	84,941	91,084
Total Expenses	\$ 189,329	\$ 183,311	\$ 170,069	\$ 151,982	\$ 151,940
Net Available for Debt Service	\$ 132,037	\$ 126,813	\$ 143,319	\$ 124,281	\$ 151,204
Water Accounts	220,652	218,683	217,566	212,213	206,206
Sewer Accounts	211,883	209,743	208,408	203,549	197,617

(1) Source: Comprehensive Annual Financial Reports for the corresponding fiscal year, City of Fort Worth. Expenses exclude depreciation (a non-cash expense).

TABLE 13 - COVERAGE AND FUND BALANCES ⁽¹⁾

Average Annual Principal and Interest Requirements, 2011 - 2031 ⁽¹⁾	\$ 55,242,308
Coverage of Average Annual Requirements by 9/30/10 Net Available for Debt Service	2.39x
Maximum Principal and Interest Requirements, 2012 ⁽¹⁾	\$ 93,802,695
Coverage of Maximum Requirements by 9/30/10 Net Available for Debt Service	1.41x
Water and Sewer System Revenue Bonds Outstanding, 6/1/11 ⁽¹⁾	\$ 822,160,000
<u>Prior Lien Bonds</u>	
Interest and Sinking Fund, 6/1/11 ⁽²⁾	\$ 33,030,963
Reserve Fund Balance, 6/1/11	\$ 2,081,147 ⁽³⁾
<u>Subordinate Lien Bonds</u>	
Interest and Sinking Fund, 6/1/11 ⁽²⁾	\$ 5,765,501
Reserve Fund Balance, 6/1/11	\$ - ⁽⁴⁾

(1) Includes all Outstanding Prior Lien Obligations and the Subordinate Lien Bonds.

(2) Figures furnished by City staff. Shown on a cash basis, excluding accruals.

(3) Required Reserve Amount funded with Ambac and AGM surety policies and cash. Amount shown is cash balance.

(4) Required Reserve Amount funded in part with Ambac, CIFG, Syncora and AGM surety policies.

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TABLE 14 - STATEMENT OF WATER AND SEWER FUND EQUITY (000'S OMITTED)

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Cash and Investments	\$ 54,731	\$ 72,460	\$ 75,013	\$ 44,239	\$ 38,629
Receivables, Inventories and Prepaid Expenses	49,395	50,346	47,916	49,214	48,085
Restricted Assets	217,542	205,530	234,234	254,152	191,650
Property, Plant and Equipment, Net	2,124,625	2,044,838	1,981,856	1,896,936	1,785,567
Total Resources	\$ 2,446,293	\$ 2,373,174	\$ 2,339,019	\$ 2,244,541	\$ 2,063,931
Less:					
Revenue Bonds Payable	\$ 549,550	\$ 455,365	\$ 455,365	\$ 490,215	\$ 422,335
Other Obligations	251,662	325,097	358,662	315,765	306,984
Total Obligations	\$ 801,212	\$ 780,462	\$ 814,027	\$ 805,980	\$ 729,319
Water and Sewer Equity	\$ 1,645,081	\$ 1,592,712	\$ 1,524,992	\$ 1,438,561	\$ 1,334,612
Equity as Percentage of Assets	67.25%	67.11%	65.20%	64.09%	64.66%

Note: The City annually budgets and transfers sufficient monies from the operations of its Water and Sewer System to pay debt service on General Purpose Bonds issued for Sewer System improvements. Revenue Bonds Payable, as reflected in the above Statement of Equity, are not inclusive of such General Purpose Bonds.

TABLE 15 - CURRENT INVESTMENTS

As of June 1, 2011, the City's investable funds were invested in the following categories:

Description	Market Value	Book Value	Market Value
	as % of Par		
Savings Account	13.60%	\$ 167,093,964	\$ 167,093,964
Certificates of Deposit	4.54%	55,735,419	55,735,419
Money Market Funds	0.13%	1,605,815	1,605,815
Treasury Notes	23.18%	284,211,202	284,865,869
Agencies	58.55%	712,917,877	719,484,093
TexSTAR ⁽¹⁾	0.00%	4,376	4,376
	100.00%	\$ 1,221,568,653	\$ 1,228,789,536

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to another instrument, index, or commodity.

(1) TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

CITY OF HASLET, TEXAS

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

Residential - Inside City Limits		
Per 1,000 Gallons		
First 2,000 gallons	\$ 16.10	- Flat rate minimum monthly fee
Next 28,000 gallons	\$ 2.88	
30,001 – 50,000	\$ 3.74	
50,001 – 100,000	\$ 4.60	
Over 100,000 gallons	\$ 6.90	
Residential - Outside City Limits		
First 2,000 gallons	\$ 24.15	- Flat rate minimum monthly fee
Next 28,000 gallons	\$ 3.74	
30,001 – 50,000	\$ 5.18	
50,001 – 100,000	\$ 5.75	
Over 100,000 gallons	\$ 8.05	
Use of Water from Fire Hydrant (bulk sales)		
First 2,000 gallons	\$ 60.00	- Flat rate minimum payment
Next 28,000 gallons	\$ 9.60	
30,001 – 50,000	\$ 12.00	
50,001 – 100,000	\$ 14.40	
Over 100,000 gallons	\$ 18.00	

TABLE 2 - WATER USAGE

Year Ended 30-Sep	Total Number of Pumped Gallons	Average Daily Pumped	Peak Daily Pumped	Revenues Received
2006	182,737,752	500,651	1,441,634	1,602,679
2007	117,405,602	321,659	1,782,539	1,092,937
2008	151,870,365	416,083	2,019,845	1,626,316
2009	307,831,877	843,375	1,826,000	2,353,356
2010	185,764,274	452,986	1,208,327	1,501,680

TABLE 3 - TEN LARGEST WATER CUSTOMERS

<u>Customer</u>	<u>Fiscal 2010 Water Usage (Gallons)</u>	<u>Estimated Percent of Water Usage</u>	<u>Water Revenues Received</u>
Quicksilver Resources Inc. (1)	16,516,800	8.89%	\$ 37,162.82
XTO Energy, Inc. (2)	14,511,000	7.81%	43,401.50
XTO Energy, Inc. (2)	6,906,600	3.72%	102,771.00
Americold Logistics	6,822,400	3.67%	49,114.50
XTO Energy, Inc. (2)	6,625,000	3.57%	97,119.00
Volkswagen of America	6,290,200	3.39%	92,243.10
Crestwood Midstream Partners	6,107,300	3.29%	
LP/Quicksilver Resources, Inc. (2)			91,257.50
Crestwood Midstream Partners	4,991,000	2.69%	
LP/Quicksilver Resources, Inc. (2)			74,513.00
Crestwood Midstream Partners	3,176,400	1.71%	
LP/Quicksilver Resources, Inc. (2)			47,765.50
Crestwood Midstream Partners	3,113,900	1.68%	
LP/Quicksilver Resources, Inc. (2)			46,709.40
	<u>75,060,600</u>	<u>40.41%</u>	<u>\$ 682,057.32</u>

- (1) Raw Water purchased direct from Wells at the north pump station, revenue is lower for raw untreated water.
 (2) Customer has a different meter for each of their locations.

TABLE 4 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 4, 2010)

Residential - Inside City Limits		
Minimum Monthly Base Rate	\$	13.00
Volume Charge	\$	2.15 Per 1,000 Gallons
Residential - Outside City Limits		
Minimum Monthly Base Rate	\$	19.50
Volume Charge	\$	3.22 Per 1,000 Gallons

CITY OF KELLER, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Gross Revenue ⁽¹⁾	\$ 17,422,422	\$ 18,213,479	\$ 19,041,462	\$ 15,999,831	\$ 19,423,269
Expenses ⁽²⁾					
Water Purchased	5,163,957	5,321,387	5,075,159	4,147,890	5,476,097
Other	6,229,895	5,941,970	5,996,841	6,730,916	6,033,663
Total Expenses	<u>\$ 11,393,852</u>	<u>\$ 11,263,357</u>	<u>\$ 11,072,000</u>	<u>\$ 10,878,806</u>	<u>\$ 11,509,760</u>
Net Revenue Available for Debt Service	<u>\$ 6,028,570</u>	<u>\$ 6,950,122</u>	<u>\$ 7,969,462</u>	<u>\$ 5,121,025</u>	<u>\$ 7,913,509</u>
Water Customers	14,110	13,868	13,741	13,419	13,111
Sewer Customers	11,620	11,403	11,190	10,912	10,595

(1) Operating revenues, investment interest, and miscellaneous income.

(2) Total operating expenses, plus payments on contractual obligations, exclusive of depreciation.

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2010, the City of Keller, Texas, has no water and sewer revenue debt outstanding.

TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of September 30, 2010, the City has no authorized but unissued revenue bonds.

TABLE 4 - WATER USAGE ⁽¹⁾

Year Ended 30-Sep	Total Number of Pumped Gallons	Average Daily Pumped	Peak Daily Pumped
2006	3,539,265,000	9,697,000	18,481,000
2007	2,318,926,000	6,353,000	15,371,000
2008	3,007,045,000	8,216,000	18,785,000
2009	2,848,262,000	7,683,700	19,661,400
2010	2,525,543,300	7,494,000	19,000,000

(1) Information provided by City Staff

TABLE 5 - TEN LARGEST WATER CUSTOMERS

Customer	Type of Industry	Fiscal 2010 Water Usage	Estimated Percent of Water Usage	Water Revenues Received
City of Keller	Municipal Government	59,429,700	2.35%	\$ 166,028
Keller ISD	School District	39,574,100	1.57%	217,467
Capri W DTC, LLC	Real Estate	23,134,500	0.92%	123,728
Hidden Lakes Home Owner Ass'n	Residential	22,263,200	0.88%	115,978
Keller Senior Community, LP	Multi-Family residential	8,999,200	0.36%	47,009
Keller Enid, LTD	Multi-Family residential	8,388,000	0.33%	43,991
Chesapeake Operating, Inc.	Natural Gas	7,464,000	0.30%	38,543
The Plant Shed, Inc.	Landscaping	6,220,200	0.25%	31,574
Keller Oaks Healthcare Center	Nursing Home/Assisted Living	5,606,400	0.22%	28,757
Grand Estates at Keller, LP	Multi-Family Residential	5,590,500	0.22%	34,406
		<u>186,669,800</u>	<u>7.39%</u>	<u>\$ 847,481</u>
	All Other Customers	2,338,873,500	92.61%	10,639,241
	Total Water Sold	<u>2,525,543,300</u>	<u>100.00%</u>	<u>\$ 11,486,722</u>

TABLE 6 - MONTHLY WATER RATES (EFFECTIVE DECEMBER 1, 2010)

	Residential	Commercial
0 to 2,000 gallons	\$16.88 Minimum*	\$16.88 Minimum*
0 to 2,000 gallons	\$1.78/M gallons	\$1.78/M gallons
2,001 to 10,000 gallons	\$2.95/M gallons	\$2.95/M gallons
10,001 to 20,000 gallons	\$3.27/M gallons	\$3.59/M gallons
20,001 to 25,000 gallons	\$3.70/M gallons	\$4.22/M gallons
25,001 to 40,000 gallons	\$4.81/M gallons	\$4.81/M gallons
+40,000 gallons	\$5.24/M gallons	\$5.24/M gallons

The above rates include the current wholesale pass-through rate of \$1.78 per 1,000 gallons.

* Minimum varies according to meter size. Rates indicated are for a 5/8 inch meter.

TABLE 7 - MONTHLY SEWER (EFFECTIVE JULY 1, 2010)

Residential:	\$11.85 Minimum* plus \$2.92/M Gallons (Based on December, January and February average water consumption): Maximum to 20,000 Gallons
Non Residential:	\$11.85 Minimum* plus \$2.92/M Gallons (Based on monthly water consumption, no maximum.)
Outside City Limits:	1.15 times the above rates.

The above rates include the current wholesale pass-through rate of \$1.29 per 1,000 gallons.

* Minimum varies according to meter size. Rates indicated are for a 5/8 inch meter.

TOWN OF NORTHLAKE, TEXAS

TABLE 1 - MONTHLY WATER AND SEWER RATES (EFFECTIVE JUNE, 2009)

	Meter/Line Size	Meter Type	Water Fees				Sewer Fees	
			Base Monthly Service Charge	Water Meter Deposit	Water Meter Tap Fee (1)	Water Meter Placement Fee	Sewer Tap Fee*	Base Monthly Service Charge
Water/Sewer Service Fees	3/4"	Simple	\$ 19.50	\$ 75.00	\$ 1,100.00 w/. Box	\$ 350.00	-	\$ 19.50
	1"	Simple	\$ 30.00	\$ 100.00	Actual Cost w/. Box	\$ 400.00	-	\$ 30.00
	1 1/2"	Simple	\$ 40.00	\$ 150.00	Actual Cost w/. Box	\$ 550.00	-	\$ 40.00
	2"	Simple	\$ 60.00	\$ 200.00	Actual Cost w./ Vault	\$ 625.00	-	\$ 60.00
	2"	Compound	\$ 60.00	\$ 200.00	Actual Cost w./ Vault	\$ 1,550.00	-	\$ 60.00
	2"	Turbine	\$ 60.00	\$ 200.00	Actual Cost w./ Vault	\$ 950.00	-	\$ 60.00
	3"	Compound	\$ 85.00	\$ 300.00	Actual Cost w./ Vault	\$ 1,800.00	-	\$ 85.00
	3"	Turbine	\$ 85.00	\$ 300.00	Actual Cost w./ Vault	\$ 1,200.00	-	\$ 85.00
	4"	Compound	\$ 125.00	\$ 400.00	Actual Cost w./ Vault	\$ 2,400.00	Actual Cost	\$ 125.00
	4"	Turbine	\$ 125.00	\$ 400.00	Actual Cost w./ Vault	\$ 1,550.00	Actual Cost	\$ 125.00
	6"	Compound	\$ 250.00	\$ 500.00	Actual Cost w./ Vault	\$ 4,200.00	Actual Cost	\$ 250.00
	6"	Turbine	\$ 250.00	\$ 500.00	Actual Cost w./ Vault	\$ 2,800.00	Actual Cost	\$ 250.00

Water Rates - Residential (per meter)

Base Monthly Service Charge	See Above
Usage (per 1000 gal up to 15,000 gal)	\$ 2.75
Usage (per 1000 gal over 15,001 to 25,000)	\$ 3.60
Usage (per 1000 gal over 25,001 gal)	\$ 4.95
Beyond Town Limits	2x Above Rate

Water Rates - Commercial/Industrial (per meter)

Base Monthly Service Charge	1.5x Above Rate
Usage (per 1000 gal up to 15,000 gal)	3.85
Usage (per 1000 gal over 15,001 to 25,000)	4.65
Usage (per 1000 gal over 25,001 gal)	5.65
Beyond Town Limits	2x Above Rate

Sewer Rates-Residential (per water meter except sp.use meters)

Base Monthly Service Charge	See Above
Discharge (per 1000 gal)	\$ 2.20
Beyond Town Limits	2x Above Rate

Sewer Rates-Com./Ind. (per water meter except sp.use meters)

Base Monthly Service Charge	1.5x Above Rate
Discharge (per 1000 gal)	3.3
BOD Surcharge	0.25 /lb. BOD
TSS Surcharge	0.5 /lb. TSS
Beyond Town Limits	2x Above Rate

Ordinance 06-0112A amended the Cost Recovery Fee Schedule for Water and Wastewater Utility Activities in those situations only in which the entire cost of the utility infrastructure necessary to serve a residential or commercial customer outside the corporate limits of Northlake has been borne entirely by a developer, or party other than the Town, such that the Town has not incurred any cost to extend or provide utility service to the customer, such residential or commercial customers shall be charged the standard rate applicable to such customer for water or wastewater services, rather than two (2) times the standard rate.

Fire Hydrant Meter Charges	\$1,125 for deposit + \$50 per mo rental + In-Town Commercial Usage Rate
Water Reconnect for Non-Payment	125
Water Meter Re-read	17.5
Late Payment Fee	5% Overdue Balance per 15 days \$10.00 min)

(1) Charged only if not provided by property owner

Meter Size	Meter Type	Equivalence Factor	Water Base Rate	(1) Water Fee	Sewer Base Rate	Sewer Fee	Northlake Total Fee	(2) Ft Worth Water Fee	Total Cost Recov. Fee
3/4"	Simple	1	\$ 650.00	\$ 650.00	\$ 120.00	\$ 120.00	\$ 770.00	\$ 1,300.00	\$ 2,070.00
1"	Simple	2	\$ 650.00	\$ 1,300.00	\$ 120.00	\$ 240.00	\$ 1,540.00	\$ 2,167.00	\$ 3,707.00
1 1/2"	Simple	4	\$ 650.00	\$ 2,600.00	\$ 120.00	\$ 480.00	\$ 3,080.00	\$ 4,335.00	\$ 7,415.00
2"	Simple	6	\$ 650.00	\$ 3,900.00	\$ 120.00	\$ 720.00	\$ 4,620.00	\$ 6,936.00	\$ 11,556.00
2"	Compound	8	\$ 650.00	\$ 5,200.00	\$ 120.00	\$ 960.00	\$ 6,160.00	\$ 6,936.00	\$ 13,096.00
2"	Turbine	10	\$ 650.00	\$ 6,500.00	\$ 120.00	\$ 1,200.00	\$ 7,700.00	\$ 6,936.00	\$ 14,636.00
3"	Compound	12	\$ 650.00	\$ 7,800.00	\$ 120.00	\$ 1,440.00	\$ 9,240.00	\$ 18,857.00	\$ 28,097.00
3"	Turbine	16	\$ 650.00	\$ 10,400.00	\$ 120.00	\$ 1,920.00	\$ 12,320.00	\$ 18,857.00	\$ 31,177.00
4"	Compound	24	\$ 650.00	\$ 15,600.00	\$ 120.00	\$ 2,880.00	\$ 18,480.00	\$ 32,512.00	\$ 50,992.00
4"	Turbine	28	\$ 650.00	\$ 18,200.00	\$ 120.00	\$ 3,360.00	\$ 21,560.00	\$ 32,512.00	\$ 54,072.00
6"	Compound	50	\$ 650.00	\$ 32,500.00	\$ 120.00	\$ 6,000.00	\$ 38,500.00	\$ 69,360.00	\$ 107,860.00
6"	Turbine	63	\$ 650.00	\$ 40,950.00	\$ 120.00	\$ 7,560.00	\$ 48,510.00	\$ 69,360.00	\$ 117,870.00

(1) Although a meter is not required for a service that only supplies a fire line, town's cost recovery fee will be charged according to equivalent meter size necessary for sprinkler design flows. Subject to change as determined by the City of Fort Worth (above rates effective 6/6/09)

TABLE 2 - STATEMENTS OF REVENUES AND EXPENSES

	Fiscal Year End September 30,				
	2010	2009	2008	2007	2006
<u>Operating Revenues</u>					
Water and Sewer Sales	\$ 573,456	\$ 669,910	\$ 560,062	\$ 316,395	\$ 391,221
<u>Operating Expenses</u>					
Operating Expenses	494,583	511,540	441,101	380,093	418,194
Depreciation	37,869	32,647	31,100	31,101	23,409
Total Operating Expenses	\$ 532,452	\$ 544,187	\$ 472,201	\$ 411,194	\$ 441,603
Operating Income	\$ 41,004	\$ 125,723	\$ 87,861	\$ (94,799)	\$ (50,382)
Non-Operating Revenues (Expenses):					
Interest Income	1,405	6,100	19,818	24,705	17,065
Interest Expense and Fiscal Agent Fees	-	-	-	(2,430)	(4,442)
Cost Recovery Fees	-	-	-	290,410	-
Miscellaneous	20,120	108,000	9,760	-	7,768
Total Non-Operating Revenues (Expenses)	21,525	114,100	29,578	312,685	20,391
Income Before Contributions and					
Operating Transfers	62,529	239,823	117,439	217,886	(29,991)
Contributed Assets	-	-	-	-	706,150
Operating Transfers In	-	-	-	-	30,000
Operating Transfers Out	(169,000)	(169,000)	(169,000)	-	(6,504)
Net Income	\$ (106,471)	\$ 70,823	\$ (51,561)	\$ 217,886	\$ 699,655

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CITY OF ROANOKE, TEXAS

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

Based on Meter Size	Water
5/8"	\$19.50
3/4"	\$19.50
1"	\$48.75
1.5"	\$97.50
2"	\$156.00
3"	\$292.50
4"	\$487.50
6"	\$975.00
8"	\$1,560.00
10"	\$2,242.52
Residential	
5,001 – 10,000 gallons	\$2.91
10,001 – 15,000 gallons	\$3.64
15,001 – 25,000 gallons	\$4.36
Over 25,000 gallons	\$5.09
Commercial	
5,001 – 10,000 gallons	\$2.91
10,001 – 15,000 gallons	\$3.64
15,001 – 25,000 gallons	\$4.36
Over 25,000 gallons	\$5.09

TABLE 2 - WATER USAGE

<u>Year Ended 30-Sep</u>	<u>Total Number of Pumped Gallons</u>	<u>Average Daily Pumped</u>	<u>Peak Daily Pumped</u>
2006	430,335,300	1,179,001	4,088,000
2007	339,332,000	929,677	3,260,000
2008	414,165,100	1,134,699	3,930,000
2009	421,295,800	1,154,235	3,998,000
2010	448,032,600	1,227,487	4,233,000

TABLE 3 - TEN LARGEST WATER CUSTOMERS

<u>Customer</u>	<u>Fiscal 2010 Water Usage (Gallons)</u>	<u>Water Revenues Received</u>
Mid-America	50,340,500	\$492,783
Citibank	29,904,700	142,278
Hillwood Alliance GRP	16,438,100	89,543
Randall's - Tom Thumb	13,693,500	91,289
Amerisource Bergen	7,209,900	49,406
Wal-Mart Stores, Inc.	5,745,800	40,970
Roanoke 08 A, LLC	5,628,300	39,300
Bchr Processing	5,384,600	43,692
WW Grainger	5,211,000	34,362
DSC Logistics	4,322,500	25,408
	<u>143,878,900</u>	<u>\$1,049,031</u>

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

Based on Meter Size	Waste Water
5/8"	\$16.50
3/4"	\$16.50
1"	\$41.25
1.5"	\$82.50
2"	\$132.00
3"	\$247.50
4"	\$412.50
6"	\$825.00
8"	\$1,320.00
10"	\$1,897.50
Residential	
5,001 – 10,000 gallons	\$4.01
10,001 – 15,000 gallons	\$4.01
15,001 – 25,000 gallons	\$4.01
Over 25,000 gallons	\$4.01
Commercial	
5,001 – 10,000 gallons	\$4.01
10,001 – 15,000 gallons	\$4.01
15,001 – 25,000 gallons	\$4.01
Over 25,000 gallons	\$4.01
Reconnect Fee	\$25.00
Transfer Fee	\$25.00

CITY OF SOUTHLAKE, TEXAS

TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

<u>Revenues</u>	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Water and Sewer	\$ 18,815,054	\$ 19,276,241	\$ 18,400,304	\$ 15,227,379	\$ 19,996,304
Service Fees	82,302	32,992	141,548	172,793	169,612
Interest Income	155,106	593,538	594,891	1,183,987	1,024,603
Other Revenues	71,938	372,063	1,173	13,959	940,863
Total Revenues	<u>\$ 19,124,400</u>	<u>\$ 20,274,834</u>	<u>\$ 19,137,916</u>	<u>\$ 16,598,118</u>	<u>\$ 22,131,382</u>
<u>Expenses</u>					
Water Purchased	\$ 6,520,881	\$ 6,059,407	\$ 6,410,944	\$ 4,959,939	\$ 7,072,892
Other Expenses	9,639,823	8,883,655	8,408,937	6,975,204	6,060,365
Total Expenses	<u>\$ 16,160,704</u>	<u>\$ 14,943,062</u>	<u>\$ 14,819,881</u>	<u>\$ 11,935,143</u>	<u>\$ 13,133,257</u>
Net Available for Debt Service	<u>\$ 2,963,696</u>	<u>\$ 5,331,772</u>	<u>\$ 4,318,035</u>	<u>\$ 4,662,975</u>	<u>\$ 8,998,125</u>
Water Customers	9,223	9,207	9,209	8,994	8,714
Sewer Customers	7,091	7,075	6,945	6,810	6,498

TABLE 2 - COVERAGE AND FUND BALANCES

As of September 30, 2010, the City no longer has water and sewer revenue debt outstanding.

TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of September 30, 2010, the City has no authorized but unissued revenue bonds.

TABLE 4 - HISTORICAL WATER CONSUMPTION

Year Ended 9/30	Total Number of Pumped Gallons (in Billions)	Average Daily Pumped	Peak Daily Pumped	Revenues Received
2006	4,171,441	13,072,443	27,075,000	\$ 14,388,152
2007	2,831,889	7,758,600	17,217,000	11,443,282
2008	3,711,816	10,141,574	26,865,000	12,523,990
2009	3,238,063	10,241,268	25,247,000	13,482,665
2010	4,191,076	11,482,401	27,824,000	12,844,190

TABLE 5 - TEN LARGEST WATER CUSTOMERS

Customer	Fiscal 2010 Water Usage			
	Gallons	% of Usage	Revenue	% of Revenue
Carroll ISD	53,237,938	1.27%	\$ 208,539	1.62%
Inland Southwest Management	42,756,530	1.02%	159,925	1.25%
City of Southlake-Public Works	41,664,110	0.99%	156,904	1.22%
Verizon Wireless	18,347,349	0.44%	75,726	0.59%
Timarron Owners Assoc	14,593,460	0.35%	50,998	0.40%
Gateway Church	13,737,088	0.33%	54,871	0.43%
Heartland Hotel Corp DBA Hilton	12,765,500	0.30%	52,437	0.41%
Sabre Inc.	12,471,103	0.30%	49,774	0.39%
Cencor Realty Services, Inc.	11,795,704	0.28%	46,119	0.36%
Costco Utility Bills	9,534,912	0.23%	38,872	0.30%

TABLE 6 - MONTHLY WATER RATES (EFFECTIVE NOVEMBER 1, 2008)

	Residential						
	Inside City (1" METER)	Outside City (1" METER)					
First 2,000 gallons	\$ 26.60 (Minimum)	\$ 34.45 (Minimum)					
2,001-10,000 gallons	2.97 per 1,000 gallons	2.97 per 1,000 gallons					
10,001-25,000 gallons	3.47 per 1,000 gallons	3.47 per 1,000 gallons					
25,001-40,000 gallons	3.72 per 1,000 gallons	3.72 per 1,000 gallons					
Over 40,001 gallons	4.22 per 1,000 gallons	4.22 per 1,000 gallons					
Elderly/Hardship Waiver Rates:							
First 2,000 gallons	\$11.38 (Minimum)						
2,001-100,000	2.75 per 1,000 gallons						
	Commercial						
	Meter Size						
Gallons	1.0"	1.5"	2.0"	3.0"	4.0"	6.0"	8.0"
First 3,000	\$41.86						
First 5,000		\$69.12					
First 7,000			\$96.38				
First 10,000				\$138.25			
First 12,000					\$165.51		
First 15,000						\$207.37	
First 18,000							\$249.24
	Excess required gallons-						
		3,001-10,000 gallons				\$ 2.97 per 1,000 gallons	
		10,001-25,000 gallons				\$3.47 per 1,000 gallons	
		25,001-40,000 gallons				\$3.72 per 1,000 gallons	
		Over 40,001 gallons				\$4.22 per 1,000 gallons	

TABLE 7 - MONTHLY SEWER RATES

Residential and Commercial	
First 2,000 gallons	\$26.16
2,001-10,000	\$3.00

TOWN OF WESTLAKE, TEXAS

THE TOWN

The Town of Westlake was incorporated December 26, 1956 and is located in Tarrant and Denton counties along the border of the counties in the rapidly growing northern triangle of the Dallas-Fort Worth Metroplex. Westlake combines a rural Texas atmosphere with the conveniences of the metroplex.

Westlake is also the home of Solana, a high profile corporate campus located near Texas State Highway 114. Tenants in Solana include CoreLogic, Wells Fargo, Levi-Strauss, Pfizer, McKesson, and other well-known international businesses as well as smaller local businesses. Westlake is also home to Fidelity Investments and Chrysler Financial. Solana's Village Circle provides a mix of office, retail, restaurant, and hotel space. Solana constitutes the majority of Westlake's tax base.

WATER AND SEWER SYSTEM

The Water and Sewer Fund was established during fiscal year 2000 as an Enterprise Fund to account for water and sewer operations.

The Town has a contract with the City of Fort Worth, Texas to purchase water. Under the contract, the Town may obtain a supply of portable water at a reasonable rate based on water usage. The rate charges are subject to minimum annual contract payments. Water expense for the year ended September 30, 2010 was approximately \$745,890.

The Town has an agreement with Trinity River Authority whereby the Trinity River Authority has agreed to provide a wastewater treatment system for the benefit of the Town. The Town's annual expense for the year ended September 30, 2010 was approximately \$274,307.

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CIRCLE T. MUNICIPAL UTILITY DISTRICT NO. 1

AUTHORITY

The District is a conservation and reclamation district created by H.B. 2581, Acts of the 70th Legislature of Texas, Regular Session, 1987. The District is governed by the provisions of H.B. 2581 and has all of the rights, powers, privileges, authority and functions conferred by Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, and functions conferred by the general laws of the State of Texas applicable to municipal utility districts operating under Chapters 49 and 54 of the Texas Water Code, as amended. Additionally, the District has the power to issue bonds, notes or other obligations of the District for any authorized purpose or combination of purposes under Chapters 49 and 54 of the Texas Water Code, and may levy and collect taxes to pay the bonds.

The principal functions of the district are to finance, purchase, construct and maintain water, sewer and drainage facilities to serve the District. The Texas Commission on Environmental Quality (the "Commission") exercises continuing supervisory jurisdiction over the District.

DESCRIPTION AND LOCATION

The District contains approximately 429 acres of land and is located wholly within the Town of Westlake. The District lies partially within Tarrant County and within Denton County.

OWNERSHIP

The land of which the District is composed is currently owned by HW 2421 Land, L.P. and HW 164 Land, L.P., each an affiliated entity of Hillwood Development Corporation ("Hillwood").

MANAGEMENT

The Board of Directors is vested with the responsibility and authority for the management of all matters pertaining to the District. The District has no full-time employees. The Directors and their terms of office are as follows:

Board Members

<u>Name</u>	<u>Term Expires</u>	<u>Office</u>
A. B. Waldron	May, 2012	President
Vacant	-	Vice President
R. E. Jossierand	May, 2012	Secretary/Treasurer
Calvin Peterson	May, 2014	Assistant Secretary/Treasurer
Dean Tetirick	May, 2014	Assistant Secretary

The District has entered into a Development Reimbursement Agreement with AIL Investment, L.P., an affiliate and entity of Hillwood ("Developer") wherein the Developer has agreed, among other things, that it may pay or advance the funds necessary to pay for such projects and facilities which the District deems necessary and proper in carrying out its statutory functions until such time as the District is able to sell its own bonds at reasonable rates and terms. The improvements to be made by the Authority for the District will benefit the owners referenced above. While no assurance can be given that the Contract between the Authority and the District falls within the interest of the Development Reimbursement Agreement, it is possible that the Developer could meet the contractual obligations the District has to the Authority under the Contract.

CIRCLE T. MUNICIPAL UTILITY DISTRICT NO. 3

AUTHORITY

The District is a conservation and reclamation district created by H.B. 2581, Acts of the 70th Legislature of Texas, Regular Session, 1987. The District is governed by the provisions of H.B. 2581 and has all of the rights, powers, privileges, authority and functions conferred by Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, and functions conferred by the general laws of the State of Texas applicable to municipal utility districts operating under Chapters 49 and 54 of the Texas Water Code, as amended. Additionally, the District has the power to issue bonds, notes or other obligations of the District for any authorized purpose or combination of purposes under Chapters 49 and 54 of the Texas Water Code, and may levy and collect taxes to pay the bonds.

The principal functions of the district are to finance, purchase, construct and maintain water, sewer and drainage facilities to serve the District. The Texas Commission on Environmental Quality (the "Commission") exercises continuing supervisory jurisdiction over the District.

DESCRIPTION AND LOCATION

The District contains approximately 1,117 acres of land and is located wholly within the Town of Westlake. The District lies partially within Tarrant County and within Denton County.

OWNERSHIP

The land of which the District is composed is currently owned by HW 2421 Land, L.P. and HW 164 Land, L.P., each an affiliated entity of Hillwood Development Corporation "Hillwood".

MANAGEMENT

The Board of Directors is vested with the responsibility and authority for the management of all matters pertaining to the District. The District has no full-time employees. The Directors and their terms of office are as follows:

Board Members

<u>Name</u>	<u>Term Expires</u>	<u>Office</u>
Rice M. Tilley, Jr.	May, 2014	President
Vacant	-	Vice President
George M. Young, Jr.	May, 2014	Secretary
Tom Purvis	May, 2012	Assistant Secretary
Omas LeWayne Peterson	May, 2012	Director

The District has entered into a Development Reimbursement Agreement with AIL Investment, L.P., an entity affiliated with Hillwood ("Developer") wherein the Developer has agreed, among other things, that it may pay or advance the funds necessary to pay for such projects and facilities which the District deems necessary and proper in carrying out its statutory functions until such time as the District is able to sell its own bonds at reasonable rates and terms. The improvements to be made by the Authority for the District will benefit the owners referenced above. While no assurance can be given that the Contract between the Authority and the District falls within the interest of the Development Reimbursement Agreement, it is possible that the Developer could meet the contractual obligations the District has to the Authority under the Contract.

APPENDIX C

**CERTAIN FINANCIAL AND OPERATING DATA OF
DENTON CREEK REGIONAL WASTEWATER TREATMENT SYSTEM ENTERPRISE FUND**

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**DENTON CREEK
REGIONAL WASTEWATER
SYSTEM
ENTERPRISE FUND**

TRINITY RIVER AUTHORITY OF TEXAS
DENTON CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

STATEMENT OF NET ASSETS
 NOVEMBER 30, 2010

ASSETS

CURRENT ASSETS:

Cash (Note 1)		\$	150
Equity in Pooled Cash and Investments (Note 1)			690,157
Accounts Receivable - Other (Note 8)			16,781
Accounts Receivable - Contracting Parties			557,134
Due to Interest and Sinking Fund			(27,101)
Prepays and Other Assets			48,979
Total Current Assets			<u>1,286,100</u>

RESTRICTED ASSETS (Note 1):

Interest and Sinking Funds:			
Equity in Pooled Cash and Investments	\$ 2,433,988		
Due from Current Assets	<u>27,101</u>	\$	2,461,089
Reserve Fund -			
Equity in Pooled Cash and Investments			4,425,900
Contingency Fund -			
Equity in Pooled Cash and Investments			100,000
Construction Fund: -			
Equity in Pooled Cash and Investments	10,239,368		
Money Market Fund	<u>134,026</u>	<u>10,373,394</u>	
Total Restricted Assets			17,360,383

CAPITAL ASSETS (Note 3):

Land and Easements			535,604
Sewage System and Extensions	73,828,608		
Accumulated Depreciation	<u>(7,299,942)</u>		66,528,666
Machinery and Equipment	115,498		
Accumulated Depreciation	<u>(61,354)</u>		54,144
Construction-in-Progress		<u>5,167,905</u>	
Total Capital Assets - Net			72,286,319

DEFERRED CHARGES - Unamortized Bond Expense (Note 9): 1,800,951

TOTAL ASSETS 92,733,753

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

Accounts Payable and Accrued Expenses	\$	193,131	
Accounts Payable - Contracting Parties		522,190	
Due to Other Authority Funds (Note 7)		15,030	
Unearned Revenue		<u>599</u>	\$ 730,950

Payable from Restricted Assets:

Accounts and Retainage Payable		1,175,335	
Revenue Bonds - Current Maturities (Note 4)		1,705,000	
Accrued Interest on Bonds Payable		<u>992,880</u>	3,873,215
Total Current Liabilities			<u>4,604,165</u>

LONG-TERM LIABILITIES:

Revenue Bonds, Less Current Maturities (Note 4)		78,520,000	
Unamortized Bond Premium (Discount)		173,103	
Deferred Amount on Refunding		<u>(92,278)</u>	
Total Long-Term Liabilities			<u>78,600,825</u>

TOTAL LIABILITIES**83,204,990****NET ASSETS**

Invested in Capital Assets, Net of Related Debt		2,979,504	
Restricted for:			
Debt Service	\$	5,894,109	
Other Purposes		<u>100,000</u>	5,994,109
Unrestricted			<u>555,150</u>

TOTAL NET ASSETS**\$ 9,528,763**

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

TRINITY RIVER AUTHORITY OF TEXAS
DENTON CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

EXHIBIT 10-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 YEAR ENDED NOVEMBER 30, 2010

OPERATING REVENUE (Note 2):		
Sewage Service Contract Charges:		
Fort Worth		\$ 4,160,243
Haslet		212,802
Roanoke		734,538
Southlake		1,221,955
Circle T Municipal Utility District No. 1		1,160
Keller		194,517
Circle T Municipal Utility District No. 3		34,318
Northlake		91,561
Flower Mound		34,318
Westlake		106,435
Argyle		30,907
Total		<u>6,822,754</u>
Professional Fees		931
Total Operating Revenue		<u>6,823,685</u>
OPERATING EXPENSES:		
Personal Services	\$ 827,879	
Supplies	359,029	
Other Services and Charges	1,357,159	
Depreciation	1,712,892	
Total Operating Expenses		<u>4,256,959</u>
OPERATING INCOME		2,566,726
NON-OPERATING REVENUE (EXPENSES):		
Investment Income	47,569	
Interest Expense	(958,938)	
Amortization of Bond Sale Expense	(119,622)	
Paying Agent Fees	(1,309)	
Other	1,027	
SEC Disclosure Fees	(30,333)	
Total Non-Operating Revenue (Expense) - Net		<u>(1,061,606)</u>
INCOME BEFORE TRANSFERS		1,505,120
TRANSFER IN (Note 6)		9,240
CHANGE IN NET ASSETS		1,514,360
NET ASSETS - DECEMBER 1, 2009		8,014,403
NET ASSETS - NOVEMBER 30, 2010		\$ <u>9,528,763</u>

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

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TRINITY RIVER AUTHORITY OF TEXAS
DENTON CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 7,748,700	
Cash Payments to Suppliers for Goods and Services	(1,342,345)	
Cash Payments for Employee Services	(832,413)	
Cash Payments from Other Funds for Services	<u>(270,857)</u>	
Net Cash Provided by Operating Activities		\$ 5,303,085

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Transfer from Other Authority Funds	9,240	
Other Cash Receipts	<u>1,027</u>	
Net Cash Provided by Non-Capital Financing Activities		10,267

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets	(8,615,621)	
Principal Paid on Revenue Bond Maturities	(920,000)	
Interest Paid on Revenue Bonds	(2,903,250)	
Bond Sale Expenses Paid	(252,283)	
Proceeds from Issuance of Bonds	7,760,000	
Paying Agent Fees	(1,309)	
SEC Disclosure Fees	<u>(30,333)</u>	
Net Cash Used for Capital and Related Financing Activities		(4,962,796)

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash Received for Investment Income	<u>47,569</u>	
-------------------------------------	---------------	--

NET INCREASE IN CASH AND CASH EQUIVALENTS **398,125**

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR **17,625,464**

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$ 18,023,589**

RECONCILIATION OF OPERATING INCOME	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 2,566,726
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Depreciation	\$ 1,712,892
Change in Assets and Liabilities:	
Accounts Receivable - Contracting Parties	490,634
Accounts Payable and Accrued Expenses	91,486
Accounts Payable - Contracting Parties	447,209
Due to Other Authority Funds	9,503
Unearned Revenue	(12,828)
Prepays and Other Assets	(2,537)
Total Adjustments	<u>2,736,359</u>
Net Cash Provided by Operating Activities	<u>\$ 5,303,085</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:	
Amortization of Bond Premium/Discount	\$ (16,252)
Amortization of Deferred Amount on Refunding	18,153
Change in Liabilities Related to Capital Assets	(1,447,262)
Change in Estimated Arbitrage Liability	(95,930)

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

TRINITY RIVER AUTHORITY OF TEXAS
DENTON CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2010

1. See Exhibit 1-10, Note 1 for summary of significant accounting and reporting policies.
2. The Authority entered into several contracts for the purpose of designing and constructing the Denton Creek Regional Wastewater System. The contracts are summarized as follows:

Treatment System - The Authority entered into a contract with the Cities of Fort Worth, Roanoke, Haslet, Keller, Southlake, Flower Mound, Northlake, Argyle and Westlake, and Circle T Municipal Utility District No 1 and Circle T Municipal Utility District No 3 ("Contracting Parties") whereby the Authority agrees to provide and the Contracting Parties agree to pay for the operation and maintenance of a facility to treat wastewater ("Treatment System") for the benefit of the Contracting Parties. The Contracting Parties have agreed to pay the Authority their proportionate share of the net cost of operation and maintenance of the Treatment System and the debt service cost of the outstanding bonds issued to construct the facilities.

Bonded debt for which the Contracting Parties have agreed to pay consists of revenue refunding bonds that are secured by and payable from net revenues of the fund. Specifically, net revenues from contracts between the Authority and the Contracting Parties have been pledged for repayment of the bonds, and the amount of the pledge is equal to the remaining outstanding debt service requirements. For the year ended November 30, 2010, debt service of \$4,558,734 was secured by pledged revenues of \$4,826,957, escrowed cash of \$283,458 and interest income earned on accounts restricted for debt service of \$15,235. The pledge continues for the life of the bonds.

3. Capital asset activity and the related changes in accumulated depreciation for the year ended November 30, 2010 are as follows:

	<u>Balance</u> <u>December 1, 2009</u>	<u>Additions</u> <u>and Transfers</u>	<u>Deletions</u> <u>and Transfers</u>	<u>Balance</u> <u>November 30, 2010</u>
Land and Easements	\$ 535,604			\$ 535,604
Sewage System and Extensions	67,967,643	\$ 5,860,965		73,828,608
Accumulated Depreciation	(5,599,452)	(1,700,490)		(7,299,942)
Machinery and Equipment	115,498			115,498
Accumulated Depreciation	(48,952)	(12,402)		(61,354)
Construction-in- Progress	<u>1,921,697</u>	<u>9,203,103</u>	<u>\$ (5,956,895)</u>	<u>5,167,905</u>
Total	<u>\$ 64,892,038</u>	<u>\$ 13,351,176</u>	<u>\$ (5,956,895)</u>	<u>\$ 72,286,319</u>

The Authority capitalized interest in 2010 in connection with construction in the Denton Creek Regional Wastewater System. The net interest capitalized for the year in connection with this project was \$2,027,529.

4. The outstanding bonds of the Denton Creek Wastewater System Enterprise Fund as of November 30, 2010 are comprised of the following:

<u>Series</u>	<u>Outstanding Principal Amount</u>	<u>Interest Rates</u>
Wastewater Treatment System Revenue Bond, Series 1996	\$ 300,000	3.60% - 5.45%
Wastewater Treatment System Revenue Bond, Series 2000	6,660,000	3.55% - 4.65%
Wastewater Treatment System Revenue Improvement and Refunding Bonds, Series 2003	5,880,000	3.50% - 4.80%
Wastewater Treatment System Revenue Bond, Series 2006	7,395,000	4.75% - 5.00%
Wastewater Treatment System Revenue Bond, Series 2007	47,585,000	4.75% - 5.00%
Wastewater Treatment System Revenue Bond, Series 2008	4,645,000	4.75% - 5.00%
Wastewater Treatment System Revenue Bond, Series 2009	<u>7,760,000</u>	
Total	<u><u>\$ 80,225,000</u></u>	

Changes in the long-term debt during the year ending November 30, 2010 were as follows:

<u>Series</u>	<u>Balance December 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance November 30, 2010</u>	<u>Current Portion</u>
1996	\$ 585,000		\$ 285,000	\$ 300,000	\$ 300,000
2000	6,665,000		5,000	6,660,000	750,000
2003	6,505,000		625,000	5,880,000	650,000
2006	7,395,000		NIL	7,395,000	NIL
2007	47,590,000		5,000	47,585,000	5,000
2008	4,645,000		NIL	4,645,000	NIL
2009	<u>NIL</u>	<u>\$ 7,760,000</u>	<u>NIL</u>	<u>7,760,000</u>	<u>NIL</u>
	73,385,000	7,760,000	920,000	80,225,000	1,705,000
Arbitrage Liability	123,872		95,930	27,942	NIL
Compensated Absences	<u>28,986</u>	<u>27,838</u>	<u>31,926</u>	<u>24,898</u>	<u>24,898</u>
Total Long-Term Debt	<u><u>\$ 73,537,858</u></u>	<u><u>\$ 7,787,838</u></u>	<u><u>\$ 1,047,856</u></u>	<u><u>\$ 80,277,840</u></u>	<u><u>\$ 1,729,898</u></u>

Long-term arbitrage liabilities are reported with accounts payable and accrued expenses in the Statement of Net Assets.

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

Each series of bonds matures serially. 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>
2011	\$ 2,941,956	\$ 1,705,000
2012	2,868,844	1,930,000
2013	2,781,303	2,600,000
2014	2,673,100	3,465,000
2015	2,539,879	4,110,000
2016-2020	10,432,775	22,750,000
2021-2025	5,895,550	27,255,000
2026-2030	1,235,704	13,615,000
2031-2035	368,260	2,280,000
2036	11,330	515,000
	<u>\$ 31,748,701</u>	<u>\$ 80,225,000</u>

The Authority has defeased certain other outstanding revenue bonds in prior years by placing proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the Denton Creek Regional Wastewater System's financial statements. Prior to November 30, 2010, all such old bonds have been called and no bonds are considered defeased as of year end.

On December 2, 2009, the Authority issued \$7,760,000 of Denton Creek Regional Wastewater System Revenue Bonds, Series 2009, 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 0.85% to 4.4% and mature serially on February 1 of each year.

5. The Denton Creek Regional Wastewater System construction program includes various projects to construct and improve plant facilities. At November 30, 2010, the Authority was committed under construction contracts for \$50,669,572 of which \$46,226,243 has been incurred.
6. In 2010, Denton Creek Regional Wastewater System received a transfer of \$9,240 from the Risk Retention Fund as a rebate of insurance premiums.
7. As of November 30, 2010, Denton Creek Regional Wastewater System owed \$1,300 to the Risk Retention Insurance Internal Service Fund for workers' compensation premiums and rebate. Also in 2010, Denton Creek Regional Wastewater System owed \$13,730 to Central Regional Wastewater System for services provided during the fiscal year.
8. Accounts Receivable, Other is reported net of an allowance for an uncollectible court settlement of \$1,638.
9. The Authority also issued \$19,465,000 of Series 2011 Denton Creek Regional Wastewater System Contract Revenue Bonds. The proceeds of this bond issue were delivered on February 22, 2011.

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**TRINITY RIVER AUTHORITY OF TEXAS
DENTON CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND**

**SCHEDULE OF EXPENSES - BUDGETED AND ACTUAL
YEAR ENDED NOVEMBER 30, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
SEWAGE TREATMENT:			
Personal Services:			
Salaries	\$ 583,720	\$ 605,720	\$ 599,889
Payroll Taxes - FICA	44,650	45,250	45,173
Employee Benefit - Health/Life Insurance	117,180	117,180	117,174
Employee Benefit - Pension	70,050	70,050	61,591
Unemployment Compensation	1,720	1,720	153
Employee Recognition Program	830	3,930	3,899
Employee Benefit - Education	3,960	3,960	
Total	822,110	847,810	827,879
Supplies:			
Office Supplies	4,330	5,930	5,760
Dues and Subscriptions	3,100	3,900	3,701
Fees Other Than Dues and Subscriptions	97,830	95,630	62,317
Maintenance and Operating Supplies	21,450	21,450	15,576
Laboratory Supplies	18,250	26,750	23,218
Process Chemicals and Supplies	356,000	340,500	232,175
Fuel, Oil and Lubricants	15,580	15,580	11,674
Computer Software, Lic. & Instr. Supplies	9,700	9,100	4,608
Total	526,240	518,840	359,029
Other Services and Charges:			
Auditing	31,500	34,000	34,000
Engineering	144,000	144,000	42,253
Legal	3,000	3,000	436
Outside Services	34,530	33,030	16,539
Other Professional Services	390	2,290	2,015
IT Support Services	24,400	24,400	19,468
Telephone and Telemetry	18,100	18,100	14,551
Postage	590	590	42
Printing and Binding	330	330	32
Insurance	27,630	27,630	17,850
Travel	3,090	2,490	1,763
Laundry, Uniforms and Ind. Equipment	5,010	5,010	4,315
Training	5,250	5,850	3,532
Utilities	7,090	7,090	1,943
Power	670,010	674,010	653,522
Repairs and Maintenance - Collection	23,030	23,030	9,576
Repairs and Maintenance - Equipment	13,800	13,800	10,939
Repairs and Maintenance - Plant & Bldgs.	119,930	117,430	47,915
Repairs and Maintenance - Vehicles	4,950	4,950	1,981
Total Forward	1,136,630	1,141,030	882,672

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Forward	\$ 1,136,630	\$ 1,141,030	\$ 882,672
Repairs and Maintenance - Electrical	42,400	42,400	9,982
Off-site Sludge Disposal	308,070	285,370	178,721
Rental - Machinery and Equipment	20,110	20,110	5,424
Interfund Services and Charges	101,930	101,930	82,980
Administrative Overhead	197,380	197,380	197,380
Total	1,806,520	1,788,220	1,357,159
TOTAL OPERATING EXPENSES EXCLUSIVE OF DEPRECIATION AND AMORTIZATION	3,154,870	3,154,870	2,544,067
DEBT SERVICE:			
Bond Principal Payments	920,000	920,000	920,000
Interest on Long-Term Debt**	2,701,110	2,701,110	2,701,110
Paying Agent Fees	2,600	2,600	1,309
SEC Disclosure Fees	30,350	30,350	30,333
TOTAL DEBT SERVICE	3,654,060	3,654,060	3,652,752
TOTAL	\$ 6,808,930	\$ 6,808,930	\$ 6,196,819

* Capital outlays for construction are excluded. Those budgets are adopted on a project basis.

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

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
1800 ONE AMERICAN CENTER
AUSTIN, TEXAS 78701-3248

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700 N. ST. MARY'S STREET
1525 ONE RIVERWALK PLACE
SAN ANTONIO, TEXAS 78205-3503

Telephone: 210 225-2800
Facsimile: 210 225-2984

TRINITY RIVER AUTHORITY OF TEXAS DENTON CREEK REGIONAL
WASTEWATER TREATMENT SYSTEM REVENUE REFUNDING BONDS,
SERIES 2011, DATED SEPTEMBER 15, 2011, IN THE PRINCIPAL AMOUNT OF
\$9,655,000

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 the 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 Bond Resolution constitute valid and 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 Issuer's Denton Creek regional wastewater treatment "System", as defined in the Bond Resolution, and includes payments and amounts derived by the Issuer from various contracts styled "Trinity River Authority of Texas - Denton Creek Regional Wastewater Treatment System Contract," between the Issuer and the Cities of Fort Worth, Haslet, Keller, Roanoke and Southlake, Texas, the Towns of Argyle, Flower Mound, Northlake and Westlake, Texas and Circle T Municipal Utility District Nos. 1 and 3 of Tarrant and Denton Counties, Texas and (ii) said contracts are authorized by law, have been duly executed, are valid, and are legally binding upon and enforceable by the parties thereto in accordance with their 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 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 the sufficiency certificate of First Southwest Company, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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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