



(See "Continuing Disclosure of Information" herein)

**OFFICIAL STATEMENT
May 1, 2012**

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

NEW ISSUE - Book-Entry-Only

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

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

**\$19,190,000
TRINITY RIVER AUTHORITY OF TEXAS
(HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM PROJECT)
CONTRACT REVENUE BONDS, SERIES 2012**

Dated Date: May 1, 2012

Due: August 1, as shown below

Interest will accrue from the date of delivery

PAYMENT TERMS . . . Interest on the Trinity River Authority of Texas (Huntsville Regional Water Supply System Project) Contract Revenue Bonds, Series 2012 (the "Bonds") will accrue from the date of delivery of the Bonds and will be payable August 1 and February 1 of each year commencing August 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, 1955, Chapter 518 as amended, the Interlocal Cooperation Act (Chapter 791, Texas Government Code), Chapter 1371, Texas Government Code, as amended, and other applicable laws. Under the Constitution and the statutes of the State of Texas, the Trinity River Authority of Texas (the "Authority" or "Issuer") has broad powers to effectuate flood control and the conservation and use for all beneficial purposes of storm and flood waters in the Trinity River watershed, and as a necessary aid to these purposes, the Authority has specific authority to construct, own and operate water supply, treatment and distribution facilities, and to make contracts in reference thereto with municipalities and others.

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to pay the costs of acquisition and construction of improvements and expansions to the Huntsville Regional Water Supply System, and (ii) to pay the costs associated with the issuance of the Bonds.

CUSIP PREFIX: 896560

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

LEGALITY . . . The Bonds are offered when, as and if issued, and accepted by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix D, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about May 31, 2012.

MATURITY SCHEDULE

CUSIP Prefix: 896560 ⁽¹⁾

<u>Maturity (August 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
2013	\$ 1,960,000	2.000%	0.400%	VZ9
2014	2,000,000	2.000%	0.750%	WA3
2015	2,040,000	2.000%	1.000%	WB1
2016	2,080,000	4.000%	1.150%	WC9
2017	2,165,000	4.000%	1.320%	WD7
2018	2,250,000	4.000%	1.550%	WE5
2019	2,340,000	4.000%	1.800%	WF2
2020	2,435,000	4.000%	2.050%	WG0
2021	1,920,000	3.000%	2.360% ⁽²⁾	WH8

(Accrued Interest from the Date of Delivery)

-
- (1) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Authority nor the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Priced to the first optional call date of August 1, 2020.

OPTIONAL REDEMPTION . . . The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2020, or any date thereafter, at the par value thereof plus accrued interest to date of redemption (see "The Bonds – Optional Redemption").

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

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

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

NEITHER THE AUTHORITY NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

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

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY	4	OTHER INFORMATION	41
AUTHORITY OFFICIALS, STAFF AND CONSULTANTS	5	RATINGS.....	41
INTRODUCTION	7	LITIGATION.....	42
THE BONDS	7	REGISTRATION AND QUALIFICATION OF BONDS FOR SALE.....	42
THE SYSTEM	12	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS.....	42
DEBT INFORMATION	13	LEGAL MATTERS.....	42
TABLE 1 - DEBT SERVICE REQUIREMENTS.....	13	AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION.....	43
SELECTED PROVISIONS OF THE CONTRACT	14	FINANCIAL ADVISOR.....	43
SELECTED PROVISIONS OF THE BOND RESOLUTION	22	INITIAL PURCHASER.....	43
THE AUTHORITY	34	FORWARD-LOOKING STATEMENTS DISCLAIMER.....	43
THE AUTHORITY'S ACTIVITIES.....	34	CERTIFICATION OF THE OFFICIAL STATEMENT.....	44
THE AUTHORITY'S REVENUE-BASED PROJECTS.....	34		
THE FUTURE ROLE OF THE AUTHORITY.....	36	APPENDICES	
PENSION PLAN.....	36	BIOGRAPHICAL INFORMATION.....	A
OTHER OUTSTANDING INDEBTEDNESS OF THE AUTHORITY.....	37	CERTAIN FINANCIAL AND OPERATING DATA FOR THE CITY OF HUNTSVILLE, TEXAS.....	B
[THE REMAINDER OF THIS PAGE IS LEFT BLANK INTENTIONALLY]		CERTAIN FINANCIAL AND OPERATING DATA OF HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM PROJECT ENTERPRISE FUND.....	C
TAX MATTERS	38	FORMS OF BOND COUNSEL'S OPINION.....	D
CONTINUING DISCLOSURE OF INFORMATION	40		

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 \$19,190,000 (Huntsville Regional Water Supply System Project) Contract Revenue Bonds, Series 2012. The Bonds are issued as serial bonds maturing 2013 through 2021 (see "The Bonds - Description of the Bonds").

SECURITY FOR THE BONDS The Bonds constitute special obligations of the Authority, payable both as to principal and interest, and secured by a first lien on a pledge of the Net Revenues of the Authority under the Contract entered into with the City of Huntsville, Texas (the "City") (see "The Bonds - Security and Source of Payment").

REDEMPTION The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2020, or any date thereafter, at the par value thereof plus accrued interest to date of redemption (see "The Bonds - Optional Redemption").

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

USE OF PROCEEDS FOR

THE BONDS..... Proceeds from the sale of the Bonds will be used (i) to pay the costs of acquisition and construction of improvements and expansions to the Huntsville Regional Water Supply System, and (ii) to pay the costs associated with the issuance of the Bonds.

RATINGS..... The Bonds have been assigned a rating of "AA-" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), without regard to credit enhancement. (see "Other Information - Ratings").

BOOK-ENTRY-ONLY

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

PAYMENT RECORD The Authority has never defaulted in payment of its bonds.

For additional information regarding the Authority, please contact:

Mr. Jimmie R. Sims	Mr. W. Boyd London, Jr.
Mr. Robert R. Stevens	Ms. Mary Williams
Trinity River Authority of Texas	First Southwest Company
Southern Region	325 North St. Paul Street, Suite 800
P.O. Box 1554	Dallas, Texas 75201
Huntsville, Texas 77340	(214) 953-4000
(936) 295-5485	

AUTHORITY OFFICIALS, STAFF AND CONSULTANTS

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

Management Officers

J. Kevin Ward.....	General Manager
Fiona M. Allen, P.E.	Regional Manager, Northern Region
Jimmie R. Sims.	Regional Manager, Southern Region
Robert E. Moore, CPA.....	Financial Services Manager
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.	Fort Worth, Texas
Bond Counsel.....	McCall, Parkhurst & Horton L.L.P.....	Dallas, Texas
Financial Advisor.....	First Southwest Company	Dallas, Texas

[THIS PAGE IS LEFT BLANK INTENTIONALLY]

OFFICIAL STATEMENT

RELATING TO

\$19,190,000

**TRINITY RIVER AUTHORITY OF TEXAS
(HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM PROJECT)
CONTRACT REVENUE BONDS, SERIES 2012**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of Trinity River Authority of Texas (the "Authority") (Huntsville Regional Water Supply System Project) Contract Revenue Bonds, Series 2012 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in Resolution No. R-1349 and the Certificate of General Manager authorized thereby (collectively, the "Resolution"), adopted by the Board of Directors of the Authority, which authorize the issuance of the Bonds, except as otherwise indicated herein (see "Selected Provisions of the Bond Resolution").

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

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

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

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 1, 2012, and mature on August 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 1 and February 1, commencing August 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 Chapter 518, Acts of the 54th Legislature of Texas, Regular Session, 1955, as amended, the Interlocal Cooperation Act (Chapter 791, Texas Government Code), Chapter 1371, Texas Government Code, as amended, and other applicable laws.

SECURITY AND SOURCE OF PAYMENT . . . The Authority has entered into a contract (the "Contract") with the City of Huntsville, Texas (the "City") to enable it to provide water treatment, transmission and storage facilities for the benefit of the City (the "System") (see "The System"). The City has agreed to pay to the Authority its cost of operation and maintenance of the System and debt service on the Bonds. The debt service on any Additional Bonds that are required to construct any future additions or expansions will be paid by the City. The City will pay its obligation to the Authority out of moneys received from the operation of its Combined Waterworks and Sewer System, said obligation being an operation and maintenance expense of the City which is senior to the City's revenue debt. The Bonds, and interest thereon, are payable solely from Net Revenues to be received by the Authority under the terms of the Contract, and the Authority has pledged these Net Revenues to the punctual payment of these obligations, when due.

OPTIONAL REDEMPTION . . . The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2020, or any date thereafter, at the par value thereof plus accrued interest to date of redemption (see "The Bonds – Optional Redemption").

ADDITIONAL BONDS . . . The Authority currently has no plans to issue Additional Bonds during the next 12 months, but reserves the right to issue Additional Bonds, if necessary.

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

BONDHOLDERS' REMEDIES . . . The Resolution does not specify events of default with respect to the Bonds. If the Authority defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the Authority defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolutions, the registered owners may seek a writ of mandamus to compel the Authority or Authority officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Authority's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the Authority to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Authority's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the Authority for breach of the Bonds or Resolution covenants in the absence of Authority action. Chapter

1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the Authority, permits the Authority to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the Authority has not waived sovereign immunity. Even if a judgment against the Authority could be obtained, it could not be enforced by direct levy and execution against the Authority's property. Further, the registered owners cannot themselves foreclose on property within the Authority or sell property within the Authority to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the Authority is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Authority avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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

Sources and Uses

Par Amount of Bonds	\$ 19,190,000.00
Reoffering Premium	<u>1,796,435.25</u>
Total Sources of Funds	<u>\$ 20,986,435.25</u>

Uses of Funds

Underwriters' Discount	\$ 141,587.00
Costs of Issuance	390,000.00
Deposit to the Debt Service Reserve Fund	1,919,000.00
Deposit to Construction Fund	18,535,000.00
Rounding Amount	<u>848.25</u>
Total Uses of Funds	<u>\$ 20,986,435.25</u>

[Remainder of this Page Intentionally Left Blank]

THE SYSTEM

THE SYSTEM . . . The Huntsville Regional Water Supply System was established in September 1976 with the approval of a water service contract between the City and the Authority. The contract provided for the Authority to design, finance, construct and operate a surface water treatment plant capable of producing a peak flow of 8 MGD of treated water to the City. The original treatment facilities consist of two clarifiers, four filters, chemical feed systems, solids handling facilities, a 400,000 gallon clearwell storage tank, and a high service pump station. The System also included a raw water pump station with four-2 MGD pumps that delivered raw water from the headwaters of the 83,000 surface acre Lake Livingston to the plant through approximately four miles of 30-inch diameter raw water pipeline. Approximately 10 miles of 30-inch diameter treated water pipeline delivers treated water to ground storage facilities in the City. The original facilities were placed into operation in September 1980.

In October 1996, the Authority completed an extension of the treated water pipeline to provide approximately 1.4 MGD of treated water to the Texas Department of Criminal Justice (TDCJ) Ellis Prison Unit, Estelle Prison Unit and regional medical facilities located in northern Walker County. The treated water transmission system includes approximately 10 miles of 12-inch and 20-inch diameter pipe, metering stations, and a radio telemetry SCADA system. Over the past year the System supplied an average of 6.1 MGD of treated water to the City and TDCJ.

In August 1998, treatment plant modifications were completed to optimize plant performance to reduce finished water turbidity and maintain compliance with proposed Safe Drinking Water Act requirements. The treatment plant improvements included modifications to existing chemical feed systems, clarifier equipment and piping, filter equipment and controls, solids retention basin piping, and SCADA equipment. The improvements also included a new 65-foot diameter solids contact clarifier.

In 1998, the City entered into an Agreement for Purchase and Delivery of Treated Water with Tenaska Frontier Partners Ltd. (Tenaska) to provide partially treated water to Tenaska's steam electric power generating facility located in Grimes County from the Authority's System. The water was to be used for cooling and process purposes and did not need to be treated to potable water standards. In April 2000, System treatment plant and raw water pump station improvements were completed to provide clarified water to Tenaska. The improvements included two new 65-foot diameter solids contact clarifiers, additional chemical feed equipment, and a new solids retention basin. Additional improvements included a new 24-MGD raw water pump station with two-8 MGD pumps and two-4 MGD pumps, approximately 700 linear feet of dual, parallel 36-inch diameter suction piping, approximately 1,000 linear feet of 36-inch diameter upsized raw water pipeline, a new electrical building and switchgear, and a standby emergency generator. Over the past year these facilities have supplied an average of 3.5 MGD of clarified water to Tenaska.

THE PROJECT . . . The City has requested that the System be expanded to treat and deliver a firm 12.0 MGD of treated water for the City's use. The engineering firm of Alan Plummer Associates, Inc. has designed improvements necessary to meet the increased water supply needs of the City.

Raw water pump station improvements will include the addition of one new 8.0 MGD pump with variable frequency drive. Additionally, approximately 2,000 linear feet of the existing 30-inch diameter raw water pipeline will be replaced with 36-inch diameter pipe.

Improvements at the treatment plant will include the installation of a new electrical feed, transformers and emergency generator, new chemical feed equipment and storage tanks, new filter backwash pumps, four new denitrification filters with a firm capacity of 8.0 MGD for nitrate removal, a new 1.2 million-gallon clearwell and new high service pumps with a firm capacity of 12.0 MGD. The existing dual media filters, solids contact clarifiers and 400,000-gallon clearwell will remain in operation following completion of the System expansion.

The proposed improvements and additions should meet the City's water supply needs for the foreseeable future.

[Remainder of this Page Intentionally Left Blank]

DEBT INFORMATION

TABLE 1 - DEBT SERVICE REQUIREMENTS

Year End 11/30	Outstanding Debt Service ⁽¹⁾	The Bonds ⁽²⁾			Total Debt Requirements	% of Principal Retired
		Principal	Interest	Total		
2012	\$ 1,141,303		\$ 106,479	\$ 106,479	\$ 1,247,782	
2013	1,269,045	\$ 1,960,000	628,400	2,588,400	3,857,445	
2014	1,262,006	2,000,000	589,200	2,589,200	3,851,206	
2015	1,271,856	2,040,000	549,200	2,589,200	3,861,056	
2016	1,267,856	2,080,000	508,400	2,588,400	3,856,256	42.11%
2017	989,116	2,165,000	425,200	2,590,200	3,579,316	
2018	987,743	2,250,000	338,600	2,588,600	3,576,343	
2019	762,215	2,340,000	248,600	2,588,600	3,350,815	
2020	764,967	2,435,000	155,000	2,590,000	3,354,967	89.99%
2021	-	1,920,000	57,600	1,977,600	2,742,567	100.00%
	<u>\$ 9,716,105</u>	<u>\$ 19,190,000</u>	<u>\$ 3,606,679</u>	<u>\$ 22,796,679</u>	<u>\$ 33,277,750</u>	

(1) Outstanding as of April 1, 2012.

(2) Interest on the Bonds has been calculated at the rates shown on page 2 herein.

[Remainder of this Page Intentionally Left Blank]

SELECTED PROVISIONS OF THE CONTRACT

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

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

A. "Additional Contracting Party" means any party, other than the Contracting Party, with whom Authority makes a contract for supplying treated water from the water treatment facilities of the System or Project, any such Additional Contracting Party being required to execute a contract with Authority substantially similar to this Contract.

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

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

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

E. "Bond Resolution" means the resolution or resolutions of Authority which authorize the Bonds.

F. "Bonds" means the revenue bonds issued by Authority, whether one or more issues, and the interest coupons appertaining thereto, if any, to finance the Project, including the Initial Project and any Additional Project, and any bonds issued to refund any such bonds or refunding bonds.

G. "Contracting Party" means the City of Huntsville.

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

I. "MGD" is an abbreviation for "million gallons of water per day" and refers to a quantity of water during a period of time expressed for convenience in terms of an average daily quantity during a calendar year (unless a different period of time is specified). The value of two MGD, for example, is calculated as follows: Two million gallons multiplied by the number of days in a calendar year.

J. "Operation and Maintenance Expense" means all costs of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements for which no special fund is created in the Bond Resolution, the cost of utilities, supervision, engineering, accounting, auditing, legal services, and any other supplies, services, administrative costs and equipment necessary for proper operation and maintenance of the System, and payments made by Authority in satisfaction of judgments resulting from claims not covered by Authority's insurance or not paid by either City or an Additional Contracting Party or Parties arising in connection with the operation and maintenance of the System. The term also includes the charges of the bank or banks where the Bonds are payable. The term does not include the cost of raw water supplies.

Section 2. CONSULTING ENGINEER, CONSTRUCTION OF PROJECT. Authority and City shall mutually agree upon and designate the consulting engineers for the Project. Authority will construct the Project as part of the System in general accordance with the applicable Engineering Report. It is anticipated that such construction will be in phases and that each phase will be financed by Authority through the issuance of its Bonds. A substantial copy of any proposed Bond Resolution shall be submitted to City for approval thereof and no Bonds shall be issued by Authority until a substantial copy of the Bond Resolution authorizing the issuance thereof has been approved by ordinance or resolution of City; however, it shall not be required that the price, interest rates or purchasers of any Bonds be approved by City. City agrees that it will not unreasonably withhold its approval of any submitted proposed Bond Resolution.

Section 3. QUANTITY, QUALITY, POINTS OF DELIVERY, MEASURING EQUIPMENT, UNIT OF MEASUREMENT AND DELIVERY PRESSURE.

A. QUANTITY OF TREATED WATER. Authority has agreed in the Original Contract to provide treatment facilities which will enable Authority to deliver City an annual average daily amount of 4.0 MGD with a 100% peaking capability, and Authority will use its best efforts to enlarge the capacity of the System or Project from time to time, to remain in position to deliver water sufficient for the reasonable demands of City, but its obligations in this regard shall be limited to the amount of water Authority is obligated to sell to City under a contract dated September 28, 1976, or any amendment thereof, which contract is adopted by reference, and by its commitments to Additional Contracting Parties. Provided that Authority will not obligate to deliver water to Additional Contracting Parties which will jeopardize Authority's ability to deliver to City amounts of water from time to time generally in accordance with the above cited contract unless such obligation has been approved by a resolution or ordinance of City.

B. QUALITY OF TREATED WATER. The parties recognize that the source of water to be delivered by Authority to City under this agreement is from Livingston Reservoir, and must be chemically treated and filtered. The water to be delivered by Authority and received by City shall be potable treated water meeting applicable purity standards of the Texas Natural Resource Conservation Commission and, where feasible, the U.S. Environmental Protection Agency Standards with the additional requirements that hardness shall be not greater than 140 ppm, calcium carbonate stability shall be within .3 plus or minus of the stability point as calculated by the Langelier Index method, and a residual chlorine of not less than 0.5 ppm at the Point or Points of Delivery. City has satisfied itself that such water will be suitable for its needs.

C. POINTS OF DELIVERY. The initial point of delivery under the Original Contract is located at the treatment plant constructed pursuant thereto by Authority for discharge into the transmission facilities as provided in the engineering report described in the Original Contract. A different or additional point or points of delivery may be agreed upon by the parties hereto as circumstances may require.

D. MEASURING EQUIPMENT. (a) Pursuant to the Original Contract, Authority has furnished and installed and is operating and maintaining the necessary metering equipment of standard type for measuring properly the quantity of water delivered under the Original Contract. Such metering equipment is located at points designated by Authority in accordance with the engineering report referred to in the Original Contract. Such meters and other equipment so installed shall remain the property of Authority. Additional metering equipment may be installed upon mutual agreement of Authority and City in accordance with an Additional Engineering Report. City shall have access to such metering equipment at all reasonable times, to inspect and to employ an independent laboratory to check metering equipment, but the reading, calibration and adjustment thereof shall be done only by the employees or agents of Authority. For the purpose of this Contract, the original record or reading of a meter shall be the journal or other record book of Authority in its office in which the records of the employees or agents of Authority who take the reading are or may be transcribed. Upon written request of City, Authority will give City a copy of such journal or record book, or permit City to have access to the same in the office of Authority during reasonable business hours.

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

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

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

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

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

F. DELIVERY PRESSURE. Pursuant to the Original Contract and this Contract, water shall be delivered by Authority at the point(s) of delivery at a pressure sufficient to transmit the water into the clear well storage facilities or as otherwise described as part of the System or Project.

Section 4. FISCAL PROVISIONS.

A. FINANCING THE PROJECT. Authority will use its best efforts to pay for the cost of construction of the Project as part of the System through the issuance of its Bonds in amounts necessary which, together with other available funds, if any, will be sufficient to accomplish such construction.

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

(a) all Operation and Maintenance Expense;

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

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

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

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

(i) For the Fiscal Year or fraction thereof during which the Project initially begins operations, City's proportionate share of the Annual Requirement shall be a percentage obtained by dividing City's estimated annual treated water requirement by the total estimated volume to be treated and used by City and all Additional Contracting Parties.

City's Annual Payment shall be made to Authority in twelve equal monthly installments. In the event Authority is unable to offer service under this Contract to City for the complete initial Fiscal Year, the portion of City's Annual Payment attributable to Operation and Maintenance Expense shall be reduced to the prorata portion of the Fiscal Year for which service is provided. Such payments shall be made in accordance with and at the times set forth in a Schedule of Payments for such initial Fiscal Year, which will be supplied to City. At the close of such initial Fiscal Year, Authority shall determine City's percentage by dividing City's actual metered usage by the total actual metered usage of the System by City and all Additional Contracting Parties. City's Adjusted Annual Payment shall be calculated by multiplying City's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to City's account with Authority and shall be credited or debited to City's next subsequent monthly statement or statements.

(ii) For each succeeding Fiscal Year thereafter, City's proportionate share of the Annual Requirement shall be a percentage obtained by dividing City's estimated treated water requirement for such year by the total estimated treated water requirement of City and all Additional Contracting Parties for such year. Calculation of Annual Payment and Adjusted Annual Payment for each succeeding Fiscal Year thereafter shall be determined in the manner described in (i) above.

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

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

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

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

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

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

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

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

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

(d) Provided, that in determining City's proportionate share of the Annual Requirement, City's estimated treated water requirement and actual metered usage for any Fiscal Year shall never be considered to be less than that

portion of the Project constructed for the exclusive requirements of the City, in accordance with Section 3.A. of the Original Contract.

(e) On or before July 1 of each year Authority shall furnish City with a tentative schedule of the monthly payments to be made by City to Authority for the ensuing Fiscal Year. On or before November 1 of each year, Authority shall furnish City with a final schedule of the monthly payments to be made by City to Authority for the ensuing Fiscal Year, together with supporting budgetary or proposed budgetary data showing the basis for arriving at such schedule. City hereby agrees that it will make such payments to Authority on or before the 10th day of each month of such Fiscal Year. If City at any time disputes the amount to be paid by it to Authority, City shall nevertheless promptly make the payment or payments previously approved for the immediately preceding budget period, provided that such payment shall never be less than City's proportionate share of (b), (c) and (d) of subsection B above, and, if it is subsequently determined by agreement, arbitration or court decision that such disputed payments made by City should have been less, or more, Authority shall promptly revise and reallocate the charges among all parties then being served by Authority in such manner that City will recover its overpayment or Authority will recover the amount due it.

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

(g) As additional consideration for the payments provided for above, City shall have an exclusive right to the use of the transmission and clear well storage facilities described in the engineering report incorporated into the Original Contract. Further, City shall have the right to tap said facilities, if need be, to serve water customers of City. The rights herein granted shall be for the useful life of said facilities, as determined by City. Provided, when the debt service requirements of Authority attributable to said transmission and clear well storage facilities have been finally paid, City shall have the rights granted herein without payment of any fees or charges to Authority, except for any actual costs to Authority attributable to ownership of said facilities which Authority is required to pay.

Section 5. SPECIAL PROVISIONS.

A. Authority will proceed to finance and construct the Project in accordance with the Engineering Report without unreasonable delay.

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

C. It is expressly understood and agreed that any obligations on the part of Authority to construct or complete the Project and to provide water to City shall be (i) conditioned upon Authority's ability to obtain all necessary material, labor and equipment and upon the ability of Authority to finance the cost of the Project through the actual sale of Authority's Bonds and (ii) subject to all present and future valid laws, orders, rules and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction (and the parties agree to cooperate to obtain compliancy therewith).

D. Authority shall never have the right to demand payment by City of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes levied by City. City's obligations under this Contract shall never be construed to be a debt of City of such kind as to require it under the law of this State to levy and collect a tax to discharge such obligation, it being expressly understood by the parties hereto that all payments due by City hereunder are to be made from water and sewer revenues received by City.

E. City represents and covenants that all payments to be made hereunder by it shall constitute "Operating Expenses" of its waterworks and sewer system as defined in Article 1113 of the Revised Civil Statutes of Texas, as amended, and that all such payments will constitute operating expenses of City's waterworks and sewer system.

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

G. It is agreed and understood by the parties to this Contract that City now owns and operates a system of wells producing water and City may elect to acquire and operate additional wells. While nothing in this Contract shall obligate City to continue the operation of its own wells, nevertheless City agrees that so long as it does operate such wells, it will coordinate production from its own wells in such manner as to minimize large daily fluctuations in any quantity of water taken under this Contract.

H. Authority agrees to maintain with responsible insurers, authorized to do business in Texas, to provide against loss of or damage to the Project, loss of revenues and public or other liability to protect the interests of Authority and City, the following types of insurance, with such variations as shall reasonably be required to conform to applicable standard or customary insurance premiums:

TYPE OF COVERAGE

DETAILS OF COVERAGE

FAITHFUL PERFORMANCE BLANKET BOND

Provides coverage for loss caused the insured through failure of any employee, acting alone or in collusion with others, to perform faithfully his duties or to account properly for all monies and property received by virtue of his position or employment; \$100,000 for the General Manager and Secretary-Treasurer and \$25,000 for each employee.

EMPLOYERS LIABILITY

Provides coverage to a maximum of \$100,000 for injury to an employee, including death resulting therefrom, while employed by the insured. United States Longshoreman's and Harbor Worker's Compensation Act Endorsements are specifically included.

COMPREHENSIVE AUTOMOBILE

Provides coverage with limits of \$100,000 per person, \$300,000 per occurrence, bodily injury and \$50,000 property damage arising out of ownership, maintenance or use, including loading or unloading, of any automobile, owned, hired, or operated by other persons in behalf of the insured. Medical Payments insurance in the amount of \$5,000 is provided for the passenger automobiles.

PROPERTY DAMAGE

Provides coverage for Fire, Lightning, Extended Coverage, and Vandalism and Malicious Mischief to a limit of \$1,000,000 on the Project.

GENERAL LIABILITY

Provides General Liability and Contractual Liability coverage with the following limits:

Bodily Injury-\$100,000/ person, \$300,000/occurrence, and \$300,000 aggregate.

Property Damage-\$100,000/occurrence and \$100,000 aggregate.

Authority may maintain such insurance under a blanket policy or policies insuring Authority's property and interest at other locations. In the event Authority is sued or is placed on notice of demand for payment of a claim or claims not covered by Authority's insurance or claims not paid by either City or an Additional Contracting Party or Parties arising in connection with the operation and maintenance of the Project, then in any of said events, Authority shall forthwith notify City in writing as to the nature of the claim or litigation which could result in an increase in operation and maintenance expense. City shall have ten (10) days from receipt of such written notification in which

to advise and comment to Authority concerning any claim, suit or demand for payment and Authority shall duly consider City's advice and comments in any final disposition of said claim or demand for payment.

I. The transmission and clear well storage facilities described in Chapter IV of the initial engineering report described in the Original Contract shall be maintained and operated by City at its expense, and City covenants that it will operate and maintain said facilities. City agrees that it will save and hold harmless Authority from all claims, demands and causes of action which may be asserted by anyone on account of Authority's ownership of said transmission and clear well storage facilities so long as City is operating and maintaining said facilities.

Section 6. **FORCE MAJEURE.** If by reason of force majeure either party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of City to make the payments required under subsection 4(B)(b)-(d) of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas or any Civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and inability on part of Authority to deliver water hereunder for any reason, or City to receive water hereunder for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 7. **UNCONDITIONAL OBLIGATION TO PAY DEBT SERVICE.** Recognizing that Authority will use payments received by City and others to pay, secure and finance the issuance of the Bonds, it is hereby agreed that upon the issuance and sale of any Bonds by Authority to provide funds for the Project, City shall be unconditionally obligated to pay its proportionate share of the debt service on such Bonds, regardless of whether or not Authority is actually delivering water to City hereunder, or whether or not City actually takes water hereunder, whether due to Force Majeure or otherwise. Under such circumstances, the amount due to Authority from City shall be a percentage of the debt service on the Bonds for the period of any such failure of service hereunder. Such percentage shall be the last percentage used by Authority in determining City's Annual Payment prior to any such failure of service, and, in the event service is not begun hereunder, such percentage shall be that specified in Section 4C(a)(i) hereof. This covenant by City shall be for the benefit of the owners of the Bonds.

Section 8. **TERM OF CONTRACT; MODIFICATION; NOTICES; STATE OR FEDERAL LAWS, RULES, ORDERS OR REGULATIONS.**

A. **TERM OF CONTRACT.** This Contract shall be effective upon execution hereof and shall continue in force and effect until all Bonds have been paid and for so long thereafter as the parties hereto may agree by amendment hereof.

B. **MODIFICATION.** No change or modification of this Contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by City under the terms of this Contract and no such change shall be effective which would cause a violation of any provisions of any Bond Resolution.

D. **STATE OR FEDERAL LAWS, RULES, ORDERS OR REGULATIONS.** This Contract is subject to all applicable Federal and State laws and any applicable ordinances, rules, orders and regulations of any local, state or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule or regulation in any forum having jurisdiction.

Section 9. **SEVERABILITY.** The parties hereto agree that if any of the provisions of this Contract should be or be held to be invalid or to contravene the laws of this State, or the United States, such fact shall not invalidate

the whole agreement, but it shall be construed as though not containing that particular provision, and the rights and obligations of the parties shall be construed and remain in force accordingly.

Section 10. CONTINUED SERVICE. The parties hereto agree that upon the expiration of this Contract that City shall have the right to continued service for an additional period of fifty (50) years, or for such other time as may be agreed, upon execution of an appropriate agreement between City and Authority.

Section 11. REMEDIES UPON DEFAULT. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by either party hereto and shall be cumulative. Recognizing, however, that Authority's undertaking to provide and maintain a supply of water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, Authority agrees, in the event of any default on its part, that City shall have available to it the equitable remedy of specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to City. Recognizing that failure in the performance of any of City's obligations hereunder could not be adequately compensated in money damages alone, City agrees in the event of any default on its part that Authority shall have available to it the equitable remedy of specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to Authority. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of 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 after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by either party hereto of any term, covenant, condition, or liability hereunder or of performance by the 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 waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

[Remainder of this Page Intentionally Left Blank]

SELECTED PROVISIONS OF THE BOND RESOLUTION

Section 5. DEFINITIONS AND PLEDGE.

(a) As used in this Resolution the term "Bonds" shall mean and include collectively the bonds initially issued and delivered pursuant to this Resolution and all substitute bonds exchanged therefor, and all other substitute and replacement bonds, issued as provided in this Resolution; the term "Parity Bonds" means collectively the Outstanding Bonds, the Bonds and any Additional Bonds, which may be outstanding and payable from the Net Revenues hereinafter described after the issuance and delivery of the Bonds authorized by this Resolution; the term "Additional Bonds" means the additional parity revenue bonds permitted to be authorized in the future as provided in Section 15 of this Resolution; and capitalized words, terms and phrases used herein which are not otherwise defined herein shall have the meanings defined in the Contract.

(b) It is hereby determined, declared, and resolved that all of the Parity Bonds, including the Bonds authorized by this Resolution, are and shall be secured and payable equally and ratably on a parity, from the Net Revenues.

(c) It is specifically recognized that the Contract provides for the monthly payment by the City and Additional Contracting Parties, if any, with whom the Issuer may contract for supplying treated water from the water treatment facilities of the System, as such System may be added, improved, repaired, replaced, expanded and extended by the Project, as amended from time to time, to the Issuer of:

- (1) all Operation and Maintenance Expense;
- (2) the principal of and the interest on the Parity Bonds, as such principal and interest become due, less interest to be paid out of Bond proceeds as permitted by the Resolution;
- (3) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of the Resolution; and
- (4) an amount in addition thereto sufficient to restore any deficiency in any of such funds or accounts required to be accumulated and maintained by the provisions of the Resolution.

The term Net Revenues, as used in this Resolution, shall mean and be defined as all of the gross revenues or payments received by the Issuer from the City under the Contract, and from Additional Contracting Parties, if any, after deducting therefrom the amounts specifically paid to the Issuer, as described above, for the purpose of covering, paying and reimbursing the Issuer for Operation and Maintenance Expense, with the result that the Net Revenues shall consist of the amounts necessary to pay all principal and/or interest coming due on the Issuer's Parity Bonds on each principal and/or interest payment date plus the amounts specified in (3) and (4) above. The Parity Bonds, and the interest thereon, are and shall be payable from and secured by an irrevocable first lien on and pledge of said Net Revenues, and said Net Revenues are further pledged irrevocably to the establishment and maintenance of the Funds hereinafter described.

The City has contracted to make all of its payments under the Contract from the revenues of the City's combined Waterworks and Sewer System as an operating expense of such combined Waterworks and Sewer System.

(d) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the Issuer under (c) above, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the Issuer under (c) above 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 6. SPECIAL FUNDS. All gross revenues or payments received by the Issuer under the Contract and from Additional Contracting Parties, if any, shall be kept separate and apart from all other funds of the Issuer,

and the following special Funds are hereby created or confirmed and shall be established and maintained at a depository of the Issuer so long as any of the Bonds are outstanding and unpaid:

- (a) the Revenue Fund;
- (b) the Interest and Sinking Fund; and
- (c) the 2012 Reserve Fund.

Section 7. REVENUE FUND. All gross revenues or payments received by the Issuer under the Contract and from Additional Contracting Parties, if any, shall be deposited as received by the Issuer into the Revenue Fund, and shall be deposited from the Revenue Fund, as hereinafter provided.

Section 8. INTEREST AND SINKING FUND. There shall be deposited into the Interest and Sinking Fund the following:

(a) immediately after the delivery of the Bonds, all accrued interest from the proceeds from the sale of the Bonds shall be deposited to the credit of the Interest and Sinking Fund, and shall be used for paying interest on the Bonds.

(b) on or before August 1, 2012, and semiannually thereafter on or before each February 1 and August 1, an amount equal to the principal and/or interest coming due on the Parity Bonds on the next succeeding interest payment date.

Section 9. USE OF INTEREST AND SINKING FUND. The Interest and Sinking Fund shall be used solely to pay the principal of and interest on the Parity Bonds as such principal matures and such interest comes due.

Section 10. 2012 RESERVE FUND. (a) In addition to words and terms otherwise defined in this Resolution, the following definitions shall apply to words and terms used in this section:

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

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

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

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

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

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

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

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

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

"Reserve Fund Obligation" means a Credit Facility satisfying the requirements of this section which is deposited in the 2012 Reserve Fund to meet all or part of the Required Reserve as provided in section.

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

(b) There shall initially be deposited from the "Reserve Fund" created for the benefit of the Refunded Bonds and/or proceeds from the sale of the Bonds, to the credit of the 2012 Reserve Fund, an amount of money equal to the Required Reserve. Thereafter, no further deposits shall be made into the 2012 Reserve Fund as long as the money and investments, together with any Reserve Fund Obligation, in the 2012 Reserve Fund are at least equal in market value to the Required Reserve; but if and whenever the market value of money and investments, together with any Reserve Fund Obligation, in the 2012 Reserve Fund is reduced below said Required Reserve because of a decrease in market value of investments, then the Issuer shall require the Contracting Parties to increase payments under the Contract as soon as practicable, and in all events by the end of the next Fiscal Year, in an amount sufficient to restore the 2012 Reserve Fund to the Required Reserve; and in the event the 2012 Reserve Fund is used to pay the principal of or interest on the Bonds or Additional Bonds because of insufficient amounts being available in the Interest and Sinking Fund, then the Issuer shall require the Contracting Parties to increase payments under the Contract in an amount sufficient to restore the 2012 Reserve Fund to the Required Reserve in market value, and from such increased payments the Issuer shall deposit in the 2012 Reserve Fund, in approximately equal periodic installments, not less than annual, such amounts as are required to restore the 2012 Reserve Fund to the Required Reserve in market value as soon as practicable, but in any case, within one year from any date of the use of the 2012 Reserve Fund to pay such principal or interest. For purposes of calculating the amount on hand in the 2012 Reserve Fund, an amount equal to the maximum available amount which may be drawn under any Reserve Fund Obligation, as described in (f) below, will be deemed on deposit in the 2012 Reserve Fund. During any period in which the money and investments credited to the 2012 Reserve Fund, taking into account any Reserve Fund Obligation, are equal to or exceed the Required Reserve in market value then during such period all investment earnings and income from the 2012 Reserve Fund shall be deposited upon receipt to the credit of the Interest and Sinking Fund.

(c) The 2012 Reserve Fund shall be used only for the purpose of paying principal of or interest on the Bonds, or any Additional Bonds issued to refund the Bonds, when there is not sufficient money available in the Interest and Sinking Fund for such payments, and shall be used finally to pay, redeem or retire the last of the outstanding Bonds or Additional Bonds issued to refund the Bonds.

(d) The 2012 Reserve Fund shall secure and be used to pay all Bonds or Additional Bonds issued to refund the Bonds, in the manner and to the extent provided herein. However, each resolution pursuant to which Additional Bonds or Additional Bonds issued to refund the Bonds are issued shall provide and require that (i) the aggregate amount to be accumulated and maintained in the 2012 Reserve Fund shall be increased (if and to the extent necessary) to the Required Reserve required after the issuance of such Additional Bonds; and (ii) the required additional amount, if any, shall be so accumulated by the deposit in the 2012 Reserve Fund of all of said required additional amount in cash or a Reserve Fund Obligation immediately after the delivery of the then proposed Additional Bonds.

(e) Notwithstanding any other provisions of this Resolution, an equivalent Reserve Fund Obligation may be substituted by the Issuer at any time and from time to time for all or any part of the money and/or investments held for the credit of the 2012 Reserve Fund, and such money and/or investments may be withdrawn and used for any lawful purpose, provided, however, that to the extent such funds were derived from the proceeds of Bonds or Additional Bonds, such funds may only be withdrawn and either (i) deposited into the Interest and Sinking Fund or (ii) applied for a purpose for which such Bonds or Additional Bonds were originally issued. If a Reserve Fund Obligation is used as provided above, any reimbursements required thereunder to be paid to a Credit Facility Provider as a result of a draw or demand thereunder and any interest thereon and expenses payable thereunder shall be made, as provided in the Reserve Fund Obligation, from moneys deposited into the 2012 Reserve Fund until fully paid. If it becomes necessary to pay interest on or principal of any Bonds from the 2012 Reserve Fund, money and investments held for the credit of the 2012 Reserve Fund shall be utilized first for such purpose, before any demand or draw is made on a Reserve Fund Obligation.

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

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

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

(3) An unconditional irrevocable letter of credit issued to the Issuer or other party, as agent of the registered owners, by a bank if the issuer thereof, at the time of issuance, is rated by at least two of the following rating agencies in the indicated rating categories, to-wit, at least "AA" by S&P or Fitch or "Aa" by Moody's. The letter of credit shall be payable in one or more draws upon presentation by the Issuer or other party of a sight draft accompanied by its certificate (which must be satisfactory in form and substance to the Issuer or other party and the issuer of the letter of credit) that the Issuer then holds insufficient funds to make a required payment of principal or interest on the Bonds or Additional Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years and shall be subject to an "evergreening" feature so as to provide the Issuer with at least 30 months notice of termination. The issuer of the letter of credit shall be required to notify the Issuer not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the 2012 Reserve Fund, in accordance with this section, an amount sufficient to cause the money or investments on deposit in the 2012 Reserve Fund, together with any other qualifying Reserve Fund Obligations, to accumulate to the Required Reserve, unless the expired Reserve Fund Obligation is replaced by a Reserve Fund Obligation meeting the requirements in any of 1 through 3, above. The letter of credit shall permit a draw in full prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Issuer or other party shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the 2012 Reserve Fund is fully funded to the Required Reserve.

(4) The obligation to reimburse the issuer of a Reserve Fund Obligation for any expenses, claims, or draws upon such Reserve Fund Obligation, including interest thereon, shall be made from the deposits made to the 2012 Reserve Fund as provided in this section and in accordance with the provisions of the Reserve Fund Obligation. The Reserve Fund Obligation shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund Obligation to reimbursement will be subordinated to the cash replenishment of the 2012 Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund Obligation and the amount then available for further draws or claims. In the event (a) the issuer of a Reserve Fund Obligation becomes insolvent, or (b) the issuer of a Reserve Fund Obligation defaults in its payment obligations thereunder, or (c) the claims paying ability of the issuer of the insurance

policy or surety bond falls below "AAA" by S&P or Fitch or "Aaa" by Moody's, or (d) the rating of the issuer of the letter of credit falls below the "AA" category by S&P or Fitch or the "Aa" category by Moody's, the obligation to reimburse the issuer of the Reserve Fund Obligation shall be subordinate to the cash replenishment of the 2012 Reserve Fund.

(5) In the event (a) the issuer of the Reserve Fund Obligation defaults in its payment obligations hereunder, or (b) the issuer of the Reserve Fund Obligation becomes insolvent, the Issuer shall either (i) deposit into the 2012 Reserve Fund, in accordance with this section, amounts sufficient to cause the money or investments on deposit in the 2012 Reserve Fund to accumulate to the Required Reserve within twelve months of such occurrence, or (ii) replace such instrument with a surety bond, insurance policy, or letter of credit meeting the requirements in any of 1 through 3 above within twelve months of such occurrence.

(6) Where applicable, the amount available for draws or claims under a Reserve Fund Obligation may be reduced by the amount of money or investments deposited in the 2012 Reserve Fund pursuant to clause (i) of the preceding subparagraph 5.

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

(8) Cash on deposit in the 2012 Reserve Fund shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Fund Obligation. If and to the extent that more than one Reserve Fund Obligation is deposited in the 2012 Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(g) Any excess in the 2012 Reserve Fund over the Required Reserve in effect at any time shall be deposited to the credit of the Interest and Sinking Fund.

Section 11. ISSUER'S EXPENSES AND COSTS. The Issuer shall pay, or reimburse itself for, Operation and Maintenance Expense from the payments made by the City under the Contract, and by any Additional Contracting Parties, if any, specifically for such purpose, and in no event from the pledged Net Revenues.

Section 12. INVESTMENTS. Money in any Fund described in this Resolution may be invested in securities as permitted by the Public Funds Investment Act, as amended. All earnings and income derived from the investment of the Revenue Fund, the Interest and Sinking Fund and the 2012 Reserve Fund shall be deposited to the credit of the Interest and Sinking Fund, except during certain periods with respect to the 2012 Reserve Fund, as provided in Section 10 hereof. All earnings and income derived from the investment of the Project Acquisition Fund, hereinafter described, shall be deposited to the credit of the Project Acquisition Fund.

The depository bank in which each of the Funds created by this resolution is maintained shall invest the amounts on deposit therein in accordance with instructions from the Issuer, which instructions shall be given by the Issuer after due consultation with the City and any Additional Contracting Parties.

Section 13. DEFICIENCIES IN FUNDS. If the Issuer should be unable at any time to deposit into any Fund created by this Resolution the full amounts required, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available Net Revenues, and such payments shall be in addition to the amounts otherwise required to be deposited into said Funds.

Section 14. SECURITY FOR FUNDS. All Funds described in this Resolution shall be secured in the manner and to the fullest extent permitted or required by law for the security of Issuer funds, and such Funds shall be used only for the purposes and in the manner permitted or required by this Resolution.

Section 15. ADDITIONAL BONDS. The Issuer reserves the right to issue additional parity revenue bonds ("Additional Bonds") in such amounts as are required for the purpose of completing the acquisition and construction of the Initial Project and for the acquisition and construction of any future Additional Projects,

collectively constituting the Project, as provided in the Contract, or for the purpose of expanding the Project to provide service to Additional Contracting Parties, or for the purpose of refunding any outstanding Parity Bonds or for any other lawful purpose. Such Additional Bonds shall be considered, constitute and be defined as "Parity Bonds" for all purposes of this Resolution and "Bonds" for all purposes of the Contract, and when issued and delivered they shall be payable from and secured by a first lien on and pledge of the Net Revenues, in the same manner and to the same extent as the other Parity Bonds; and all of the Parity Bonds shall in all respects be on a parity and of equal dignity. The Additional Bonds may be issued in one or more installments or series, provided, however, that no such installment or series shall be issued unless:

(a) a certificate is executed by the General Manager of the Issuer to the effect that (1) no default exists in connection with any of the covenants or requirements of the resolution or resolutions authorizing the issuance of all then outstanding Parity Bonds, (2) the Interest and Sinking Fund and all outstanding Parity Bond reserve funds contain the amounts then required to be on deposit therein and (3) the Contract with the City and each contract with Additional Contracting Parties, if any, are in full force and effect and no default exists in connection therewith;

(b) the resolution authorizing the issuance of such installment or series of Additional Bonds shall provide for the payment of the principal of and interest on such Additional Bonds from Net Revenues; and

(c) the governing body of the City passes an ordinance or adopts a resolution approving a substantial draft of the resolution authorizing the issuance of such installment or series of Additional Bonds.

Section 16. ACCOUNTS AND RECORDS. The Issuer shall keep proper books of records and accounts, separate from all other records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to payments under the Contract and from Additional Contracting Parties, if any. The Issuer shall have said books audited once each Issuer fiscal year by an independent Certified Public Accountant.

Section 17. ACCOUNTING REPORTS. Within one hundred thirty five (135) days after the close of each Issuer Fiscal Year hereafter, the Issuer shall forward to any other owner of any of the Parity Bonds who shall so request in writing, and to the City, a signed or certified copy of a report by a Certified Public Accountant, covering the next preceding fiscal year, showing the following information:

(a) A detailed statement of all payments under the Contract and from Additional Contracting Parties, if any, and the Issuer's disbursements thereof;

(b) Balance sheet as of the end of said fiscal year;

(c) Accountant's comment regarding the manner in which the Issuer has complied with the requirements of this Resolution, and any other resolutions of the Issuer authorizing the issuance of Parity Bonds, and his recommendations, if any, for any changes or improvements.

Section 18. INSPECTION. Any owner of any Parity Bonds shall have the right at all reasonable times to inspect all records, accounts and data of the Issuer relating to the Contract, Additional Contracting Parties, if any, and the Funds described by this Resolution.

Section 19. SPECIAL COVENANTS. The Issuer further covenants as follows:

(a) that other than for the payment of the Parity Bonds the Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the Issuer;

(b) that while any of the Parity Bonds are outstanding, the Issuer will not, with the exception of the Additional Bonds expressly permitted by this Resolution to be issued, additionally encumber the Net Revenues;

(c) that the Issuer will carry out all of its obligations under the Contract; and when or if necessary will promptly enforce and cause the City and Additional Contracting Parties, if any, to carry out all of their obligations under the Contract and any other pertinent agreements or contracts, for the benefit of the Issuer and the owners of the Parity Bonds, by all legal and equitable means, including the use of mandamus proceedings against the City and Additional Contracting Parties, if any.

Section 20. BONDS ARE SPECIAL OBLIGATIONS. The Parity Bonds shall be special obligations of the Issuer payable solely from the pledged Net Revenues, and the owners of the Parity Bonds shall never have the right to demand payment thereof out of funds raised or to be raised by the levy of taxes.

Section 21. AMENDMENT OF RESOLUTION.

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

- (1) Make any change in the maturity of the outstanding Parity Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the Registered 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 State of Texas and in The City of New York, New York, once during each calendar week for at least four successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent/Registrar for the Parity Bonds and Additional Bonds, for inspection by all Registered Owners of Parity Bonds and Additional Bonds. Such publication is not required, however, if such notice in writing is given to the Registered 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 Registered 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 Registered Owners of then outstanding Parity Bonds and Additional Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the Registered Owner of a Parity Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon such Registered Owner and all future Registered 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 Registered 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 Registered Owners 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, with respect to Parity Bonds or Additional Bonds issued in fully registered form, 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 Agent/Registrar for such Parity Bonds and Additional Bonds.

Section 22. PROJECT ACQUISITION FUND. That immediately after the sale and delivery of any Additional Bonds issued in order to obtain funds to pay the costs of the acquisition and construction of improvements and extensions to the System, the Issuer shall deposit the remaining proceeds from the sale of such Additional Bonds, exclusive of accrued interest, any premium and the deposits of capitalized interest and debt service reserves provided to be made in the resolution authorizing the issuance of such Additional Bonds, into a special Project Acquisition Fund. Said Project Acquisition Fund shall be established, drawn on and used to pay the costs of the Project, subject to the requirement that each expenditure from the Project Acquisition Fund must be approved by the consulting engineers, prior to the making of such expenditure; provided, however, that the payment of the costs of issuance of such Additional Bonds need not be so approved. Upon completion of the purposes for which such Additional Bonds were issued, any funds remaining in the Project Acquisition Fund shall be deposited into the Interest and Sinking Fund.

Section 23. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Net Revenues herein pledged 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 23(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 23(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 24. **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 27. **CONTINUING DISCLOSURE OF INFORMATION.** (a) As used in this Article, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

(b) Pursuant to a Continuing Disclosure Agreement by and between the Issuer and the individual Contracting Parties, the Issuer and the Contracting Parties have undertaken for the benefit of the beneficial owners

of the Bonds, to the extent set forth therein, to provide continuing disclosure of financial information and operating data with respect to the Contracting Parties in accordance with the Rule as promulgated by the SEC.

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

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults, if material;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- G. Modifications to rights of holders of the Bonds, if material;
- H. Bond calls, if material, and tender offers;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds, if material;
- K. Rating changes;
- L. Bankruptcy, insolvency, receivership or similar event of the Issuer;
- M. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- N. Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

As used in clause L. above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Issuer in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Section 28. COVENANTS REGARDING TAX-EXEMPTION. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

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

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or

indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

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

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

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

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

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

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

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

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

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

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

Section 29. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes

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

Section 30. DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the Project 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 31. EXPIRATION OF AUTHORIZATION. The authority of the General Manager, as 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.

[Remainder of this Page Intentionally Left Blank]

THE AUTHORITY

THE AUTHORITY'S ACTIVITIES

1. **Master Planning.** After a series of public hearings, the Authority adopted the original master plan (the "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 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 Serviced or to be Served</u>
Central Regional Wastewater System	Addison, Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Dallas/Fort Worth International Airport Board, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, and Southlake
Ten Mile Creek Regional Wastewater System	Cedar Hill, DeSoto, Duncanville, Ferris, and Lancaster
Denton Creek Regional Wastewater Treatment System	Argyle, Circle T Municipal Utility District No. 1, Circle T Municipal Utility District No. 3, Flower Mound, Fort Worth, Haslet, Keller, Northlake, Roanoke, Southlake and Westlake.
Red Oak Creek Regional Wastewater Project	Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak
Mountain Creek Regional Wastewater System	Grand Prairie, Midlothian and Venus
Tarrant County Water Supply Project	Bedford, Colleyville, Euless, Grapevine, and North Richland Hills
Huntsville Regional Water Supply System	Huntsville
Livingston Regional Water Supply System	Livingston
Trinity County Regional Water Supply System	Glendale Water Supply Corp, Groveton, Riverside Water Supply Corp, Trinity, Trinity Rural Water Supply Corp and Westwood Shores MUD.

Project Name (Non-Operating)	Cities and Entities Served
Lake Livingston Project	Houston, 22 lakeside communities (and two industries)
Livingston Recreation Facilities	Serving the General Public
Walker-Calloway Branches Outfall Line	Hurst and North Richland Hills
Northeast Lakeview Project	Cedar Hill, Grand Prairie
Lakeview Regional Water Supply Project	Cedar Hill, Duncanville, and Grand Prairie
Summit Regional Water Storage Project	Cedar Hill and Duncanville
Navarro Mills Reservoir	Coolidge, Corsicana, Dawson, and Hubbard (and one industry)
Bardwell Reservoir	Ennis and Ellis County WCID #1
Joe Pool Lake Project	Cedar Hill, Duncanville, Grand Prairie, and Midlothian
Ellis County Regional Water Supply Project	Cities of Ferris, Italy, Maypearl, Midlothian, Palmer and Red Oak; Ellis County WC&ID No. 1, Rockett Special Utility District, Avalon Water and Sewer Service Corporation, Boyce, Bristol, Nash-Forreston, and Buena Vista-Bethel Water Supply Corporations.
Freestone Raw Water Supply Project	Freestone Power Generation LP
Ennis Raw Water Supply Project	Ennis
Midlothian Raw Water Supply Project	Midlothian
Huntsville Wastewater Treatment Facilities	Huntsville
Denton Creek Wastewater Pressure Interceptor	Southlake
Cade Branch Interceptor	Fort Worth, Keller
Denton Creek Wastewater Interceptor System (Fort Worth Project)	Fort Worth
Fort Worth Sendera Ranch Project	Fort Worth
Pollution Control Facilities	Community Waste Disposal, Inc and Texas Utilities Electric Co.

[The remainder of this page is left blank intentionally]

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

	Outstanding April 1, 2012
Bond Issues:	
Cade Branch Wastewater Interceptor	\$ 375,000
Central Regional Wastewater System	904,090,000
Community Waste Disposal, Inc.	19,620,000
Denton Creek Regional Wastewater Treatment System	133,695,000
Denton Creek Wastewater Pressure Interceptor System	1,755,000
Denton Creek Wastewater Interceptor(Fort Worth Project)	1,100,000
City of Fort Worth Water & Wastewater Transmission Contract (Sendera Ranch Project)	6,685,000
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	12,790,000
Northeast Lakeview Wastewater Transportation Project	14,930,000
Red Oak Creek Regional Wastewater System	53,860,000
Tarrant County Water Project	141,805,000
Ten Mile Creek Regional Wastewater System	121,575,000
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
TOTAL	\$ 1,484,240,000

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

Project	Outstanding April 1, 2012
Bardwell Reservoir	\$ 1,780,041
Joe Pool Lake	68,982,075
Navarro Mills	2,742,363
Wallisville Salt Water Barrier	9,378,313
	\$ 82,882,792

[The remainder of this page is left blank intentionally]

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** -- Forms of Bond Counsel's Opinions.

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, and (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 property financed or refinanced therewith. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Bond Counsel's opinion represents its legal judgement based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. 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 2010A BONDS OR 2010B 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.

CONTINUING DISCLOSURE OF INFORMATION

In a Continuing Disclosure Agreement entered into between the Authority and the City, each has made the following respective agreements for the benefit of the holders and beneficial owners of the Bonds. The City and the Authority are required to observe the agreement for so long as the City remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and the Authority and the City will be obligated to provide timely notice of specified material events, to Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The City 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 City of the general type included in Appendix B of this Official Statement. The City will update and provide this information within six months after the end of each fiscal year. The City 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 City 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 City commissions an audit and it is completed by the required time. If audited financial statements of the City are not available by the required time, the City 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 City may be required to employ from time to time pursuant to state law or regulation.

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

MATERIAL EVENT NOTICES . . . The Authority and the City 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 City will provide timely notice of any failure by the City to

provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Authority or the City will provide each notice described in this paragraph to the MSRB.

AVAILABILITY OF INFORMATION . . . The Authority and the City 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 City 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 City have agreed to update information and to provide notices of material events only as described above. The Authority and the City 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 City 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 City 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 City to comply with its agreement.

The Authority or the City 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 City, 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 City (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 City so amend the agreement, the City 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 City 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, the City has complied in all material respects with all continuing disclosure undertakings made by them in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Bonds have been assigned a rating of "AA-" by S&P, without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the Authority makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised

downward or withdrawn entirely by such rating company, if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

It is the opinion of the Authority Attorney and Authority Staff that there is no pending or, to their knowledge, threatened litigation against the Authority that would have a material adverse financial impact upon the Authority or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Authority will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding special obligations of the Authority, 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. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Although it represents the Initial Purchaser and the Financial Advisor from time to time in unrelated matters, in connection with the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Authority. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon 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.

The legal opinion 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 fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the Authority for the investment of bond proceeds or other funds of the Authority upon the request of the Authority.

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

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the Authority accepted the bid of Robert W. Baird (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the (inside) cover page of the Official Statement at a price of 108.623(%) of par plus a cash premium of \$1,796,435.25. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the Authority to the Initial Purchaser. The Authority has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

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.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Authority will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Authority contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Authority and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Authority, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Authority believes to be reliable and the Authority has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Authority since the date of the last audited financial statements of the Authority.

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 Purchaser.

TRINITY RIVER AUTHORITY OF TEXAS

J. KEVIN WARD
General Manager

APPENDIX A

BIOGRAPHICAL INFORMATION

BOARD OF DIRECTORS

AND

MANAGEMENT OFFICERS

[This Page is Intentionally Left Blank]

BOARD OF DIRECTORS

HAROLD L. BARNARD of Waxahachie, Texas (president and member, executive committee). Barnard is president and managing officer of Ellis County Abstract and Title Company Inc. In addition to being a member of the Texas Land Title Association and the Texas Association of Abstract and Title Agents, he is past president of the Waxahachie Chamber of Commerce and past director and president of the Ellis County Museum board of directors. He is a past director and president of the Waxahachie Foundation Inc. Barnard earned a bachelor's degree from the University of Texas at Arlington. He was reappointed as director for Ellis County in 2011.

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

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

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

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

former director of the Baylor Healthcare System Foundation. Crain is a sustainer of the Junior League of Dallas and a former member of the Texas Exes Council of the University of Texas at Austin. Crain received a bachelor's degree from the University of Texas at Austin and a law degree from the Oklahoma City University School of Law. Crain was appointed as director for Dallas County in 2011.

MICHAEL CRONIN of Terrell, Texas (chairman, special committee on water policy and sales and member, resources development committee). Cronin is vice chairman of the board of directors of American National Bank of Texas. He is a member of the Independent Bankers Association of Texas and the Texas Bankers Association. He is a past president of the Terrell Economic Development Corporation, the Terrell Industrial Foundation and the Terrell Chamber of Commerce. He currently serves as a director of the Kaufman County Tax Increment Financing Board. Cronin earned a bachelor's degree from the University of North Texas. He was reappointed as director for Kaufman County in 2008.

STEVE CRONIN of Shepherd, Texas (member, utility services committee). Cronin is director of transportation at the Coldspring-Oakhurst Independent School District and the owner of Magnolia Farms Sheep Farm. He is a member of the Vocational Agricultural Teachers Association of Texas. He is a secretary/treasurer and past president of the County Farm Bureau. 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 seven years as an agriculture extension agent for the Texas A&M University System. He received a bachelor's and a master's degree from Sam Houston State University. Cronin was reappointed as director for San Jacinto County in 2011.

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

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

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

JOHN W. JENKINS of Hankamer, Texas (member, executive committee; chairman, utility services committee; member, special committee on water policy and sales; member, Ten Mile Creek Regional Wastewater System right-of-way committee). Jenkins is a self-employed partner in a major farming enterprise. He graduated from Southwest Texas State University in 1981 with a bachelor's degree. He is a member of the Anahuac Area Chamber of Commerce. He serves on the boards of the Anahuac National Bank, the Texas Rice Council and the American Plant Food Corporation. Jenkins is also a committee chair for the Texas Gatorfest Committee. He is a former board member of the Trinity Bay Conservation District, the Devers Canal Rice Producers Association, the Trinity Valley Exposition, the Texas Rice Festival and the Chambers County Farm Bureau. Jenkins was appointed as director for TRA's Chambers County in 1997. He was reappointed as director at large in 2009. Jenkins served as president of TRA's board of directors from 2003-2005 and as vice president from 2001-2003. He was chairman of the executive committee from 2005-2007 and chairman of the resources development committee from 2000-2002. He served as chairman of the administration committee from 2007-2009 and chairman of the legal committee from 2009-2011.

JESS A. LAIRD of Athens, Texas (member, executive committee and chairman, administration committee). Laird is chief executive officer and president of First State Bank in Athens, Texas. He serves on the boards of directors of First State Bank in Athens, the Independent Bankers Association of Texas, the Athens Economic Development Corporation and the Trinity Valley Community College Foundation. He is also treasurer of the Henderson County Salvation Army. Previously, Laird served as president of the Athens Rotary Club, as president and director of the Cain Center and as president and director of the American Heart Association. He served on the board of managers for the East Texas Medical Center, and he has served on the board of directors for the Region VII Education Service Center, the Henderson County United Way and Keep Athens Beautiful. He earned a bachelor's degree from Texas A&M University and a master's degree from the University of Texas in Tyler. Laird was appointed as director for Henderson County in 2008.

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

DAVID B. LEONARD of Liberty, Texas (member, administration committee). Leonard is the general manager and owner of Liberty-Dayton Chrysler, an auto dealership. He is a member of the Liberty-Dayton Chamber of Commerce and a member and past president of the Liberty Lions Club. Leonard is the director of the Knights of Columbus and a member of the Liberty Elks Lodge. He is past director of the Trinity Valley Exposition. He attended Lee College and was appointed as director for Liberty County in 2008.

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

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

DENNIS "JOE" MCCLESKEY of Apple Springs, Texas (member, resources development committee). McCleskey is owner of Angelina Excavating Inc. He is secretary/treasurer of the Piney Woods Chapter of the National Wild Turkey Federation and a member of the Texas Wildlife Association, the Lufkin Host Lions Club, and the Angelina County Youth Fair Buyers Group Committee. He is also past president of the Deep East Texas Association of Builders, a former committee member of the Hudson ISD Community Involvement Advisory Board, and a past volunteer with the Angelina County Habitat for Humanity. McCleskey was appointed director for Trinity County in 2011.

JAMES W. NEALE of Dallas, Texas (member, utility services committee). Neale is president and owner of Quorum Energy Company, an exploration and production company in the oil and gas business. He is chairman of the District 9 advisory council for the Dallas Independent School District and a member of the Trinity Trust Foundation. Neale served as executive assistant to Governor Bill Clements and as an executive committee member for the Dallas Blue Foundation. He served a term as foreman for the Dallas County Grand Jury in January 2005. Neale earned a bachelor's degree from the University of Texas in Austin. He was appointed as director for Dallas County in 2008.

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

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

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

SHIRLEY K. SEALE of Anahuac, Texas (member, administration committee). Seale is a financial advisor for Edward Jones, an investments company. Seale is a member of the Chambers County Economic Development Board and a member of the West Chambers County Chamber of Commerce. She was a member of the board of directors for the Gulf Coast Waste Disposal Authority from 1997 to 2007. Seale served as a board member for the Chambers County Industrial Development Board and as fundraiser chairman for the Chambers County American Heart Association. She is a member of the Chambers County Republican Women where she served as treasurer, vice president and delegate to the State Republican Women's Association. Seale is a member of the First Baptist Church of Anahuac and has served as church treasurer for 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, resources development committee). Spillars is a file manager for Linebarger Goggan Blair & Sampson, LLP and co-owner of Spillars Family JKBar Ranch. She retired from Madisonville Consolidated Independent School District after 26 years of service. Spillars is a past member of the Texas Association of School Business Officials and the Texas Association of School Boards. She is a certified educational office professional and a certified Texas school business specialist. Spillars was reappointed as director for Madison County in 2011.

Tarrant County, Place 2 – Vacant.

[The remainder of this page is left blank intentionally]

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.

[The remainder of this page is left blank intentionally]

[This Page is Intentionally Left Blank]

APPENDIX B

CERTAIN FINANCIAL AND OPERATING DATA

FOR THE

CITY OF HUNTSVILLE, TEXAS

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

[This Page is Intentionally Left Blank]

CITY OF HUNTSVILLE, TEXAS

WATERWORKS SYSTEM

The Huntsville Regional Water Supply was established in 1976 with the approval of a service contract between the City and the Trinity River Authority (TRA). The contract provided for the Authority to design, finance, construct, and operate a surface water treatment plant capable of producing a peak flow of eight million gallons per day of treated water to the City. The plant was completed and placed into service in September 1980 at a cost of \$12.8 million dollars. In association with the contract, the City agreed to pay TRA an annual fee of \$103,295 to reserve up to 10 million gallons per day of water (mgd). This contract is in effect until 2020. Effective November 1, 2006, the City reserved an additional 10mgd of water until 2020. Currently, the City has four series of Bonds representing debt associated with TRA with expiration dates of 2013, 2016, 2018, and 2020.

In 1996, TRA issued \$3,905,000 in Revenue Bonds for improvements to the plant and to allow the addition of the Texas Department of Criminal Justice's (TDCJ) Ellis, Estelle, and Hospital facilities to be added as customers. The improvements were completed in September of 1996 and the facilities now average 1.4 mgd water usage, generating a revenue to the City in excess of \$1,000,000 annually.

In 1998, treatment plant modifications were completed to optimize plant performance and to meet new Safe Drinking Water Act requirements. In 2000, treatment plant and intake structure improvements were completed to provide non potable water to the new Tenaska power generating plant located 32 miles west of Huntsville. Tenaska paid for a plant expansion, the installation of the transmission line to the plant, and many upgrades, including moving the intake structure further into the Trinity River and installing new clarifiers, which resulted in a significant improvement to the quality of water being delivered to the citizens of Huntsville and estimated annual revenue of approximately \$800,000.

The water produced at the TRA plant is delivered to Huntsville's Palm Street water plant via approximately 10 miles of 30" water line. There it is placed into one of the three ground storage tanks which total five million gallons in capacity, and is mixed with the water produced by the five wells which are operated by the City, resulting in a blend of approximately 75% surface water and 25% ground water. From Palm Street, eight pumps distribute an annual average of eight million gallons per day of potable water into the City's 285 miles of water lines providing service to over 8,400 meters. The system also includes three million gallons of elevated storage, and 1,000 fire hydrants. Two additional wells pump up to 2.5 mgd to the Spring Creek water plant, which is located on the West side of the City, and it is distributed into the system from that location.

In 1985, the City of Huntsville began a Capital Improvement Program (CIP) in order to maintain the integrity of the distribution system and provide proper pressure and supply to all its residents. Existing water lines were assessed and prioritized based on age, repair history, and quantity of deliverable water. Since that time, over 50 miles or 18% of the total distribution system has been upgraded and replaced. This project has resulted in improved fire protection for many Huntsville residents, less repairs and maintenance for City crews, has provided a dependable water source to areas that were previously served by private wells, and allowed the City to be able to account for 94.5% of all water produced due to the reduction of water main breaks.

In 1995, the Walker County Rural Water Corporation (WCRWC) applied for a Certificate of Convenience and Necessity (CCN) which, if approved, would have granted them a service monopoly for the northern and western two thirds of Walker County. Included in this area were many parts of the city itself and a large portion of the Extra Territorial Jurisdiction. After extensive negotiations, an agreement was reached between the WCRWSC and the City of Huntsville. In general, the agreement states that certain areas the City felt were vital for future development and growth were added to the City's CCN, and other areas were taken by WCRWSC. There were several areas that were agreed upon to be "Dual CCN's." In a dual CCN, the City has the first opportunity to provide service to an area if they can provide fire protection, if the City chooses not to provide the services, WCRWSC would be permitted to provide the service and the City would not be allowed to take customers away from WCRWSC in an area should the decision be made in the future to provide fire protection.

In May of 2008 the City of Huntsville completed the installation of a filtration system at the Spring Creek water plant. The system has a capacity to treat up to 2.8 million gallons of water daily. The project was completed in March of 2009 at a cost of 1.5 million dollars. The project has greatly reduced the brown water complaints for the City of Huntsville.

TABLE 1 – HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year Ended 9/30	Estimated City Population	Water Usage ⁽¹⁾			Total Usage (000's)	Total Revenue
		Average Day Usage	Peak Day Usage	Peak Month Usage		
2007	38,116	7,285,000	10,281,000	272,175,000	2,658,898	8,216,415
2008	38,942	7,855,000	11,554,000	290,019,000	2,874,763	8,921,481
2009	39,500	7,993,000	12,401,000	314,711,000	2,917,525	8,855,250
2010	39,895	7,527,000	11,647,000	317,225,000	2,747,511	8,388,902
2011	38,548	8,455,000	11,654,000	320,647,000	3,086,257	9,265,901

Source: City Officials.

(1) The City has a contract thru December 31, 2020 with Tenaska Frontier Partners, Ltd. to provide non-potable water to their electricity production facility. The facility is located approximately 25 miles west of the City. For Fiscal Year 2011 Tenaska purchased 1,365,901,000 gallons of non-potable water for \$840,615.

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

	Customer	Type of Business	Water Usage	% of Total	Revenue	% of Total
1	Texas Dept of Correction	State Agency	1,193,249,300	38.66%	\$ 3,279,620.16	35.39%
2	Sam Houston State Univ	State University	218,468,800	7.08%	728,567.98	7.86%
3	Huntsville Ind School Dist	School	24,274,600	0.79%	85,894.79	0.93%
4	The Exchange @ Huntsville	Apartments	23,718,600	0.77%	68,221.67	0.74%
5	Arbors of Huntsville	Apartments	22,548,600	0.73%	73,304.64	0.79%
6	Campus Crest - The Grove	Apartments	20,587,000	0.67%	58,333.36	0.63%
7	Ridgewood West	Apartments	19,614,200	0.64%	56,218.88	0.61%
8	University Place Apts	Apartments	18,399,800	0.60%	49,676.06	0.54%
9	University House	Apartments	17,925,500	0.58%	55,968.68	0.60%
10	Sycamore Ave Assoc,LLC	Apartments	11,166,500	0.36%	33,875.48	0.37%
			<u>1,569,952,900</u>	<u>50.87%</u>	<u>\$ 4,489,681.70</u>	<u>48.45%</u>

SEWER

	Customer	Type of Business	Sewer Usage	% of Total	Revenue	% of Total
1	Texas Dept of Correction	State Agency	652,176,400	49.53%	\$ 3,197,459.58	38.92%
2	Sam Houston State University	State University	132,731,137	10.08%	651,053	7.93%
3	Huntsville Ind School Dist	School	18,790,300	1.43%	89,234	1.09%
4	University Place	Apartments	18,399,800	1.40%	88,116	1.07%
5	Campus Crest - The Grove	Apartments	16,850,800	1.28%	83,587	1.02%
6	Arbors of Huntsville	Apartments	16,531,200	1.26%	81,708	0.99%
7	Ridgewood West	Apartments	14,445,300	1.10%	68,147	0.83%
8	The Exchange @ Huntsville	Apartments	13,146,300	1.00%	64,248	0.78%
9	University House	Apartments	10,395,200	0.79%	49,775	0.61%
10	Huntsville Memorial Hospital	Hospital	10,253,500	0.58%	49,386	0.60%
			<u>903,719,937</u>	<u>68.43%</u>	<u>\$ 4,422,714.80</u>	<u>53.84%</u>

Total water usage for FY 2011 3,086,257,000 gallons (excludes Tenaska usage & City usage)

Total sewer flows for FY 2011 1,316,760,000 gallons

Total water revenue for FY 2011 \$9,265,901 (excludes Tenaska i/a/o \$840,615)

Total sewer revenue for FY 2011 \$8,214,623

(1) the City has a contract thru December 31, 2020 with Tenaska Frontier Partners, Ltd. To provide non-potable water to their electric production facility. The facility is located approximately 25 miles west of the City. For Fiscal Year 2011 Tenaska purchased 1,365,901,000 gallons of non-potable water for \$840,615.

TABLE 3 – WATER RATES (EFFECTIVE OCTOBER 1, 2011)

Single-Family Residential:

First 3,000 gallons minimum monthly charge	See meter size table below
Between 3,000 - 7,000 gallons	\$3.04 per 1,000 gallons
Between 7,001 - 13,000 gallons	\$3.34 per 1,000 gallons
Over 13,000 gallons	\$3.80 per 1,000 gallons

Jointly Metered Residential

First 3,000 gallons minimum monthly charge	See meter size table below
Between 3,000 - 7,000 gallons	\$3.04 per 1,000 gallons
Over 7,001 gallons	\$3.80 per 1,000 gallons

Commercial Metered:

First 3,000 gallons minimum monthly charge	See meter size table below
Over 3,000 gallons	\$3.80 per 1,000 gallons

Multi-Family-Residential

First 3,000 gallons minimum monthly charge	See meter size table below
Over 3,000 gallons	\$3.80 per 1,000 gallons

Institutional Users:

First 3,000 gallons minimum monthly charge	See meter size table below
All over 3,000 gallons	\$4.10 per 1,000 gallons

Irrigation:

First 3,000 gallons minimum monthly charge	See meter size table below
Residential Between 3,000 - 7,000 gallons	\$3.04 per 1,000 gallons
Residential Between 7,001 - 13,000 gallons	\$3.34 per 1,000 gallons
Over 13,000 gallons	\$3.80 per 1,000 gallons
Commercial all over 3,000 gallons	\$3.80 per 1,000 gallons
Institutional all over 3,000 gallons	\$4.10 per 1,000 gallons

Meter Size (in inches)	Minimum Monthly Charge Single Family & Joint Metered Residential	Minimum Monthly Charge Commercial and Institutional	Minimum Monthly Charge Irrigation
0.75	\$13.00	\$15.00	\$15.00
1.00	\$19.00	\$21.00	\$21.00
1.50	\$25.00	\$27.00	\$27.00
2.00	\$41.50	\$43.50	\$43.50
3.00	\$163.00	\$165.00	\$165.00
4.00	\$208.00	\$210.00	\$210.00
6.00	\$312.00	\$315.00	\$315.00
8.00	\$433.00	\$435.00	\$435.00

SANITARY SEWER SYSTEM

The City of Huntsville operates three wastewater treatment plants (WWTP); the A.J. Brown WWTP (North Plant), the N.B. Davidson WWTP (South Plant) and the Robinson Creek WWTP. These facilities are all extended aeration plants. The A.J. Brown WWTP has a capacity of 4.15 mgd. The N.B. Davidson WWTP has a capacity of 1.6 mgd. The Robinson Creek WWTP has a capacity of 2.5 mgd. Federal regulations, through the USEPA, regulate the effluent discharges into the receiving stream by way of an NPDES (Natural Pollutant Discharge Elimination System) discharge permit. The Texas Commission on Environmental Quality (TCEQ) also regulates the effluent discharges with its own effluent standards. The City of Huntsville regulates the industrial discharges and prohibits the discharge of toxic chemicals/wastes by industries through a Pretreatment Program and City ordinance. These plants have consistently met all requirements as stated in the TCEQ and NPDES permits. Environmental concerns are continually requiring changes in the state and federal regulations related to discharge from wastewater treatment facilities into receiving streams. These changes are implemented through the treatment plant permits renewal process every five years. Permit renewal for all three facilities is due in 2012, 2016 and 2017.

The USEPA and TCEQ require that when treatment plants surpass 75% or 90% of the design capacity for three consecutive months, the owners must initiate the following: the 75% threshold requires that an engineering study

be initiated; the 90% threshold requires that plant expansion be initiated. While the City has sufficient sewer treatment capacity for the customers presently served, the above mentioned thresholds were reached at the N.B. Davidson WWTP. The engineering firm of Wisenbaker-Fix and Associates, Inc. completed a study (The Huntsville Plan) of the wastewater facility needs for Huntsville for the next 25 years. During the FY 1995-96, City Council decided to pursue the construction of a new treatment plant in the Robinson Creek watershed. A site was selected, and land was purchased during FY 1996-97. This facility began testing on October 8, 2002 and became operational in October, 2003.

The collection system of the City of Huntsville encompasses some 31 square miles of the City limits. This system has an estimated 190 miles of sewer main, approximately 3260 manholes, and 27 lift-stations utilizing pumps ranging in size from 3" to 10". The collection system is designed to transmit raw waste to the wastewater treatment facilities in a timely, efficient manner.

TABLE 4 – SEWER RATES (EFFECTIVE OCTOBER 1, 2011)

Single-Family Residential:

First 2,000 gallons minimum monthly charge	\$13.00
All over 2,000 gallons	\$4.87 per 1,000 gallons

Note: Each individually metered residential dwelling unit shall be charged a monthly wastewater service charge and a volume charge based upon the average amount of water consumed during the months of November, December, January, and February of each year, rounded to the nearest 100 gallons. Customers moving into an existing, or newly constructed, single family residual unit shall be billed for sewer at eighty percent (80%) of current monthly consumption up to a maximum monthly amount of 10,000 gallons until the winter month history is established.

Jointly Metered Residential:

First 2,000 gallons minimum monthly charge	\$13.00
All over 2,000 gallons	\$4.87 per 1,000 gallons

Commercial/Institutional:

First 2,000 gallons minimum monthly charge	\$15.00
All over 2,000 gallons	\$4.87 per 1,000 gallons

ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The City does not anticipate the issuance of additional revenue bonds within the next 12 months.

FINANCIAL POLICIES

BASIS OF ACCOUNTING . . . The accounting policies of the City conform to generally accepted accounting principles of the Governmental Accounting Standards Board and program standards adopted by the Government Finance Officers Association of the United States and Canada. The GFOA has awarded a Note of Achievement for Excellence in Financial Reporting to the City of Huntsville for the twenty-third year, and received for the thirteenth year the GFOA Distinguished Budget Presentation Award.

The City's accounting records for general governmental operations are maintained on a modified accrual basis. Under this method of accounting, revenues are recognized when available and measurable, and expenditures, except for interest on long-term debt, are recognized when the services or goods are received and the liability is incurred.

GENERAL FUND BALANCE . . . The City policy is to maintain a fund balance reserve of at least 16.67% of the annual budgeted expenditures.

DEBT SERVICE FUND BALANCE . . . The City policy is to maintain the Debt Service Fund as required by the outstanding bond indentures. Reductions in fund balance will occur only with City Council approval after conferring with the City's Financial Advisor.

USE OF BOND PROCEEDS . . . The City policy is to limit the issuance of long-term debt to capital improvements or projects that cannot be financed from current revenues or resources. All debt issuance shall be approved by the City Council and expenditure of such monies shall be in strict accordance with the designated purpose.

BUDGETARY PROCEDURES . . . As prescribed by the City Charter, the City Manager, at least 30 days prior to the end of each fiscal year, submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The budget includes proposed expenditures and revenues required to fund the expenditures. Following Council considerations, amendments and refinements, a public hearing is ordered and conducted for the purpose of obtaining taxpayer comments. The final budget is finally approved and adopted by passage of an ordinance by the City Council at least three days prior to the beginning of the fiscal year. The budget is adopted on a basis consistent with generally accepted accounting principles.

[This Page is Intentionally Left Blank]

APPENDIX C
CERTAIN FINANCIAL AND OPERATING DATA
OF
HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM PROJECT ENTERPRISE FUND

[This Page is Intentionally Left Blank]

**HUNTSVILLE REGIONAL
WATER SUPPLY SYSTEM
ENTERPRISE FUND**

TRINITY RIVER AUTHORITY OF TEXAS
HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM ENTERPRISE FUND

STATEMENT OF NET ASSETS
NOVEMBER 30, 2011

ASSETS

CURRENT ASSETS:

Revenue Fund:

Cash (Note 1)		\$	50
Equity in Pooled Cash and Investments			370,415
Prepays and Other Assets			1,663
Due from Interest and Sinking Fund			<u>85,394</u>
Total Current Assets			<u>457,522</u>

RESTRICTED ASSETS (Note 1):

Interest and Sinking Fund:

Equity in Pooled Cash and Investments	\$	508,369	
Accrued Investment Income		1,227	
Due to Current Assets		<u>(85,394)</u>	\$ 424,202

Reserve Fund:

Equity in Pooled Cash and Investments		922,124	
United States Government Agency and Instrumentality Obligations		<u>315,161</u>	1,237,285

Construction Fund:

Equity in Pooled Cash and Investments			<u>92</u>
Total Restricted Assets			1,661,579

CAPITAL ASSETS (Note 3):

Land and Easements			349,469
Water Transportation and Treatment Facilities	27,366,394		
Accumulated Depreciation	<u>(14,278,650)</u>	13,087,744	
Machinery and Equipment	650,922		
Accumulated Depreciation	<u>(375,469)</u>	275,453	
Construction-In-Progress		<u>951,855</u>	
Total Capital Assets - Net			14,664,521

DEFERRED CHARGES - Unamortized Bond Expense 191,028

TOTAL ASSETS 16,974,650

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

Accounts Payable and Accrued Expenses	\$ 188,415	
Accounts Payable - Contracting Party	<u>152,910</u>	\$ 341,325

Payable from Restricted Assets:

Revenue Bonds - Current Maturities (Note 4)	1,010,000	
Accrued Interest on Bonds Payable	<u>87,535</u>	<u>1,097,535</u>
Total Current Liabilities		1,438,860

LONG-TERM LIABILITIES:

Revenue Bonds, Less Current Maturities (Note 4)	7,405,000	
Deferred Amount on Refunding	(404,209)	
Unamortized Bond Premium (Discount)	9,370	
Accounts Payable and Accrued Expenses	<u>13,907</u>	
Total Long-Term Liabilities		<u>7,024,068</u>

TOTAL LIABILITIES**8,462,928****NET ASSETS**

Invested in Capital Assets, Net of Related Debt	6,835,480
Restricted for Debt Service	1,573,952
Unrestricted	<u>102,290</u>

TOTAL NET ASSETS**\$ 8,511,722**

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

TRINITY RIVER AUTHORITY OF TEXAS
HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM ENTERPRISE FUND

EXHIBIT 14-2

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

OPERATING REVENUE:		
Water Sales Contract Charges (Note 2)		\$ 4,444,201
OPERATING EXPENSES:		
Personal Services	\$ 430,462	
Supplies	665,979	
Other Services and Charges	1,938,536	
Depreciation	726,579	
Total Operating Expenses		<u>3,761,556</u>
OPERATING INCOME		682,645
NON-OPERATING REVENUE (EXPENSE):		
Investment Income	14,685	
Interest Expense	(324,486)	
Paying Agent Fees	(697)	
SEC Disclosure Fees	(500)	
Amortization of Bond Sale Expenses	(26,180)	
Other	3,005	
Total Non-Operating Revenue (Expense) - Net		<u>(334,173)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS		348,472
CONTRIBUTIONS (Note 2)		98,600
TRANSFERS IN (Note 5)		<u>6,040</u>
CHANGE IN NET ASSETS		453,112
NET ASSETS - DECEMBER 1, 2010		<u>8,058,610</u>
NET ASSETS - NOVEMBER 30, 2011		<u>\$ 8,511,722</u>

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

TRINITY RIVER AUTHORITY OF TEXAS
HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM ENTERPRISE FUND

STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 3,883,848
Cash Payments to Suppliers for Goods and Services	(2,147,942)
Cash Payments to Employees for Services	(425,412)
Cash Payments to Other Funds for Services	<u>(381,790)</u>

Net Cash Provided by Operating Activities \$ 928,704

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Transfer from Other Authority Funds 6,040

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets	(260,069)
Principal Paid on Revenue Bond Maturities	(990,000)
Interest Paid on Revenue Bonds and Related Fees	(279,102)
Proceeds from Sale of Fixed Assets	3,005
Paying Agent Fees	(697)
SEC Disclosure Fees	(500)
Contributions	<u>98,600</u>

Net Cash Used for Capital and Related Financing Activities (1,428,763)

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash Received for Investment Income 18,855

NET DECREASE IN CASH AND CASH EQUIVALENTS (475,164)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 2,276,214

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,801,050

RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income		\$ 682,645
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation	\$ 726,579	
Change in Assets and Liabilities:		
Prepays and Other Assets	(1,496)	
Accounts Payable - Contracting Parties	(560,352)	
Accounts Payable	<u>81,328</u>	
Total Adjustments		<u>246,059</u>
Net Cash Provided by Operating Activities		<u>\$ 928,704</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Amortization of Bond Premium/Discount		\$ (3,400)
Amortization of Deferred Amount on Refunding		54,279
Change in Fair Value of Investments		4,171

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

TRINITY RIVER AUTHORITY OF TEXAS
HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2011

1. See Exhibit 1-10, Note 1 for summary of significant accounting and reporting policies.
2. The Authority entered into an agreement with the City of Huntsville, Texas ("City") whereby the Authority agreed to sell its revenue bonds and construct and operate the water treatment, transmission and storage facilities necessary to supply treated water to the City and the City agreed to pay the operation and maintenance expenses of the facilities and to meet the debt service obligations on the bonds.

Bonded debt for which the City has agreed to pay consists of revenue bonds that are secured by and payable from net revenues of the fund. Specifically, net revenues from the contract between the Authority and the City have been pledged for repayment of the bonds, and the amount of the pledge is equal to the remaining outstanding debt service requirements. For the year ended November 30, 2011, debt service of \$1,303,603 was secured by pledged revenues of \$1,317,609, and interest income earned on accounts restricted for debt service of \$14,006. The pledge continues for the life of the bonds.

During fiscal year 2008, the Authority entered into an engineering services contract for design of an additional 6.0 MGD water treatment capacity. The contract maximum compensation is \$999,000. As of the end of fiscal year 2011, the Authority had incurred \$949,855 for engineering services related to this contract and has received interim funding from the City of Huntsville for payment of these services. During 2011, the City of Huntsville contributed \$98,600 for these services. The Authority plans to issue bonds to fund the entire cost of expansion and the City of Huntsville will be reimbursed for all interim funding from bond proceeds.

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

	<u>Balance</u> <u>December 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>November 30, 2011</u>
Land and Easements	\$ 349,469			\$ 349,469
Water Transportation and Treatment Facilities	27,366,394			27,366,394
Accumulated Depreciation	(13,593,060)	\$ (685,590)		(14,278,650)
Machinery and Equipment	503,174	161,469	\$ (13,721)	650,922
Accumulated Depreciation	(348,201)	(40,989)	13,721	(375,469)
Construction-in-Progress	853,255	98,600		951,855
Total	<u>\$ 15,131,031</u>	<u>\$ (466,510)</u>	<u>NIL</u>	<u>\$ 14,664,521</u>

4. The outstanding bonds of the Huntsville Regional Water Supply System Enterprise Fund as of November 30, 2011 are comprised of the following:

<u>Series</u>	<u>Outstanding Principal Amount</u>	<u>Interest Rates</u>
2010A	\$ 1,330,000	2.00% - 2.510%
2010B	1,410,000	2.00% - 3.000%
2010C	<u>5,675,000</u>	1.00% - 4.790%
Total	<u>\$ 8,415,000</u>	

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

<u>Series</u>	<u>Balance December 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance November 30, 2011</u>	<u>Current Portion</u>
2010A	\$ 1,575,000	NIL	\$ 245,000	\$ 1,330,000	\$ 255,000
2010B	1,595,000	NIL	185,000	1,410,000	190,000
2010C	<u>6,235,000</u>	<u>NIL</u>	<u>560,000</u>	<u>5,675,000</u>	<u>565,000</u>
	<u>9,405,000</u>	<u>NIL</u>	<u>990,000</u>	<u>8,415,000</u>	<u>1,010,000</u>
Compensated Absences	<u>24,517</u>	<u>24,181</u>	<u>20,412</u>	<u>28,286</u>	<u>14,382</u>
Total Long- Term Debt	<u>\$ 9,429,517</u>	<u>\$ 24,181</u>	<u>\$ 1,010,412</u>	<u>\$ 8,443,286</u>	<u>\$ 1,024,382</u>

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>
2012	\$ 262,605	\$ 1,010,000
2013	244,046	1,025,000
2014	222,005	1,040,000
2015	196,855	1,075,000
2016	167,855	1,100,000
2017-2020	<u>339,041</u>	<u>3,165,000</u>
Total	<u>\$ 1,432,407</u>	<u>\$ 8,415,000</u>

5. In 2011, Huntsville Regional Water Supply System received a transfer of \$6,040 from Risk Retention Fund as a rebate of insurance premiums.

TRINITY RIVER AUTHORITY OF TEXAS
HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM ENTERPRISE FUND

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
WATER TRANSPORTATION:			
Personal Services:			
Salaries - Regular	\$ 294,310	\$ 300,310	\$ 300,990
Payroll Taxes - FICA	22,510	22,510	22,486
Employee Benefit - Health/Life Insurance	67,020	67,020	67,014
Employee Benefit - Pension	32,420	34,920	33,621
Employee Recognition Program	4,760	6,760	6,351
Total	421,020	431,520	430,462
Supplies:			
Office Supplies	1,500	3,500	2,426
Dues and Subscriptions	1,100	1,100	345
Fees Other Than Dues and Subscriptions	2,600	2,600	1,643
Maintenance and Operating Supplies	15,000	20,000	17,145
Laboratory Supplies	12,900	12,900	9,525
Process Chemicals and Supplies	912,300	832,850	609,962
Fuel, Oil and Lubricants	19,040	19,040	16,484
Instrumentation Maintenance & Supplies	7,800	7,800	5,302
Computer/Instrument Supplies	1,310	3,710	3,147
Total	973,550	903,500	665,979
Other Services and Charges:			
Auditing	8,400	8,400	8,400
Engineering		30,000	25,750
Legal	250	250	
Outside Services	12,000	15,500	14,469
Other Professional Services	5,500	5,500	3,933
Public Information	500	500	
Information Technology Support	14,330	14,380	14,350
Telephone and Telemetry	6,000	6,000	3,479
Postage	1,600	1,600	1,175
Printing and Binding	500	500	32
Insurance	14,940	14,940	14,890
Travel	1,400	1,400	1,122
Laundry, Uniforms and Ind. Equipment	3,250	3,250	2,659
Training	2,380	2,380	1,180
Water	438,300	438,300	438,300
Power	728,830	728,830	633,427
Repairs and Maintenance - Improvements			
Other Than Buildings	18,000	28,000	26,763
Repairs and Maintenance - Equipment	2,550	2,550	1,865
Repairs and Maintenance - Plant & Bldgs.	177,300	177,300	125,700
Repairs and Maintenance - Vehicles	1,200	1,200	722
Total Forward	1,437,230	1,480,780	1,318,216

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Forward	\$ 1,437,230	\$ 1,480,780	\$ 1,318,216
Off-Site Sludge Disposal	247,500	247,500	220,000
Rent - Machinery and Equipment	3,000	18,000	16,295
Interfund Services and Charges	2,000	3,000	2,235
Operating Overhead	300,090	300,090	300,090
Administrative Overhead	81,700	81,700	81,700
Total	2,071,520	2,131,070	1,938,536
TOTAL OPERATING EXPENSES EXCLUSIVE OF DEPRECIATION AND AMORTIZATION	3,466,090	3,466,090	3,034,977
CAPITAL OUTLAYS*:			
Machinery and Equipment	203,000	203,000	161,469
DEBT SERVICE:			
Bond Principal Payments	990,000	990,000	990,000
Interest on Long-Term Debt**	273,600	273,600	273,603
Paying Agent Fees	1,500	1,500	697
SEC Debt Disclosure Fees	500	500	500
TOTAL DEBT SERVICE	1,265,600	1,265,600	1,264,800
TOTAL	\$ 4,934,690	\$ 4,934,690	\$ 4,461,246

* Capital outlays for construction and certain other financing costs 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/discount and deferred amount on refunding.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

[This Page is Intentionally Left Blank]

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
Telephone: 512 478-3805
Facsimile: 512 472-0871

717 NORTH HARWOOD
NINTH FLOOR
DALLAS, TEXAS 75201-6587
Telephone: 214 754-9200
Facsimile: 214 754-9250

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 (HUNTSVILLE REGIONAL WATER SUPPLY SYSTEM PROJECT) CONTRACT REVENUE BONDS, SERIES 2012, DATED MAY 1, 2012, IN THE PRINCIPAL AMOUNT OF \$19,190,000

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, all as provided in the resolution of the Issuer authorizing the issuance of the Bonds, including the Certificate of General Manager authorized thereby (collectively, the "Resolution").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, which rights may be limited by general principles of equity which permit the exercise of judicial discretion, (i) the covenants and agreements in the Resolution constitute valid and binding obligations of the Issuer, and the Bonds constitute valid and legally binding special obligations of the Issuer, which, together with other bonds, are secured by and payable from a first lien on and pledge of the "Net Revenues", as defined in the Resolution, derived by the Issuer from a "Trinity River Authority of Texas - Huntsville Regional Water Supply System Contract", dated as of June 25, 1997 (the "Contract"), between the Issuer and the City of Huntsville, Texas (the "City"), and that it is provided in the Contract that the City is obligated to make payments in amounts sufficient to pay the principal of and interest on the Bonds and other parity bonds, and other amounts when due, and (ii) said Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with its terms and provisions.

THE ISSUER has reserved the right, subject to the restrictions stated in the Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the aforesaid Net Revenues from the Contract on a parity with the Bonds.

THE ISSUER also has reserved the right to amend the Resolution with the approval of the holders of a majority of the aggregate principal amount of all parity revenue bonds then outstanding, subject to the restrictions stated in the 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 by taxation, or from any source whatsoever other than specified in the Resolution.

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

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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer or the City or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto or with respect to the adequacy of the Net Revenues. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and sufficiency of the Net Revenues. Our role in connection with the Issuer's offering document prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

Respectfully,

[This Page is Intentionally Left Blank]



Financial Advisory Services
Provided By

FirstSouthwest 