

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.

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

\$2,715,000
TRINITY RIVER AUTHORITY OF TEXAS
CONTRACT REVENUE BONDS, SERIES 2010
(LIVINGSTON REGIONAL WATER SUPPLY SYSTEM PROJECT)

Dated Date: September 1, 2010

Due: August 1, as shown below

Interest will accrue from the date of delivery

PAYMENT TERMS . . . Interest on the Trinity River Authority of Texas Contract Revenue Bonds, Series 2010 (Livingston Regional Water Supply System Project) (the "Bonds"), will accrue from the date of delivery of the Bonds and will be payable August 1 and February 1 of each year commencing February 1, 2011, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the provisions of Acts of the 54th Legislature of Texas, Regular Session, 1955, Chapter 518 as amended, Chapters 791 and 1371, Texas Government Code, as amended and other applicable laws. Under the Constitution and the statutes of the State of Texas, the Trinity River Authority of Texas (the "Authority" or "Issuer") has broad powers to effectuate flood control and the conservation and use for all beneficial purposes of storm and flood waters in the Trinity River watershed, and as a necessary aid to these purposes, the Authority has specific authority to construct, own and operate water and wastewater treatment, collection and transportation systems, and to make contracts in reference thereto with municipalities and others.

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

INSURANCE . . . Payment of the principal of and interest on the Bonds when due will be insured by an insurance policy to be issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") simultaneously with the delivery of the Bonds (see "Bond Insurance" herein).



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") Certain legal matters will be passed upon for the Underwriter by their counsel, Bates and Coleman, Houston, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about September 28, 2010.

COASTAL SECURITIES

MATURITY SCHEDULE

CUSIP Prefix: 896560 ⁽¹⁾

**\$2,715,000
CONTRACT REVENUE BONDS, SERIES 2010**

Maturity (August 1)	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	CUSIP ⁽¹⁾
2012	\$ 75,000	2.00%	1.00%	UN7
2013	75,000	2.00%	1.20%	UP2
2014	75,000	2.00%	1.40%	UQ0
2015	80,000	2.00%	1.75%	UR8
2016	80,000	3.00%	2.00%	US6
2017	85,000	3.00%	2.25%	UT4
2018	85,000	3.00%	2.50%	UU1
2019	90,000	3.00%	2.70%	UV9
2020	90,000	3.00%	2.90%	UW7

\$290,000 3.25% Term Bond Maturing August 1, 2023, Priced to Yield 3.40% CUSIP⁽¹⁾ 896560UX5
 \$205,000 3.50% Term Bond Maturing August 1, 2025, Priced to Yield 3.65% CUSIP⁽¹⁾ 896560UY3
 \$225,000 4.00% Term Bond Maturing August 1, 2027, Priced to Yield 3.90% CUSIP⁽¹⁾⁽²⁾ 896560UZ0
 \$245,000 3.75% Term Bond Maturing August 1, 2029, Priced to Yield 4.00% CUSIP⁽¹⁾ 896560VA4
 \$265,000 4.00% Term Bond Maturing August 1, 2031, Priced to Yield 4.15% CUSIP⁽¹⁾ 896560VB2
 \$750,000 4.25% Term Bond Maturing August 1, 2036, Priced to Yield 4.40% CUSIP⁽¹⁾ 896560VC0

(Accrued Interest from the Date of Delivery)

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

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

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 Advisor or the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the 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, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM OR ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM") OR ITS MUNICIPAL BOND INSURANCE POLICY THAT SECURES PAYMENT OF THE BONDS AS DESCRIBED UNDER THE CAPTION "BOND INSURANCE", AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC AND AGM.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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

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

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

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY	5	OTHER INFORMATION.....	46
AUTHORITY OFFICIALS, STAFF AND		RATINGS	46
CONSULTANTS.....	7	LITIGATION.....	46
INTRODUCTION	9	REGISTRATION AND QUALIFICATION OF BONDS FOR	
THE BONDS.....	9	SALE	47
BOND INSURANCE	16	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE	
THE SYSTEM	18	PUBLIC FUNDS IN TEXAS.....	47
DEBT INFORMATION.....	19	LEGAL OPINIONS.....	47
TABLE 1 - DEBT SERVICE REQUIREMENTS	19	AUTHENTICITY OF FINANCIAL DATA AND OTHER	
SELECTED PROVISIONS OF THE CONTRACT	20	INFORMATION.....	48
SELECTED PROVISIONS OF THE BOND		FINANCIAL ADVISOR.....	48
RESOLUTION	24	UNDERWRITING	48
THE AUTHORITY	39	FORWARD-LOOKING STATEMENTS DISCLAIMER	48
THE AUTHORITY'S ACTIVITIES	39	MISCELLANEOUS.....	49
THE AUTHORITY'S REVENUE-BASED PROJECTS	39		
THE FUTURE ROLE OF THE AUTHORITY	41	APPENDICES	
PENSION PLAN.....	41	BIOGRAPHICAL INFORMATION.....	A
OTHER OUTSTANDING INDEBTEDNESS OF THE		CERTAIN FINANCIAL AND OPERATING DATA FOR	
AUTHORITY	42	THE CITY OF LIVINGSTON, TEXAS.....	B
TAX MATTERS.....	43	CERTAIN FINANCIAL AND OPERATING DATA OF	
CONTINUING DISCLOSURE OF INFORMATION	45	LIVINGSTON REGIONAL WATER SUPPLY	
		SYSTEM PROJECT ENTERPRISE FUND.....	C
		FORMS OF BOND COUNSEL'S OPINION	D
		SPECIMEN MUNICIPAL BOND INSURANCE POLICY	E

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 \$2,715,000 Contract Revenue Bonds, Series 2010 (Livingston Regional Water Supply System Project). The Bonds are issued as serial bonds maturing on August 1 in the years 2012 through 2020 and as Term Bonds maturing on August 1, 2023, 2025, 2027, 2029, 2031 and 2036 (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 Livingston, Texas (the “City”), as amended (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 the 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.
- 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 extensions to the Livingston Regional Water Supply System, and (ii) to pay the costs associated with the issuance of the Bonds.
- RATINGS** Standard & Poor’s Ratings Group, a Division of The McGraw-Hill Companies, Inc. (“S&P”) is expected to assign a rating of “AAA” (negative outlook) to the Bonds based upon the municipal bond policy of AGM to be issued simultaneously with the delivery of the Bonds. In addition, the Bonds were assigned a rating of “A+” by S&P without regard to credit enhancement. (see “Other Information - Ratings”).
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. 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. Jim R. Sims
Mr. Robert R. Stevens
Trinity River Authority of Texas
Southern Region
P.O. Box 1554
Huntsville, Texas 77340
(936) 295-5485

or

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

AUTHORITY OFFICIALS, STAFF AND CONSULTANTS

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

Management Officers

Danny F. Vance	General Manager
Warren N. Brewer, Jr.	Regional Manager, Northern Region
Jimmie R. Sims.	Regional Manager, Southern Region
Robert E. Moore	Manager, Financial Services
Thomas D. Sanders	Construction Services Manager
Don A. Tucker	General Services Manager
J. Sam Scott	Executive Services Manager
Howard S. Slobodin	Secretary, Board of Directors and Staff Attorney

Consultants and Advisors

General Counsel.....	Booth, Ahrens & Werkenthin, P.C.	Austin, Texas
Independent Auditors.....	Deloitte & Touche, LLP	Fort Worth, Texas
Consulting Engineer	AECOM.....	Houston, Texas
Bond Counsel.....	McCall, Parkhurst & Horton L.L.P.....	Dallas, Texas
Financial Advisor.....	First Southwest Company.....	Dallas, Texas

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OFFICIAL STATEMENT

RELATING TO

\$2,715,000

**TRINITY RIVER AUTHORITY OF TEXAS
CONTRACT REVENUE BONDS, SERIES 2010
(LIVINGSTON REGIONAL WATER SUPPLY SYSTEM PROJECT)**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of Trinity River Authority of Texas (the "Authority") Contract Revenue Bonds, Series 2010 (Livingston Regional Water Supply System Project) (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in Resolution No. R-1307 (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 September 1, 2010, and mature on August 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 1 and February 1, commencing February 1, 2011.

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 Water System Services Contract as further amended by that certain Water System Services Amendatory Contract (collectively, the "Contract") with the City of Livingston (the "City") for the construction and improvements and extensions of a water supply and treatment system to serve the City (see the "System"). 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.

Under the terms of the Contract, the City pays maintenance and operation expenses of the Project, including the amount necessary to pay debt service on any outstanding bonds. The fiscal provisions of the Contract with the Authority are summarized in this Official Statement.

RESERVE FUND REQUIREMENT . . . As additional security for the Bonds and any Parity Bonds there has been established a Reserve Fund. The Resolution provides that the Required Reserve for the Reserve Fund may be satisfied in whole or in part with cash, investments or one or more Reserve Fund Obligations (defined as qualifying credit facilities such as a bond insurance policy, a surety bond or a letter or line of credit). The Required Reserve is defined as an amount equal to the lesser of (i) the average annual principal and interest requirements on the Bonds or Parity 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 Parity 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.

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 the date of redemption. If less than all of the Bonds are to be redeemed, the Authority may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

Mandatory Redemption of the Bonds . . . The Bonds maturing on August 1 in each of the years 2023, 2025, 2027, 2029, 2031 and 2036 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their scheduled maturity and shall be redeemed by the Authority, in part, prior to their scheduled maturity, at a redemption price equal to the par or principal amount thereof plus accrued interest to the date of redemption, on the dates and in the principal amounts set forth below:

\$290,000 Term Bonds due August 1, 2023

<u>Year</u>	<u>Principal Amount</u>
2021	\$ 95,000
2022	\$ 95,000
2023*	\$ 100,000

\$205,000 Term Bonds due August 1, 2025

<u>Year</u>	<u>Principal Amount</u>
2024	\$100,000
2025*	\$105,000

\$225,000 Term Bonds due August 1, 2027

<u>Year</u>	<u>Principal Amount</u>
2026	\$110,000
2027*	\$115,000

\$245,000 Term Bonds due August 1, 2029

<u>Year</u>	<u>Principal Amount</u>
2028	\$ 120,000
2029*	\$ 125,000

\$265,000 Term Bonds due August 1, 2031

<u>Year</u>	<u>Principal Amount</u>
2030	\$130,000
2031*	\$135,000

\$750,000 Term Bonds due August 1, 2036

<u>Year</u>	<u>Principal Amount</u>
2032	\$140,000
2033	\$145,000
2034	\$150,000
2035	\$155,000
2036*	\$160,000

* Final Maturity

The Term Bonds to be redeemed shall be elected by lot or other customary random method of the Paying Agent/Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund will be reduced, at the option of the Authority, by the principal amount of any Term Bonds having the same stated maturity, which, at least 50 days prior to the mandatory sinking fund redemption date, (1) shall have been defeased or acquired by the Authority and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been purchased and canceled by the Paying Agent/Registrar at the direction of the Authority in either case, at a price not exceeding the par or principal amount of such Term Bonds, or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against mandatory sinking fund redemption.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

Use of Certain Terms in Other Sections of this Official Statement In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Authority or the Underwriters.

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar.

New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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

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

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

Sources and Uses

Par Amount of Bonds	\$ 2,715,000.00
Net Original Issue Discount	(17,167.90)
Transfers from Prior Issue Debt Service Reserve Funds	<u>75,320.00</u>
Total Sources of Funds	<u>\$ 2,773,152.10</u>

Uses of Funds

Total Underwriters' Discount	\$ 24,852.37
Costs of Issuance	83,000.00
Bond Insurance	23,901.81
Deposit to Debt Service Reserve Fund (DSRF)	168,169.63
Deposit to Construction Fund	<u>2,473,000.00</u>
Rounding Amount	<u>228.29</u>
Total Uses of Funds	<u>\$ 2,773,152.10</u>

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BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AAA" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On May 17, 2010, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on AGM. At the same time, S&P continued its negative outlook on AGM. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the

Securities and Exchange Commission (the “SEC”) on March 1, 2010, AGL’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, and AGL’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010.

Capitalization of AGM

At June 30, 2010, AGM’s consolidated policyholders’ surplus and contingency reserves were approximately \$2,264,680,337 and its total net unearned premium reserve was approximately \$2,259,557,420, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);
- (ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010); and
- (iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010)

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

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THE SYSTEM

The Livingston Regional Water Supply System (the "System") was established in February 1978 with the approval of a water service contract between the City of Livingston and the Trinity River Authority. The contract provided for the Authority to finance, design, construct, operate and maintain a surface water treatment facility for delivery of potable water to the City. The original facilities were designed to treat 2.0 million gallons per day (MGD) and consisted of clarifiers, filters, chemical feed systems, a 500,000-gallon clearwell storage tank and a high service pump station. The System also included a raw water pump station and pipeline to deliver raw water from the 83,000-acre Lake Livingston to the treatment plant and a treated water pipeline to deliver potable water to the City. The original facilities were placed into operation in July 1981.

In 1991, The Texas Department of Criminal Justice (TDCJ) contracted with the City of Livingston for the delivery of drinking water to a new prison unit under construction in the vicinity of the Authority's System treatment plant. In response to this increased water demand, the Authority expanded the treatment plant to treat 3.0 MGD, added additional high service pumps, extended the treated water pipeline and constructed a 150,000-gallon elevated storage tank to receive the treated water at the prison unit.

In 2006, water service was extended to the IAH Detention Facility located adjacent to the TDCJ Polunsky Unit. This is a private prison facility and is a water customer of the City of Livingston. The Livingston Regional Water Supply System currently provides an average of approximately 1.9 MGD of treated water to the City, TDCJ Polunsky Unit and IAH Detention Facility.

THE PROJECT . . . The System delivers treated water to the City of Livingston through approximately 5 miles of 12-inch diameter transmission line constructed in 1981. Water demand has increased since that time to the point that peak day usage is near design capacity of the existing pipeline. The proposed Project will replace approximately 3.6 miles of the existing 12-inch diameter pipe between the System treatment plant and Kate Lowe Road with 20-inch diameter PVC pipe, including related valves and appurtenances.

AUTHORIZED BUT UNISSUED REVENUE BONDS . . . NONE

ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The Authority has no plans to issue Additional Bonds for the System during the next twelve months, but reserves the right to issue Additional Bonds, if necessary.

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DEBT INFORMATION

TABLE 1 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 11/30	Outstanding Debt Service Total	The Bonds ⁽¹⁾			Total Outstanding Debt	Percent of Principal Retired
		Principal	Interest	Total		
2010	\$ 75,320				\$ 75,320	
2011	72,730		\$ 81,021	\$ 81,021	153,751	
2012	-	\$ 75,000	96,263	171,263	171,263	
2013	-	75,000	94,763	169,763	169,763	
2014	-	75,000	93,263	168,263	168,263	8.29%
2015	-	80,000	91,763	171,763	171,763	
2016	-	80,000	90,163	170,163	170,163	
2017	-	85,000	87,763	172,763	172,763	
2018	-	85,000	85,213	170,213	170,213	
2019	-	90,000	82,663	172,663	172,663	23.76%
2020	-	90,000	79,963	169,963	169,963	
2021	-	95,000	77,263	172,263	172,263	
2022	-	95,000	74,175	169,175	169,175	
2023	-	100,000	71,088	171,088	171,088	
2024	-	100,000	67,838	167,838	167,838	41.44%
2025	-	105,000	64,338	169,338	169,338	
2026	-	110,000	60,663	170,663	170,663	
2027	-	115,000	56,263	171,263	171,263	
2028	-	120,000	51,663	171,663	171,663	
2029	-	125,000	47,163	172,163	172,163	62.62%
2030	-	130,000	42,475	172,475	172,475	
2031	-	135,000	37,275	172,275	172,275	
2032	-	140,000	31,875	171,875	171,875	
2033	-	145,000	25,925	170,925	170,925	
2034	-	150,000	19,763	169,763	169,763	88.40%
2035	-	155,000	13,388	168,388	168,388	
2036	-	160,000	6,800	166,800	166,800	100.00%
	<u>\$ 148,050</u>	<u>\$ 2,715,000</u>	<u>\$ 1,630,783</u>	<u>\$ 4,345,783</u>	<u>\$ 4,493,833</u>	

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

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.

Following is a summary of certain provisions of each of the Trinity River Authority of Texas - City of Livingston Water System Services Contract, dated February 22, 1978, as amended by the Trinity River Authority of Texas - City of Livingston Water System Services Amendatory Contract, dated June 26, 1991 (collectively, the "Contract"):

The Contract

Section 1. DEFINITIONS. The terms and expressions used in this entire Contract, including collectively the original contract dated as of February 22, 1978, being amended hereby and this amendatory contract, unless the context shows clearly otherwise, shall have meanings as follows:

- (a) "Project" means (i) the original "Project" as defined in the preamble to the original contract dated as of February 22, 1978, amended hereby, and (ii) the water supply and treatment improvements and extensions to the original Project described in the engineering report of Turner Collie & Braden Inc., Consulting Engineers, entitled "Modifications and Improvements to the Livingston Regional Water Supply System", dated April, 1991, (the "1991 Engineering Report"), together with any amendments and supplements to said 1991 Engineering Report.
- (b) "Board" and "Board of Directors" means the Board of Directors of the Authority.
- (c) "Bond Resolution" means any resolution of the Board of Directors authorizing the issuance of Bonds and providing for their security and payment, as such resolution(s) may be amended from time to time as therein permitted.
- (d) "Bonds" means all bonds heretofore and hereafter issued by the Authority for acquiring, by purchase and construction, the Project, including all improvements and extensions thereof, whether in one or more series or issues, or any bonds issued to refund same.

Section 2. OBLIGATION OF AUTHORITY TO ACQUIRE. The Authority agrees to pay, and will pay, all of the actual costs of acquiring, by purchase and construction, the water supply and treatment improvements and extensions to the original Project described in the 1991 Engineering Report and any amendments or supplements thereto, through the issuance of its Bonds to provide the money for such payment, all in the manner hereinafter described.

Section 3. AUTHORITY'S BOND RESOLUTION. In addition to the payment specified in Section 2, the proceeds from the sale of the Bonds will be used for the payment of all of the Authority's expenses and costs in connection with the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs incurred in issuing its Bonds, plus an administrative charge (to be retained by the Authority out of the proceeds from the sale and delivery of each series or issue of Bonds) equal to 1% of the principal amount of each series or issue of Bonds, to pay and reimburse the Authority for its administrative and overhead expenses directly attributable and chargeable to the Bonds and the acquisition of the Project. The Bonds will be issued in an aggregate principal amount sufficient to cover the estimated amount of all the aforesaid payments, expenses, costs, and charges, with such principal amount now estimated to be approximately \$1,000,000 (whether actually more or less).

Section 4. CONSULTING ENGINEERS. The Authority and the City agree that Turner Collie & Braden Inc. (now known as AECOM) shall be the "Consulting Engineers" for the improvements and extensions to the original Project described in the 1991 Engineering Report and any amendments or supplements thereto, and such improvements and extensions will be acquired, by purchase and construction, in accordance with plans and specifications prepared under the supervision of the Consulting Engineers.

Section 5. ACQUISITION CONTRACTS. The Authority will acquire all land and rights of way required for the improvements and extensions to the original Project described in the 1991 Engineering Report and any amendments or supplements thereto, and will enter into such contracts as are necessary to provide for acquiring, by purchase and

construction, all such improvements and extensions, and said contracts shall be executed as required by the laws applicable to the Authority.

Section 6. PAYMENTS BY CITY. (a) That the Authority will provide, make available, and render, to and for the benefit of the City and its inhabitants, the water supply and treatment facilities and services of the Project. Although the Authority shall have and retain title to the Project, it is agreed that the City shall have the exclusive use of the entire Project throughout its useful life. In consideration for the Authority's acquiring, making available, and rendering to and for the benefit of the City and its inhabitants, the water supply and treatment facilities and services of the Project, the City agrees to make the payments hereinafter specified. As further consideration, it is agreed that the Authority will have the sole responsibility for operating and maintaining the entire Project throughout its useful life, and that the Authority will operate and maintain the entire Project throughout its useful life; and the City agrees to indemnify and to save and hold harmless the Authority from any and all claims, damages, losses, costs, and expenses, including reasonable attorneys fees, arising at any time from the acquisition, construction, existence, ownership, operation and/or maintenance of the entire Project. It is further agreed that the City's obligation to make any and all payments with respect to the Bonds under Section 6(b)(1) and 6(c) of this Contract will terminate when all of the Authority's Bonds issued in connection with the Project, or any Bonds issued to refund same, have been paid and retired and are no longer outstanding; and it is agreed that the cessation of such payments or charges is and will be a reasonable arrangement after such Bonds have been retired. However, the City shall make the payments to cover Operation and Maintenance Expenses of the Project as provided in Section 6(b)(2) throughout the life of the Project. It is further understood and agreed that the Authority's only source of funds to pay the principal of and interest on its Bonds and to pay its expenses in connection with its Bonds and the Project, is from the payments to be made by the City to the Authority under this Contract.

(b) That the City agrees to make the following payments to the Authority during the term of this Contract:

1. Such amounts, payable monthly on or before the 20th day of each month, in approximately equal monthly installments for each applicable period, as are necessary to pay the principal and/or interest coming due on the Authority's Bonds on the next succeeding interest payment date, plus the fees and charges of the Paying Agent for paying or redeeming the Bonds and/or interest coupons appertaining thereto coming due on such date.
2. Such amounts, payable monthly on or before the 20th day of each month, equal to the amount of estimated Operation and Maintenance Expenses of the Authority for the Project for the next ensuing calendar month, as shown in the Annual Budget or amended Annual Budget as provided in Section (d) hereof.

(c) If, in addition to the amount initially issued, the Authority finds it necessary to issue Bonds for the purpose of completing the Project to the extent contemplated by this Contract, all of the amounts to be paid to or retained by the Authority under all Sections of this Contract shall be increased proportionately, and such amounts shall at all times be sufficient to pay the principal of and interest on all such Bonds. It is understood and agreed that the only source of funds for the Authority to acquire and construct the Project is from the issuance and sale of its Bonds (including additional Bonds) pursuant to this Contract.

(d) Authority covenants that it will operate and maintain the Project in accordance with accepted good business and engineering practices and in accordance with requirements of all applicable Federal and State laws, and any rules and regulations issued and to be issued by appropriate agencies in the administration of said laws. The City and the Authority agree that their obligations hereunder shall include compliance with the requirements made under said laws, and any rules and regulations issued pursuant thereto. Not less than sixty (60) days before the commencement of each Fiscal Year of the Authority while this Contract is in effect, Authority shall cause its tentative budget for Operation and Maintenance Expenses of the Project for the ensuing Fiscal Year to be prepared and a copy thereof filed with the City. A reasonable amount to cover and reimburse the Authority for its administrative and overhead expenses directly attributable to the Project and the Bonds, including the cost of routine annual accounting reports, shall be included as an item of Operation and Maintenance Expenses. If no protest or request for a hearing on such tentative budget is presented to Authority within thirty (30) days after such filing of the tentative budget by the City, the tentative budget for the Project, when adopted by Authority's Board of Directors, shall be considered for all purposes as the "Annual Budget" for the ensuing Fiscal Year. But if a protest or request for a hearing is duly filed by the City it shall be the duty of the Authority to fix the date and time for a hearing on the tentative budget before the General Manager of the Authority, and shall so advise the City in writing.

The General Manager shall consider the testimony and showings made in such hearing, and the Board of Directors of the Authority may adopt the budget or make such amendments thereof as to it may seem proper. The budget thus approved by the Board of Directors of the Authority shall be the Annual Budget for the next ensuing Fiscal Year. The Annual Budget may be amended to provide for transfers of budgeted funds between expenditure accounts, provided, however, that said transfers do not result in an overall increase in budgeted funds as approved in the Annual Budget, and further provided that the Annual Budget may be amended and increased, if required. Certified copies of any amended Annual Budget shall be filed immediately by the Authority with the City. If the City should dispute any Annual Budget or amended Annual Budget, such dispute shall be promptly submitted to an arbitrator mutually agreed to by the Authority and the City. Such arbitrator shall proceed to resolve the disputes submitted to him pursuant to the terms hereof, if the parties can agree on a single arbitrator. If the parties cannot agree upon a single arbitrator, such dispute shall be submitted to arbitration by a board of three (3) arbitrators upon written request of the City or the Authority, which request shall name one arbitrator. The party receiving such notice shall within ten days thereafter, by notice to the other or others, name the second arbitrator, or failing to do so, the second arbitrator shall be appointed by the Chief Judge of the United States District Court for the Northern District of Texas on request of the party requesting arbitration in the first instance. The two arbitrators so appointed shall name the third, or failing to do so within ten days after appointment of the second arbitrator, the third arbitrator may be appointed by said Chief Judge upon request of either party; provided that the party making such request shall, at least five days prior to making same, give the other party written notice of the time when and place where such request will be made. The arbitrators so appointed shall promptly hear and determine the dispute submitted pursuant to the procedures established by the Texas General Arbitration Act and shall render their decision with all reasonable speed and dispatch, but in no event later than thirty (30) days after the conclusion of evidence. If within said period a decision is not rendered by the arbitrators, or a majority thereof, new arbitrators may be named and shall act hereunder at the election of the parties in like manner as if none had been previously named. The decision of the arbitrators or of the majority thereof shall be final and binding upon the Authority and the City as to the dispute submitted, and a judgment upon an award rendered in such arbitration proceedings may be entered in any court of competent jurisdiction. The expenses of arbitration, including reasonable compensation to the arbitrators, shall be borne and paid one-half by the City, and one-half by the Authority, except that each party shall bear and pay the compensation and expenses of its counsel and witnesses. All arbitration costs and expenses paid by the Authority shall constitute a Project Operation and Maintenance Expense. Pursuant to Article 224 of Vernon's Texas Civil Statutes, the signatures of counsel for each party to this contract are subscribed hereto as evidence that this contract was concluded upon the advice of said counsel. If a decision of the arbitrators is not reached prior to the time payments are due under any adopted Annual Budget for the ensuing year, or under any amended Annual Budget, the payments thereunder nevertheless shall be made by the City, and if later a decision is made which alters such Annual Budget, adjustments shall then be made by the Board of Directors of the Authority to the Annual Budget to give the City appropriate relief.

(e) The City has outstanding revenue bonds payable from the net revenues of its combined waterworks and sanitary sewer system, and represents and covenants that the use of the facilities and services to be obtained pursuant to this Contract are essential and necessary to the operation of the City and its combined waterworks and sanitary sewer system, and that all payments to be made hereunder by it will constitute reasonable and necessary "operating expenses" of the City's combined waterworks and sanitary sewer system, within the meaning of Vernon's Article 1113, as amended, and the provisions of the ordinances authorizing the issuance of all waterworks and sanitary sewer system revenue bond issues of the City, with the effect that the City's obligation to make payments from the revenues from its combined waterworks and sanitary sewer system under this Contract shall have priority over its obligations to make payments of the principal of and interest on any and all of its waterworks and sanitary sewer system revenue bonds heretofore or hereafter issued. The City agrees to fix and collect such rates and charges for waterworks and sanitary sewer services to be supplied by its combined waterworks and sanitary sewer system as will make possible the prompt payment of all expenses of operating and maintaining the entire Project and operating and maintaining the City's entire combined waterworks and sanitary sewer system, including all payments, obligations, and indemnities contracted hereunder, and the prompt payment of the principal of and interest on the City's bonds heretofore or hereafter issued to be payable from the net revenues of its combined waterworks and sanitary sewer system.

(f) Recognizing the fact that the City urgently requires the facilities and services covered by this Contract, and that such facilities and services are necessary for actual use and for standby purposes; and further recognizing that the Authority will use the payments received from the City hereunder to pay, secure, and finance the issuance of the Bonds, it is hereby agreed that if and when any Bonds are delivered, the City shall be obligated to make the payments required by this Contract, regardless of whether or not the Authority actually provides such facilities and

services, or whether or not the City actually receives or uses such facilities and services, and the holders of the Bonds shall be entitled to rely on the foregoing agreement and representation, regardless of any other agreement between the Authority and the City.

Section 7. ACQUISITION. The Authority agrees to proceed promptly with the acquisition, by purchase and construction, of the Project. The Authority covenants that it will make a diligent effort to commence such acquisition as soon as practicable. The Authority does not anticipate any delays in commencing or completing the Project, but the Authority shall not be liable for any damages occasioned by the construction or completion of the Project, or any delays in completion of the Project.

Section 8. CONDITIONS PRECEDENT. The obligation on the part of the Authority to acquire and construct the Project shall be conditioned upon the following:

- (a) sale of Bonds in an amount sufficient to assure the acquisition and construction of the Project;
- (b) the Authority's ability, or the ability of the contractors, to obtain all material, labor, and equipment necessary for the acquisition and construction of the Project; and
- (c) the Authority's obtaining all governmental permits and authorizations required for the Project.

Section 9. USE OF CITY'S PUBLIC PROPERTY. By these presents, the City authorizes use by the Authority of any and all real property, streets, alleys, public ways and places, and general utility or water easements of the City for acquiring and constructing the Project.

Section 10. FORCE MAJEURE. If, by reason of Force Majeure, any party hereto shall be rendered unable wholly or in part to carry out its obligations under this agreement then such party shall give notice and full particulars of such Force Majeure in writing to the other parties within a reasonable time after occurrence of the event or cause relied upon, and 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, except as hereinafter provided, 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, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrest, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, or other causes not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any Force Majeure shall be remedied within all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable to it in the judgment of the party having the difficulty. It is specifically excepted and provided, however, that in no event shall any Force Majeure relieve the City of its obligation to make payments to the Authority as required under Section 6 of this Contract.

Section 11. INSURANCE. The Authority agrees to carry fire, casualty, public liability, and other insurance on the Project for purposes and in amounts which would ordinarily be carried by a privately owned utility company owning and operating such facilities, except that the Authority shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the Project.

Section 12. REGULATORY BODIES. This Contract and the Project shall be subject to all valid rules, regulations, and laws applicable thereto passed or promulgated by the United States of America, the State of Texas, or any governmental body or agency having lawful jurisdiction or any authorized representative or agency of any of them.

Section 13. TERM OF CONTRACT. That the term of this Contract shall be for the useful life of the Project, and in any event for the period during which any of the Authority's Bonds, and any Bonds issued to refund same, or any interest coupons appertaining thereto, are outstanding and unpaid.

SELECTED PROVISIONS OF THE BOND RESOLUTION

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

Section 5. **ADDITIONAL DEFINITIONS AND PLEDGE.** (a) As used in this Resolution the term "Bonds" means collectively the Bonds as described and defined in Sections 1 and 2 of 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" shall mean the Series 2003 Bonds, the Bonds and any other bonds hereafter issued by the Issuer on a parity therewith as permitted by the Contract or bonds issued to refund such bonds.

(b) The Contract provides for the monthly payment by the City to the Issuer of all Operation and Maintenance Expenses of the Project, and the principal of and the interest on all "Bonds", as defined in the Contract, issued by the Issuer pursuant to the Contract, as such principal and interest come due, plus the fees and charges of the Paying Agent for such "Bonds", and other amounts as required by each resolution authorizing the issuance of such "Bonds". 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, after deducting therefrom the amounts required to pay the Operation and Maintenance Expenses of the Project, as defined in the Contract, with the result that the Net Revenues shall consist of the amounts necessary to pay all principal and/or interest coming due on all Parity Bonds on each principal and/or interest payment date plus the fees and charges of the Paying Agent for the Parity Bonds, including its charges as Registrar for the Bonds. All Parity Bonds, including the Bonds authorized by this Resolution 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 provided for. The City has contracted to make all of its payments under the Contract from the revenues of the City's combined waterworks and sanitary sewer system as an operating expense of such combined waterworks and sanitary sewer system.

Section 6. **SPECIAL FUNDS.** That all gross revenues or payments received by the Issuer under the Contract shall be kept separate and apart from all other funds of the Issuer and the following special Funds have been created and are hereby confirmed, and shall be established and maintained so long as any of the Parity Bonds, or interest appertaining thereto, are outstanding and unpaid:

- (a) the Revenue Fund, which shall be maintained in an official depository bank of the Issuer;
- (b) the Interest and Sinking Fund, which shall be maintained in an official depository bank of the Issuer; and
- (c) the Reserve Fund, which shall be maintained in an official depository bank of the Issuer.

Section 7. **REVENUE FUND.** All gross revenues or payments received by the Issuer under the Contract 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, there shall be deposited into the Interest and Sinking Fund all accrued interest received as proceeds from the sale of the Bonds.
- (b) on or before January 25, 2011, and semiannually thereafter on or before each July 25th and January 25th, an amount sufficient, together with any other amounts on deposit therein and available for such purpose, to pay the interest and principal, if any, coming due on all 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. 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 Parity Bonds.

"Bond Insurer" means an entity that insures or guarantees the payment of principal of and interest on any of the Parity 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 Parity 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 Parity Bonds, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity Bonds upon delivery of the Parity Bonds fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) with respect to any Credit Facility consisting of a letter or line of credit, any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity 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 Parity 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 Parity Bonds of the applicable series; and provided that if neither of such rating agencies then rates the Parity 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 Parity 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 Parity 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 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) Initially, the Required Reserve shall be funded by a deposit of proceeds of the Bonds. Thereafter, no further deposits shall be made into the Reserve Fund as long as the money and investments, together with any Reserve Fund Obligation, in the Reserve Fund are at least equal in market value to the Required Reserve; but if and whenever the market value of money and investments, together with any Reserve Fund Obligation, in the Reserve Fund is reduced below said Required Reserve because of a decrease in market value of investments, then the Issuer

shall require the City to increase payments under the Contract as soon as practicable, and in all events by the end of the next Fiscal Year, in an amount sufficient to restore the Reserve Fund to the Required Reserve; and in the event the Reserve Fund is used to pay the principal of or interest on the Parity Bonds because of insufficient amounts being available in the Interest and Sinking Fund, then the Issuer shall require the City to increase payments under the Contract in an amount sufficient to restore the Reserve Fund to the Required Reserve in market value, and from such increased payments the Issuer shall deposit in the Reserve Fund, in approximately equal periodic installments, not less than annual, such amounts as are required to restore the Reserve Fund to the Required Reserve in market value as soon as practicable, but in any case, within one year from any date of the use of the Reserve Fund to pay such principal or interest. For purposes of calculating the amount on hand in the Reserve Fund, an amount equal to the maximum available amount which may be drawn under any Reserve Fund Obligation, as described in (f) below, will be deemed on deposit in the Reserve Fund. During any period in which the money and investments credited to the Reserve Fund, taking into account any Reserve Fund Obligation, are equal to or exceed the Required Reserve in market value then during such period all investment earnings and income from the Reserve Fund shall be deposited upon receipt to the credit of the Interest and Sinking Fund.

(c) The Reserve Fund shall be used only for the purpose of paying principal of or interest on the Parity 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 Parity Bonds.

(d) The Reserve Fund shall secure and be used to pay all Parity Bonds, in the manner and to the extent provided herein. However, each resolution pursuant to which additional Parity Bonds are issued shall provide and require that (i) the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to the Required Reserve required after the issuance of such additional Parity Bonds; and (ii) the required additional amount, if any, shall be so accumulated by the deposit in the Reserve Fund of all of said required additional amount in cash or a Reserve Fund Obligation immediately after the delivery of the then proposed additional Parity 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 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 Parity 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 Parity Bonds were originally issued. If a Reserve Fund Obligation is used as provided above, any reimbursements required thereunder to be paid to a Credit Facility Provider as a result of a draw or demand thereunder and any interest thereon and expenses payable thereunder shall be made, as provided in the Reserve Fund Obligation, from moneys deposited into the Reserve Fund until fully paid. If it becomes necessary to pay interest on or principal of any Bonds from the Reserve Fund, money and investments held for the credit of the Reserve Fund shall be utilized first for such purpose, before any demand or draw is made on a Reserve Fund Obligation.

(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 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 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 Parity Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years and shall be subject to an "evergreening" feature so as to provide the Issuer with at least 30 months notice of termination. The issuer of the letter of credit shall be required to notify the Issuer not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the Reserve Fund, in accordance with this section, an amount sufficient to cause the money or investments on deposit in the Reserve Fund, together with any other qualifying Reserve Fund Obligations, to accumulate to the Required Reserve, unless the expired Reserve Fund Obligation is replaced by a Reserve Fund Obligation meeting the requirements in any of 1 through 3, above. The letter of credit shall permit a draw in full prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Issuer or other party shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Fund is fully funded to the Required Reserve.

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

(5) In the event (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated, or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below "AAA" by S&P or Fitch or "Aaa" by Moody's, or (c) the rating of the issuer of the letter of credit falls below "AA" by S&P or Fitch or "Aa" by Moody's, the Issuer shall either (i) deposit into the Reserve Fund, in accordance with this section, an amount sufficient to cause the money or investments on deposit in the Reserve Fund to accumulate to the Required Reserve, 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 six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" by S&P, Moody's or Fitch, or (b) the rating of the issuer of the letter of credit falls below "A" by S&P, Moody's or Fitch, or (c) the issuer of the Reserve Fund Obligation defaults in its payment obligations hereunder, or (d) the issuer of the Reserve Fund Obligation becomes insolvent, the Issuer shall either (i) deposit into the Reserve Fund, in accordance with this section, amounts sufficient to cause the money or investments on deposit in the Reserve Fund to accumulate to the Required Reserve, 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 six months of such occurrence.

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

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

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

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

Section 11. RESERVE FUND REPLACEMENT PROVISIONS. Upon defeasance or payment of the last of the Series 2003 Bonds, the provisions of the foregoing Section 10 shall be of no further effect and shall be replaced in whole by the following provisions:

"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 Parity Bonds.

"Bond Insurer" means an entity that insures or guarantees the payment of principal of and interest on any of the Parity 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 Parity 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 Parity Bonds, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity Bonds upon delivery of the Parity Bonds fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) with respect to any Credit Facility consisting of a letter or line of credit, any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity 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 Parity Bonds and the interest thereon.

"Fitch" means Fitch Ratings, Ltd., 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 Parity Bonds of the applicable series; and provided that if neither of such rating agencies then rates the Parity 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 Parity 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 Parity 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 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) Initially, immediately following delivery of the Bonds, the Required Reserve shall be funded by either a deposit of bond proceeds or the purchase of a Reserve Fund Obligation. Thereafter, no further deposits shall be made into the Reserve Fund as long as the money and investments, together with any Reserve Fund Obligation, in the Reserve Fund are at least equal in market value to the Required Reserve; but if and whenever the market value of money and investments, together with any Reserve Fund Obligation, in the Reserve Fund is reduced below said Required Reserve because of a decrease in market value of investments, then the Issuer shall require the Town to increase payments under the Contract as soon as practicable, and in all events by the end of the next Fiscal Year, in an amount sufficient to restore the Reserve Fund to the Required Reserve; and in the event the Reserve Fund is used to pay the principal of or interest on the Parity Bonds because of insufficient amounts being available in the Interest and Sinking Fund, then the Issuer shall require the Town to increase payments under the Contract in an amount sufficient to restore the Reserve Fund to the Required Reserve in market value, and from such increased payments the Issuer shall deposit in the Reserve Fund, in approximately equal periodic installments, not less than annual, such amounts as are required to restore the Reserve Fund to the Required Reserve in market value as soon as practicable, but in any case, within one year from any date of the use of the Reserve Fund to pay such principal or interest. For purposes of calculating the amount on hand in the Reserve Fund, an amount equal to the maximum available amount which may be drawn under any qualifying Reserve Fund Obligation, as described in (f) below, will be deemed on deposit in the Reserve Fund. During any period in which the money and investments credited to the Reserve Fund, taking into account any qualifying Reserve Fund Obligation, are equal to or exceed the Required Reserve in market value then during such period all investment earnings and income from the Reserve Fund shall be deposited upon receipt to the credit of the Interest and Sinking Fund.

(c) The Reserve Fund shall be used only for the purpose of paying principal of or interest on the Parity 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 Parity Bonds.

(d) The Reserve Fund shall secure and be used to pay all Parity Bonds, in the manner and to the extent provided herein. However, each resolution pursuant to which Additional Bonds are issued shall provide and require that (i) the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to the Required Reserve required after the issuance of such Additional Bonds; and (ii) the required additional amount, if any, shall be so accumulated by (A) the deposit in the Reserve Fund of all of said required additional amount in cash from proceeds from the sale of the Additional Bonds or a Reserve Fund Obligation immediately after the delivery of the then proposed Additional Bonds or (B) at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in five approximately equal annual installments, made on or before the 1st day of February of each year following the delivery of the then proposed Additional Bonds.

(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 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 Parity 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 Parity Bonds were originally issued. If a Reserve Fund Obligation is used as provided above, any reimbursements required thereunder to be paid to a Credit Facility Provider as a result of a draw or demand thereunder and any interest thereon and expenses payable thereunder shall be made, as provided in the Reserve Fund Obligation, from moneys deposited into the Reserve Fund until fully paid. If it becomes necessary to pay interest on or principal of any Bonds from the Reserve Fund, money and investments held for the credit of the Reserve Fund shall be utilized first for such purpose, before any demand or draw is made on a Reserve Fund Obligation.

(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 Parity Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years and shall be subject to an "evergreening" feature so as to provide the Issuer with at least 30 months notice of termination. The issuer of the letter of credit shall be required to notify the Issuer not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the Reserve Fund, in accordance with this section, an amount sufficient to cause the money or investments on deposit in the Reserve Fund, together with any other qualifying Reserve Fund Obligations, to accumulate to the Required Reserve, unless the expired Reserve Fund Obligation is replaced by a Reserve Fund Obligation meeting the requirements in any of 1 through 3, above. The letter of credit shall permit a draw in full prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Issuer or other party shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Fund is fully funded to the Required Reserve.

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

(5) In the event (a) the 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 Reserve Fund, in accordance with this section, amounts sufficient to cause the money or investments on deposit in the Reserve Fund to accumulate to the Required Reserve within twelve months of such occurrence, or (ii) replace such instrument with a surety bond, insurance policy, or letter of credit meeting the requirements in any of 1 through 3 above within twelve months of such occurrence.

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

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

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

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

Section 12. ISSUER'S EXPENSES AND COSTS. The Issuer shall pay the Operation and Maintenance Expenses of the Project from the payments made by the City under the Contract specifically for such purpose, and in no event from the pledged Net Revenues.

Section 13. INVESTMENTS. Money in any Fund maintained pursuant to this Resolution may, at the option of the Issuer, be invested as permitted by the Public Funds Investment Act, Chapter 2256, Texas Government Code, and the investment policy of the Issuer. Such deposits and investments shall be made consistent with the estimated requirements of such Funds, and any obligation in which money is so invested shall be kept and held for the benefit of the owners of the Bonds, and shall be promptly sold and the proceeds of sale applied to the making of all payments required to be made from the Fund from which the investment was made. All earnings from the deposit or investment of any such Fund shall be credited to such Fund. All investment earnings on deposit in the Interest and Sinking Fund shall reduce the amounts which otherwise would be required to be deposited therein, with the result that the City's principal and/or interest payments under the Contract shall be reduced accordingly.

Section 14. DEFICIENCIES IN FUNDS. If the Issuer should fail 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 15. SECURITY FOR FUNDS. All Funds created by this Resolution shall be secured in the manner and to the fullest extent permitted or required by law for the security of the Issuer's funds, and such Funds shall be used only for the purposes and in the manner permitted or required by this Resolution.

Section 16. ADDITIONAL PARITY BONDS. The Issuer reserves the right to issue additional parity revenue bonds in such amounts as are required for the purpose of improving or extending the Project, or for the purpose of refunding any outstanding Parity Bonds. Such additional parity revenue bonds shall be considered, constitute, and be defined as "Parity Bonds" for all purposes of this Resolution and 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 parity revenue Parity 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 President and Secretary of the Board of Directors of the Issuer to the effect that 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, and that the Interest and Sinking Fund and Reserve Fund contain the amounts then required to be on deposit therein;

(b) the resolution authorizing the issuance of such installment or series of Parity Bonds shall provide for the payment of the principal of and interest on such Parity 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 Parity Bonds.

Section 17. 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 the Project and payments under the Contract. The Issuer shall have said books audited once each Issuer fiscal year by an independent Certified Public Accountant.

Section 18. ACCOUNTING REPORTS. Within one hundred thirty five (135) days after the close of each Issuer fiscal year hereafter, the Issuer shall forward to any holder or 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 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 his recommendations, if any, for any changes or improvements.

Section 19. INSPECTION. Any holder or 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 and the Funds created by this Resolution.

Section 20. SPECIAL COVENANTS. The Authority 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 parity revenue Parity 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 to carry out its obligations under the Contract and any other pertinent agreements or contracts, for the benefit of the Issuer and the holders of the Parity Bonds, by all legal and equitable means, including the use of mandamus proceedings against the City.

Section 21. PARITY BONDS ARE SPECIAL OBLIGATIONS. The Parity Bonds shall be special obligations of the Issuer payable solely from the pledged Net Revenues, and the holders or 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 22. AMENDMENT OF RESOLUTION. (a) The holders and owners of Parity Bonds aggregating in principal amount two-thirds of the aggregate principal amount of then outstanding Parity Bonds (for purposes of this sentence only, 100% of the aggregate principal amount of Parity 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 this Resolution 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 this Resolution or in the Parity Bonds so as to:

- (1) Make any change in the maturity of the outstanding Parity Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Parity Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Parity Bonds;

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

(b) If at any time the Issuer shall desire to amend the 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, 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 the Paying Agent for inspection by all holders of Parity Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity 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 holders and owners of at least two-thirds in aggregate principal amount of all Parity Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent, 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 shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties, and obligations under the Resolution of the Issuer and all the holders of then outstanding Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendments.

(e) Any consent given by the holder or owner of a Parity 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 all future holders or owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder or owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent and the Issuer, but such revocation shall not be effective if the holders or owners of two-thirds aggregate principal amount of the then outstanding Parity 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, the fact of the holding of Parity Bonds which have interest coupons attached thereto and are payable to bearer by any Bondholder and the amount and numbers of such Bonds, and the date of their holding same, may be proved by the affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker, or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Parity Bonds described in such certificate. The Issuer may conclusively assume that such ownership continues until written notice to the contrary is served upon the Issuer. The fact of owning Parity Bonds which are payable only to the registered owner thereof shall be ascertained from the registration books of the Paying Agent\Registrar for such Parity Bonds.

Section 23. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond,

the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Subchapter B, Chapter 1206, Texas Government Code, this Section shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 3 for Bonds issued in conversion and exchange for other Bonds.

Section 24. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Net Revenues as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection 24(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 24(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 25. 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;
- (i) to assure that the proceeds of the Bonds will be used solely for new money projects.

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

Section 27. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS AND INSURANCE. The President of the Board of Directors and the General Manager of the Issuer are hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and the approval of the Bonds by the Attorney General of the State of Texas. The Comptroller of Public Accounts is requested to cause the Bonds to be registered in accordance with law. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds or on any Bonds issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. If insurance is obtained on any of the Bonds, the Bonds shall bear, as appropriate and applicable, a legend concerning insurance as provided by the Insurer.

Section 28. FURTHER PROCEDURES. The President, Vice President and Secretary of the Board of Directors of the Issuer, the General Manager (as the "Authorized Officer" of the Issuer) and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to

execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Letter of Representation with DTC regarding the Book-Entry Only System, the Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Letter of Representation, the Bonds, the sale of the Bonds and the Official Statement. Notwithstanding anything to the contrary contained herein, while the Bonds are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representation is hereby incorporated herein and its provisions shall prevail over any other provisions of this Resolution in the event of conflict. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 29. CONTINUING DISCLOSURE OF INFORMATION. (a) As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

(b) Pursuant to a Continuing Disclosure Agreement by and between the Issuer and the individual Contracting Parties, the Issuer and the City 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 City 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, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- 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 or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds; and
- K. Rating changes.

Section 30. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the Issuer under Section 5 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the Issuer under Section 5 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it

determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 31. EXPIRATION OF AUTHORIZATION. The authority of the General Manager, as Authorized Officer, to execute a bond purchase agreement as described in Section 2(b) of this Resolution shall expire on the one-year anniversary date of the adoption of this Resolution by the Board.

Section 32. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

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THE AUTHORITY

THE AUTHORITY'S ACTIVITIES

1. **Master Planning.** After a series of public hearings, the Authority adopted the original master plan (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

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

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

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THE FUTURE ROLE OF THE AUTHORITY

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

1. Master Planning.

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

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

3. Tributary Lakes. The revised Master Plan calls for the construction, as needed, of thirteen lakes on mid-basin tributaries. Of these thirteen, the Authority will serve as the planning and implementing agency for eleven: Upper Keechi, Big Elkhart, Hurricane Bayou, Lower Keechi, 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.

<u>Bond Issues:</u>	Outstanding July 31, 2010
Big Bear Creek Wastewater Interceptor Project	\$ 135,000
Central Regional Wastewater System	725,255,000
Community Waste Disposal, Inc.	22,850,000
Denton Creek Regional Wastewater Treatment System	80,225,000
Denton Creek Wastewater Interceptor System	520,000
Denton Creek Wastewater Pressure Interceptor System	2,500,000
Denton Creek Wastewater Interceptor(Fort Worth Project)	1,360,000
Cade Branch Wastewater Interceptor	730,000
Ellis County (Bristol and Buena Vista-Bethel Corps. Water Supply Project)	13,000
City of Fort Worth Water & Wastewater Transmission Contract (Sendra Ranch Project)	7,620,000
General Improvement	3,490,000
City of Huntsville Sewer System Project	1,415,000
Huntsville Regional Water Supply System	10,275,000
City of Lancaster Water and Sewer Project	220,000
Northeast Lakeview Wastewater Transportation Project	16,300,000
Mountain Creek Regional Wastewater System	1,775,000
Red Oak Creek Regional Wastewater System	45,445,000
City of Southlake Sewer System Project	120,000
Tarrant County Water Project	152,705,000
Ten Mile Creek Regional Wastewater System	100,235,000
Texas Utilities Electric Company Pollution Control	51,075,000
Trinity County Regional Water Supply System Project	1,250,000
TOTAL	\$ 1,225,513,000

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.

<u>Project</u>	Outstanding July 31, 2010
Bardwell Reservoir	\$ 1,455,851
Joe Pool Lake	64,445,139
Wallisville Lake	9,594,170
	\$ 75,495,160

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TAX MATTERS

Opinion...On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), for federal income tax purposes, interest on the Bonds (i) will be excludable from the "gross income" of the holders thereof and (ii) will not be includable in the owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. **See Appendix D -- Form of Bond Counsel's Opinion.**

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) 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 to the Issuer is conditioned on compliance by the Issuer with such requirements, and Bond Counsel to the Issuer 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, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT...The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond

in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES...The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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, the City has made the following agreements for the benefit of the holders and beneficial owners of the Bonds. The City and the Authority are required to observe the agreements 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 certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to certain information vendors 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 Municipal Securities Rulemaking Board (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 the Rule. 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 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 the accounting principles described in Appendix B or such other accounting principles as 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, it 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 certain information vendors. The Authority will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Resolution make any provision 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 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 information will be available to holders of bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The SEC has approved amendments to SEC Rule 15c2-12, 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 its continuing disclosure information using the EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB at www.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 or 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 has agreed to include with the next financial information and operating data provided in accordance with its 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 . . . Trinity River Authority (the "Authority") became obligated to file certain financial information with the state information depository ("SID") and each nationally recognized municipal securities information repository ("NRMSIR") beginning in 1999, pursuant to a bond offering by Tarrant Regional Water District. Due to an administrative oversight, the Authority did not timely file their audited financial statements with each NRMSIR for fiscal years ending 2004, 2006 and 2007. In previous official statements, the Authority mistakenly stated it was in compliance with 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.

The City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Bonds have been assigned a rating of "A+" by S&P, without regard to credit enhancement. The Bonds are expected to be assigned an insured rating of "AAA" (negative outlook) by S&P at the time of delivery of the Bonds based upon the issuance of the policy by AGM. An explanation of the significance of such rating may be obtained from the company furnishing the rating. 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 OPINIONS

The Authority will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding special obligations of the Authority, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. 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 Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "The Bonds" (exclusive of subcaptions "Book-Entry-Only System" and "Bondholders' Remedies"), "Selected Provisions of the Contract", "Selected Provisions of the Bond Resolution", "Tax Matters" and "Continuing Disclosure of Information" (except under the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Opinions", "Registration and Qualification of Bonds for Sale", and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "Other Information" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinions will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Bates and Coleman, Houston, Texas, Counsel to the Underwriters. The legal fees to be paid Counsel to the Underwriters for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction

opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Authority, at an underwriting discount of \$24,852.37. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter do not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with

respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

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

The Resolution authorizing the issuance of the Bonds will also delegate authority to the General Manager of the Authority to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

TRINITY RIVER AUTHORITY OF TEXAS

/s/ Danny F. Vance
General Manager

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APPENDIX A

BIOGRAPHICAL INFORMATION

BOARD OF DIRECTORS

AND

MANAGEMENT OFFICERS

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BOARD OF DIRECTORS

LINDA TIMMERMAN, Ed.D. of Streetman, Texas (President and Member, Executive Committee). Dr. Timmerman coordinates Strategic Business Development for Texas Dermatology Associates. She is a member of the Texas Association of Community College Teachers, the Corsicana Area Chamber of Commerce board of directors and Rotary International. Dr. Timmerman is active with the American Cancer Society, serving as a Reach-to-Recovery volunteer. She is past president of the National Council of Instructional Administrators and past president of the Texas Community College Instructional Administrators. Dr. Timmerman is a member of Lakeside United Methodist Church. Dr. Timmerman received a bachelor of science and a doctorate of Education from Texas A&M University-Commerce. Dr. Timmerman was reappointed Director of Trinity River Authority's Freestone County area in 2008.

HAROLD L. BARNARD of Waxahachie, Texas (Vice-President and Member, Executive Committee). Mr. Barnard is president and managing officer of Ellis County Abstract and Title Company, Inc. In addition to being a member of the Texas Land Title Association and the Texas Association of Abstract and Title Agents, he is past president of the Waxahachie Chamber of Commerce and current director and past president of the Ellis County Museum board of directors. He is a member of the board of directors and president of the Waxahachie Foundation, Inc. Mr. Barnard earned a bachelor's degree from the University of Texas at Arlington. He was reappointed as Director for Trinity River Authority's Ellis County area in 2008.

MICHAEL CRONIN of Terrell, Texas (Chairman, Executive Committee). Mr. Cronin is vice chairman of the board of directors of American National Bank of Texas. He is a member of the Independent Bankers Association of Texas and the Texas Bankers Association. He has served as president of the Terrell Economic Development Corporation since its inception in 1990. He is also president of the Terrell Industrial Foundation, a member and past chairman of the Terrell Chamber of Commerce and a member of the Terrell Rotary Club. Mr. Cronin earned a bachelor's degree from the University of North Texas. Mr. Cronin was reappointed as Director for the Authority's Kaufman County area in 2008.

HERSCHEL S. BRANNEN III of Trinity County, Texas (Member, Administration Committee). Mr. Brannen is the Principal of the Eagle Academy of Texas, a Texas Charter school. He is a member of the Trinity County Historical Commission and past president of the Trinity Lions Club and the Trinity Chamber of Commerce. He earned a bachelor of science from the College of Technology at the University of Houston. Mr. Brannen is a licensed Real Estate Broker and has studied construction management. Mr. Brannen was appointed as Director for Trinity River Authority's Trinity County area in 2008.

KARL R. BUTLER of Dallas, Texas (Member, Legal Committee). Mr. Butler is founder and president of ICC Energy Corporation. He is also a Lieutenant Commander in the U.S. Naval Reserve Medical Service Corps, has been awarded the National Defense Medal, and was recently appointed by the Secretary of Energy to the National Petroleum Council. His professional memberships include the American Gas Association, the American Association of Blacks in Energy, the Natural Gas Society of North Texas, the Dallas Assembly, the Dallas Zoological Society, the Dallas Petroleum Club, the Dallas/Fort Worth Minority Business Development Council and the National Association for Advancement of Colored People. He also serves on the board of directors of the Dallas Black Chamber of Commerce and the U.S. Department of Energy – Minority Business Development Advisory Board. In addition, Mr. Butler is a member of the board of directors of the Zale Lipshy University Hospital, Jarvis Christian College, the Salvation Army, the United Way Metropolitan of Dallas, and Southern Methodist University Willis M. Tate Lecture Series Advisory Board. He earned a bachelor of business administration from Jarvis Christian College. Mr. Butler was reappointed as Director for the Authority's Dallas County area in 2008.

PAT CARLSON of Fort Worth, Texas (Member, Resources Development Committee). Ms. Carlson is vice president of Carlson Engineering, Inc. She is a member of the Council for National Policy and a member of the Fort Worth Rotary Club. She served on the Advisory Council for the Southwestern Baptist Theological Seminary. Ms. Carlson is a graduate of Polytechnic High in Fort Worth and attended college. Ms. Carlson was appointed Director of the Trinity River Authority's Tarrant County area in 2008.

WILLIAM W. COLLINS, JR., of Fort Worth, Texas (Member, Resources Development Committee). Mr. Collins is an attorney in private practice. He is a member of the State Bar of Texas and Tarrant County Bar Association. He is a trustee of the Modern Art Museum of Fort Worth, a member of the Fort Worth Rotary Club, and life member of

the Tarrant County Historical Society and University of Texas Alumni Association. Mr. Collins is a past chair of the Texas Motor Vehicle Commission, past commissioner of the Texas Commission on the Arts, and a past member of the Fort Worth Transportation Authority Executive Committee. He is past chair of the American Cancer Society-Fort Worth. He earned a bachelor of business administration from the University of Texas at Austin and a doctor of jurisprudence from the University of Tennessee Law School. Mr. Collins was appointed as Director for Trinity River Authority's Tarrant County area in 2010.

STEVE CRONIN of Shepherd, Texas (Member, Resources Development Committee). Mr. Cronin is Director of Transportation at Coldspring Independent School District and the owner of Triple B Goat Ranch. He is a member of the Vocational Agricultural Teachers Association of Texas. He is a secretary/treasurer and past president of the County Farm Bureau. He serves as financial advisor for the Coldspring FFA Booster Club and on a committee for the San Jacinto County Fair Association. He is a coach for the Dixie Youth League and a leader with 4-H. Mr. Cronin served more than seven years as an Agriculture Field Representative for the Texas Farm Bureau and more than six years as an Agriculture Extension Agent for the Texas A&M University System. He received a bachelor's degree in agricultural education and master's degree in agriculture from Sam Houston State University. Mr. Cronin was reappointed Director of Trinity River Authority's San Jacinto County area in 2008.

AMANDA DAVIS of Buffalo, Texas (Member, Administration Committee). Ms. Davis is an Assistant Principal at Buffalo Elementary in Buffalo Independent School District. Ms. 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. Ms. Davis earned a bachelor of education from Sam Houston State University, Magna Cum Laude and is pursuing a master of education at Abilene Christian University. She is a member of the National Honor Society. Ms. Davis was appointed as Director for TRA's Leon County area in 2008.

RONALD GOLDMAN of Fort Worth, Texas (Member, Utility Services Committee). Mr. Goldman is president of Ronnie's LLC, a Real Estate Management Company. He is director of Liberty Bancshares. Mr. Goldman is member of the World President's Organization, Fort Worth Airpower Council, and Harris Methodist Leadership Council. Formerly, he was chairman of the Young President's Organization of West Texas and the Harris Methodist Development Board. He has served as a trustee for the Harris Methodist Health System and Harris Methodist, H.E.B. Mr. 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 Fort Worth Symphony Orchestra, Van Cliburn Association, Arts Council of Fort Worth and Trinity Valley School. He is past-president of the Seagram Family Association. Mr. Goldman earned a bachelor of business administration from the University of Texas at Austin. He served in the Texas Army National Guard for from 1965 to 1971. He was re-appointed as Director at large in 2009.

MARTHA A. HERNANDEZ of Burleson, Texas (Member, Legal Committee). Ms. 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. Ms. Hernandez is past president of Burleson Heritage Foundation and the Burleson Garden Club. Ms. Hernandez is past chairman of the City of Burleson Parks Board and the Burleson Public Library Board. She served on the Tarrant County Grand Jury. Ms. Hernandez volunteered for U.S. Secret Service Detail for a national political convention and has served at elections polls since 1972. Ms. Hernandez served as a board member and organizer of Fiesta de Burleson Cinco de Mayo Celebration from 1997 to 2003. She earned a bachelor of science from Texas Wesleyan University. Ms. Hernandez was appointed as Director for Tarrant County in 2008.

JOHN W. JENKINS of Hankamer, Texas (Member, Executive Committee since 1999 and Chairman of the Legal Committee, Member, Ten Mile Creek Regional Wastewater System Right-of-Way Committee since 1999). Mr. Jenkins is a self-employed partner in a major farming enterprise. Mr. Jenkins graduated from Southwest Texas State University in 1981 with a bachelor in business administration. He is a member of the Devers Canal Rice Producers Association and the Anahuac Area Chamber of Commerce. He serves on the boards of Anahuac National Bank, the Hometown Press, Texas Rice Council and American Plant Food Corporation. Mr. Jenkins is also a committee chair for the Texas Gatorfest Committee. He is a former board member of the Trinity Bay Conservation District, Devers Canal Rice Producers Association, Trinity Valley Exposition, Texas Rice Festival and the Chambers County Farm Bureau. Mr. Jenkins was appointed as Director for Trinity River Authority's Chambers County area in 1997. He was re-appointed as Director at large in 2009. Mr. Jenkins served as President of the Board from 2003-2005 and Vice-President from 2001-2003. He served as Chairman of the Executive Committee from 2005-2007. He was Chairman of the Resources Development Committee from 2000-2002.

KEITH W. KIDD of Dallas, Texas (Member, Legal Committee). Mr. Kidd is President of Encino International. He is a member of the Texas and Washington, D.C. Bar associations. Mr. Kidd received a bachelor's degree in international relations from Georgetown University, a master's degree in criminal justice from the University of Alabama and a law degree from Texas Wesleyan School of Law. He has served with the U.S. Army Reserve since 1993 with a current rank of Major. Mr. Kidd was appointed as Director for Dallas County in 2008.

JESS A. LAIRD of Athens, Texas (Member, Administration Committee). Mr. Laird is Chief Executive officer and president of First State Bank in Athens, Texas. He serves on the board of directors at First State Bank in Athens, the Independent Bankers Association of Texas, the Athens Chamber of Commerce and the Trinity Valley Community College Foundation. He is Treasurer of the Henderson County Salvation Army. Previously, Mr. Laird has served as president of the Athens Rotary Club, as president and director of The Cain Center and president and director of the American Heart Association. He served on the board of managers for the East Texas Medical Center. He has served on the board of directors for Region VII Education Service Center, the Henderson County United Way and Keep Athens Beautiful. He earned a bachelor of science in biology from Texas A&M University and a master of business administration from the University of Texas in Tyler. Mr. Laird was appointed as Director for the Authority's Henderson County area in 2008.

NANCY E. LAVINSKI of Palestine, Texas (Member, Executive Committee and Chair, Administration Committee). Ms. 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. Mrs. Lavinski is an active fund raiser for the American Cancer Society and served as co-chairman 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. Mrs. Lavinski received a bachelor of arts from the University of Texas at Austin. Mrs. Lavinski was reappointed Director for the Authority's Anderson County area in 2008.

DAVID B. LEONARD of Liberty, Texas (Member, Utility Services Committee). Mr. 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. Mr. 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. Mr. Leonard was appointed Director for the Authority's Liberty County area in 2008.

ANDREW MARTINEZ of Huntsville, Texas (Member, Legal Committee). Mr. Martinez is a retired construction safety supervisor from the Texas Department of Criminal Justice. He attended Sam Houston State Teachers College in 1951-1952. Mr. Martinez was ordained as a Baptist minister in 1978. He served as Interim pastor at Faith Memorial Baptist Church. He is now a member of the Second Baptist Church. He has been active as a Prison Ministry Volunteer for 32 years including serving as Facilitator for the Voyager program at the Huntsville Prison Unit. Mr. Martinez is a past elected member of the Huntsville City Council, the Huntsville Independent School board of trustees and chairman of the Republican Party of Walker County. He is a member of the World Safety Organization, the 32 degree Scottish Rite, the Arabia Temple Shrine and the Huntsville Lions Club. Mr. Martinez is a Charter member of the League of United Latin American Citizens and a member of the city of Huntsville Cultural Planning Council. He served on the city of Huntsville Arts Commission and currently serves on the Gulf Coast Trade Center board of trustees. Mr. Martinez was appointed as Director for Trinity River Authority's Walker County area in 2004.

KEVIN MAXWELL of Crockett, Texas (Member, Utility Services Committee). Mr. Maxwell is president of S.C. Maxwell Co., Inc., a construction, real estate and ranching business. Mr. Maxwell is a member of the Texas Wildlife Association, a member of the Sharon Temple Shriners and a 32 degree Scottish Rite Mason. He is president of the Crockett Athletic Booster Club and a member of the Houston Livestock Show and Rodeo Committee. In the past, Mr. 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 of science from Sam Houston State University in agricultural education. Mr. Maxwell was re-appointed as Director for Trinity River Authority's Houston County area in 2009.

JAMES W. NEALE of Dallas, Texas (Member, Administration Committee). Mr. Neale is President and Owner of Quorum Energy Company, an exploration and production company in the oil and gas business. He is the chairman

of the District 9 Advisory Council for the Dallas Independent School District and a member of the Trinity Trust Foundation. Mr. 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. Mr. Neale earned a bachelor of arts in economics from the University of Texas in Austin. He was appointed as Director for Trinity River Authority's Dallas County area in 2008.

MANNY RACHAL of Livingston, Texas (Member, Utility Services Committee). Mr. 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. Mr. 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. Mr. Rachal was re-appointed Director for the Trinity River Authority's Polk County area in 2009.

AMIR RUPANI of Dallas, Texas (Member, Administration Committee). Mr. 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 Visitor's Bureau, the Dallas Citizen's Council, the Dallas Assembly and the Dallas Planning and Zoning Board. He is the Founder and Organizer and former president of One World Holding, Inc and former chairman of One World Bank. Mr. 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 Southern Methodist University Business School in 2004. Mr. Rupani attended City College of Karachi in Pakistan. He was appointed as Director at large in 2008.

ANA LAURA SAUCEDO of Dallas, Texas (Member, Executive Committee and Chair, Resources Development Committee). Ms. Saucedo invests in residential property. She is a former news reporter for KLIF and KRLD radio in Dallas. Ms. Saucedo worked for the Office of Minority Business Enterprise; Dept. of Commerce and was instrumental in helping to develop the Texas Association of Mexican American Chambers of Commerce and the U. S. Hispanic Chamber of Commerce. She spent twelve years volunteering in PTA and was awarded a Life Member Honor by the Socorro Independent School District in El Paso, Texas. She was elected a Trustee of Socorro ISD. She is currently the president of the Pike Park Preservation League. Ms. Saucedo coordinates cultural and historical activities at one of the oldest parks in the City of Dallas. She was appointed to the Texas Commission on Human Rights. Ms. Saucedo was appointed to the Trinity River Authority's Dallas County area in 2004.

SHIRLEY K. SEALE of Anahuac, Texas (Member, Resources Development Committee). Ms. Seale is a Financial Advisor for Edward Jones, an investments company. Ms. 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. Ms. 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 as a delegate to the State Republican Women's Association. Ms. Seale is a member of the First Baptist Church in Anahuac and has served as church treasurer for ten years. Ms. 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. Ms. Seale was re-appointed to the Trinity River Authority's Chambers County area in 2009.

J. CAROL SPILLARS of Madisonville, Texas (Member, Utility Services Committee). Ms. 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. Ms. 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. Ms. Spillars was appointed to the Trinity River Authority's Madison County area in 2008.

KIM C. WYATT of Corsicana, Texas (Member, Executive Committee and Chairman, Utility Services Committee). Mr. Wyatt is president of the Community National Bank & Trust of Texas, and, Chief Executive Officer of Community Bank Holdings of Texas. He holds a B.B.A. in finance from Texas A&M University and graduated from the Southwest Graduate School of Banking. Mr. Wyatt is a former member of the Planning and Zoning Board of the city of Corsicana. He is a member of the board of trustees of the First United Methodist Church, a member of the Corsicana Optimist Club and a member of Independent Order of Odd Fellows. Mr. Wyatt is Treasurer of the Corsicana Livestock and Agricultural Center, a member of Navarro County Extension Service Management Committee, a board member of Garitty Charity Association and a member of the board of Navarro Community Foundation. Mr. Wyatt is past president of Corsicana Area Chamber of Commerce, past president of Navarro County United Way and past president of the Optimist Club. He is past chairman for three terms of Navarro County Youth Exposition. He is past board member of Camp Fire Girls, Navarro County Agency for Retarded Citizens and Corsicana YMCA. Mr. Wyatt is past president of Navarro College Booster Club and past board member and treasurer of Navarro College Foundation. Mr. Wyatt was re-appointed as Director for Trinity River Authority's Navarro County area in 2009.

MANAGEMENT OFFICERS

DANNY F. VANCE, General Manager. Mr. Vance received a bachelor of business administration and a master of business administration from Sam Houston State University. After graduation but prior to joining the Trinity River Authority, he served with the United States Army in Europe. He was employed by TRA in 1970 as an Administrative Assistant to the Regional Manager of the Southern Region. Since that time, he has served as General Services Manager, Assistant Regional Manager, Northern Region; Administrative Services Manager; and Regional Manager, Northern Region. Mr. Vance's other professional activities include participation in the National Association of Clean Water Agencies; membership in the Government Finance Officers Association; membership on the board of directors of the Texas Water Conservation Association for which he served as president and a Member of its Executive Committee in addition to currently serving on several committees of the Association. He is past president of the Texas Section of the national WaterReuse Association and served on the board of the National WaterReuse Association. Mr. Vance is serving on two of sixteen Regional Planning Groups designated by the Legislature to prepare water plans for Texas through the year 2060. He serves on Region C Water Planning Group (Dallas, Tarrant and 14 other counties) and Region H Water Planning Group (Harris, Galveston and 13 other counties). He also chairs the Trinity-San Jacinto River Basins Stakeholders Committee which is charged by the Legislature with evaluating and recommending environmental flows regimes for freshwater inflows to Galveston Bay and in-stream flows in the Trinity and San Jacinto River Basins. Mr. Vance served as president of the board of directors of the Sam Houston State University Alumni Association and served on the Association's Executive Council; served on the board of directors of the Sam Houston State University Development Foundation; served on the Advisory Board for the college of Business Administration at the University; and has been recognized as a Distinguished Alumnus of the College of Business Administration, Sam Houston State University. He served nine years as a member of the board of directors of the River Legacy Foundation which developed a 400-acre urban park in Arlington and raised private funds to construct and operate a unique Living Science Center in River Legacy Parks. He is a former Chair of the City/County/Special Districts Division of the United Way of Metropolitan Tarrant County.

WARREN N. BREWER, Regional Manager, Northern Region. Mr. Brewer attended East Texas State University and the University of Texas at Arlington majoring in engineering and business. He joined the Trinity River Authority in September 1977 as Operations Chief of the Central Regional Wastewater System, and was then reassigned to the Northern Region as Manager of Administrative and Technical Services. He was promoted to Assistant Regional Manager, Northern Region, before assuming his current responsibilities in 1979. Before joining TRA, Mr. Brewer was employed for eight years with Forrest and Cotton, Inc., a consulting engineering firm, where he was principally involved in planning, design, and operational assistance for TRA projects. In addition, he previously served as City Engineer and City Planner for the City of Farmers Branch, Texas, and as City Engineer and Director of Public Works for the City of Sulphur Springs, Texas. Mr. Brewer is a former Jaycee and Kiwanian, and a past president of the Cotton Belt Water and Sewer Association. He is currently active in the National Association of Clean Water Agencies; is a past chairman of the Texas Association of Metropolitan Sewerage Agencies, and currently serves as a member of the board of directors of the Texas Water Conservation Association, a board member of the Texas Water Research Foundation, and as chairman of the North Central Texas Council of Governments' Water Resources Council.

JIMMIE R. SIMS, Regional Manager, Southern Region. Mr. Sims received a bachelor of science degree in civil engineering technology from Texas A&M University in 1973. He began working for TRA in May 1973 at the Devers Canal System and became Project Manager for Lake Livingston Recreation Facilities in 1977. In October 1983 he became Project Manager for the Lake Livingston Utility Services Project and advanced to Division Manager of the Water Services Division in May 1985. He was promoted to Assistant Regional Manager, Southern Region, in December 1988 and advanced to his current position in March 1996. Mr. 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, Mr. 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. Mr. Moore served four years in the United States Navy in the Western Pacific from 1969 to 1973 during which time he received an air medal for flight operations in a

combat zone and the Navy Commendation Medal. He received a bachelor of business administration in accounting 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. Mr. 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 February of 1978. Prior to joining the Trinity River Authority, Mr. Moore was employed by Arthur Young & Company and General Dynamics, and began working for the Authority in March, 1978 as the Senior Manager of the Finance Division. He held various volunteer leadership positions with the Boy Scouts of America from 1986 to 1990. He 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. Mr. Sanders received a bachelor of science degree in education from the University of Texas at Austin in 1970. He earned a second B.S. degree in civil engineering from the University of Texas at Arlington in 1985. Mr. Sanders was employed by the Authority in May 1979 as Manager of Administrative and Technical Services for the Northern Region. In November of the same year, he was promoted to Assistant Regional Manager, Northern Region. He was promoted to his current position in May 1985. Mr. Sanders is a member of Tau Beta Pi and Chi Epsilon, engineering honor fraternities. He is a board of trustee member for the Wm C. Martin United Methodist Church in Bedford. He is a past member of the church's Administrative Board and Nominating Committee. He is a past member of the Airport Area YMCA board of directors.

DON A. TUCKER, General Services Manager. Mr. Tucker received a bachelor of arts degree from the University of Texas at Arlington and has done extensive graduate work in the School of Urban Studies at UTA. He served in the infantry, United States Marine Corps, in Vietnam. Prior to joining the Trinity River Authority, Mr. Tucker served as Supervisor for the Claims Cost Control Unit for The Travelers Insurance Company and as a Senior Underwriter for Mortgage Guaranty Insurance Corporation. Mr. Tucker was employed by the Authority in 1976 as Director of Administration and was promoted to Division Manager in 1978, and advanced to his current position in 1997. Mr. Tucker has an associates in risk management (ARM) through the Chartered Property Casualty Underwriters (CCU)/American Insurance Institute. In 1996, he was selected as "Safety Manager of the Year" by the Texas Safety Association and currently serves as a member of 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 for many years.

J. SAM SCOTT, Executive Services Manager. Mr. Scott received a bachelor of science degree from East Texas State University. He joined the Authority's staff in 1973 and his responsibilities now include managing the Aircraft Operation Division, the Public Information Division, the Planning and Environmental Management Division, and he is responsible for Congressional and State Legislative liaison activities. He also serves as the Authority'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. Mr. 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. Mr. Slobodin received a bachelor of arts (Cum Laude, Phi Beta Kappa) from the University of Oregon and a doctor of jurisprudence (with honors) from the University of Texas School of Law. He joined the Trinity River Authority in April 2008. Prior to joining TRA, Mr. Slobodin practiced environmental and water law in both the public and private sectors. He began his practice as an Assistant Attorney General with the Natural Resources Division of the Texas Attorney General's Office and subsequently represented investor-owned utilities, public utilities and districts, and private landowners in matters related to water and wastewater.

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APPENDIX B

CERTAIN FINANCIAL AND OPERATING DATA

FOR THE

CITY OF LIVINGSTON, TEXAS

The information contained in this Appendix consists of information relating to the Contracting Party for the Fiscal Year Ending September 30, 2009. 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.

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CITY OF LIVINGSTON, TEXAS

WATER AND SANITARY SEWER SYSTEM

The City of Livingston has responsibility for operation of the water and sewer systems in the City, including treatment and distribution of water, and collection, transportation, treatment and disposal of sewage. Service is presently provided to 3,271 water customers and 2,998 sewer customers, virtually all of the City, in addition to a small number of water customers outside the corporate limits of the City.

WATER SUPPLY

The primary water supply source for the City is surface water obtained from Lake Livingston. On February 22, 1978, the City entered into a contract with the Trinity River Authority of Texas to purchase from the Authority amounts of raw water impounded in the Livingston Reservoir. The City is obligated to pay an annual standby charge on or before the 10th day of each February and August, beginning August 1978. Annual standby charges are calculated by multiplying the equivalent of the current annual average daily amount the Authority is obligated to sell to the City by the Authority's rates for sale of raw water to municipalities. Annual average daily amounts of raw water that the Authority is obligated to sell to the City is set forth in the following schedule:

<u>Contract Years</u>	<u>Annual Average Daily Amounts</u>
2000-2020	5.0 MGD

On February 22, 1978, the City entered into a water system service contract with the Trinity River Authority of Texas whereby the Authority agreed to pay all of the actual costs of acquiring, by purchase and construction, through the issuance of bonds a water supply and treatment system to provide water supply and treatment services to the inhabitants of the City. Although the Authority is to retain title, the City shall have the exclusive use of the entire project throughout its useful life. On March 10, 1979, the Authority issued \$3,485,000 in bonds to pay for the acquisition of the System. Principal and interest payments on the bonds are secured by an irrevocable first lien on and a pledge of net revenues of the City's combined waterworks and sanitary sewer system.

Under terms of the contract, the City is to pay to the Authority amounts equal to the operation and maintenance expenses of the System plus the amounts necessary for the debt service payments on the Authority's bonds. All such payments shall constitute reasonable and necessary operating expenses of the City's combined waterworks and sanitary sewer system. The City has made all payments when due.

On June 26, 1991, the City and the Authority entered into an amendatory contract that provides for the issuance of additional bonds, the proceeds of which were used to improve and expand the water treatment and distribution system. The Authority issued Series 1991 bonds in the amount of \$1.6 million to fund the cost of construction of a treatment plant expansion, treated water pipeline and a 150,000-gallon elevated storage tank to provide potable water service to the Texas Department of Criminal Justice Polunsky prison unit in Polk County.

WATER AND WASTE TREATMENT

The water and waste treatment facilities available to the City include a raw water pumping station, water treatment plant, sewage treatment plant, three (3) water wells and nineteen (19) sewage lift stations.

The existing wastewater treatment plant was constructed in 1992 with financing through the issuance of Combined Tax and Revenue Certificates of Obligation, Series 1991. It is a 2.25 MGD activated sludge extended aeration (Sequential Batch Reactor - SBR) plant consisting of: bar screen, grit canals (2), lift station, splitter box, one SBR basin, two ultraviolet disinfection channels, two sludge holding tanks and four rapid drying sludge beds.

TABLE 1 - CAPACITY OF WASTEWATER TREATMENT PLANT

Designed Capacity – Average Daily Flow (gal/day)	2.250 MGD
Designed Capacity – Peak Two Hour Flow (gal/day)	6.750 MGD
Peak Daily Use to Date - 2.854 MGD on 10/29/09 ⁽¹⁾	
Average Flow for 2009 - 1.253 MGD ⁽¹⁾	

(1) Through December 31, 2009.

WATER DISTRIBUTION AND WASTE COLLECTION

The water distribution system includes approximately 70 miles of mains ranging in size from 2" diameter to 12" diameter. Static water pressure on the system ranges from 25 psi to 125 psi. There are two (2) overhead storage tanks in the system with a total storage capacity of 845,000 gallons and two ground storage tanks with a total storage capacity of 850,000 gallons. Fire protection is a secondary function of the water distribution system. Maintenance of fire hydrants, along with other appurtenances, is carried out by the city water department.

All mains and appurtenances are installed in accordance with applicable codes adopted by the City Council. Actual construction is performed by either the City or private contractors, as circumstances warrant.

The Trinity River Authority financed and constructed a treated water pipeline and a 150,000-gallon elevated storage tank for the delivery of potable water to the TDCJ Polunsky prison -unit.

Installation of water connections (taps) and service connections from the main to a point outside the curb area or point of the meter set is performed only by municipal employees or a contractor approved by the City. A charge is made by the City for each new tapping of the water mains for a connection. The fee for making taps and furnishing and installing meters and boxes is determined from the following schedule and is payable in advance.

TABLE 2 - SCHEDULE OF WATER TAP AND METER FEES

If not necessary to cut a paved street	\$500.00	*
If necessary to cut a paved street	\$650.00	*
* 3/4" Connection		

The above price includes the installation of a 5/8" x 3/4" meter. This cost includes all labor, materials, and equipment necessary to make the tap, run the service line and set the meter.

TABLE 3 - WATER RATES (EFFECTIVE OCTOBER 1, 2006)

Residential	
	Inside City
First 2,000 Gallons	\$15.00 Minimum
Over 2,000 Gallons	\$3.00/M Gallons
Commercial	
First 2,000 Gallons	\$20.00 Minimum
Next 98,000 Gallons	\$3.00/M Gallons
Next 100,000 Gallons	\$3.50/M Gallons
Over 200,000 Gallons	\$4.00/M Gallons
Industrial	
First 2,000 Gallons	\$20.00 Minimum
Over 2,000 Gallons	\$3.00/M Gallons

Outside City Limits - An additional \$10.00 will be added to customer's bills outside the corporate limits of the City.

TABLE 4 - SEWER RATES (EFFECTIVE OCTOBER 1, 2006)

Residential	
First 2,000 Gallons	\$15.00 (Minimum)
Over 2,000 Gallons	\$1.00/M Gallons
Up to a Monthly Maximum Sewer Charge	\$25.00
Commercial	
First 2,000 Gallons	\$20.00 (Minimum)
Over 2,000 Gallons	\$3.00/M Gallons

The City of Livingston bears full responsibility for maintenance of the water distribution system through the customer's meter. Department personnel will assist when requested, at no charge, in determining causes and remedies of water problems on private property within reasonable limits.

TABLE 5 - SCHEDULE OF SEWER TAP FEES

If not necessary to cut a paved street	\$500.00 *
If necessary to cut a paved street	\$650.00 *
* 3/4" Connection	

TABLE 6 - AVERAGE DAILY WATER CONSUMPTION AND SYSTEM INFORMATION

Calendar Year	Average Daily Water Consumption (Gallons)	Maximum Daily Water Consumption	Date
2005	1,765,000	2,499,000	06/30/05
2006	1,780,000	2,681,000	06/15/06
2007	1,759,000	2,674,000	09/26/07
2008	1,923,000	2,730,000	07/09/08
2009	1,936,000	2,877,000	06/24/09
Overhead Storage Capacity		845,000 Gallons	
Ground Storage Capacity		850,000 Gallons	

TABLE 7 - NUMBER OF WATER/SEWER CUSTOMERS

Year	Water	Sewer
2005	3,187	2,907
2006	3,214	2,925
2007	3,207	2,918
2008	3,221	2,931
2009	3,237	2,946

TABLE 8 - TEN LARGEST WATER CUSTOMERS

<u>Name of Company</u>	<u>Annual Usage (Gallons)</u>	<u>% of Total Gallons Consumed</u>
Texas Department of Criminal Justice	\$ 233,752,000	43.26%
IAH Detention Center	31,065,000	5.75%
Memorial Medical Center	14,071,000	2.60%
Livingston ISD	13,640,000	2.52%
Camp Cho Yeh	7,586,000	1.40%
Pine Hill Apartments	6,897,000	1.28%
County of Polk	4,806,000	0.89%
Walmart	4,215,000	0.78%
The Bradford at Brookside	3,397,000	0.63%
Pine Ridge Health Care	2,539,000	0.47%
Total Usage by Top Ten	<u>\$ 321,968,000</u>	<u>59.59%</u>

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

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**LIVINGSTON REGIONAL
WATER SUPPLY SYSTEM
ENTERPRISE FUND**

**TRINITY RIVER AUTHORITY OF TEXAS
LIVINGSTON REGIONAL WATER SUPPLY SYSTEM ENTERPRISE FUND**

**STATEMENT OF NET ASSETS
NOVEMBER 30, 2009**

ASSETS

CURRENT ASSETS:

Cash (Note 1)	\$	50	
Equity in Pooled Cash and Investments (Note 1)		196,206	
Accounts Receivable - Other		293	
Due from Construction Fund		34,187	
Due to Interest and Sinking Fund		(40)	
Due to Reserve Fund		(2,590)	
Prepays and Other Assets		281	
Total Current Assets			\$ 228,387

RESTRICTED ASSETS (Note 1):

Interest and Sinking Fund:			
Equity in Pooled Cash and Investments	\$	25,067	
Due from Current Assets		40	25,107
Reserve Fund:			
Equity in Pooled Cash and Investments		72,730	
Due from Current Assets		2,590	75,320
Construction Fund:			
Accounts Receivable - Contracting Party		34,187	
Due to Current Assets		(34,187)	NIL
Total Restricted Assets			100,427

CAPITAL ASSETS (Note 3):

Land and Easements		88,584	
Water Transportation and Treatment Facilities (Note 2)		5,131,196	
Accumulated Depreciation		(3,121,963)	2,009,233
Machinery and Equipment		199,571	
Accumulated Depreciation		(159,031)	40,540
Construction-in-Progress (Note 2)		368,634	
Total Capital Assets - Net			2,506,991

DEFERRED CHARGES - Unamortized Bond Expense 8,672

TOTAL ASSETS 2,844,477

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

Accounts Payable and Accrued Expenses	\$ 54,800	
Accounts Payable - Contracting Party	73,336	\$ 128,136

Payable from Restricted Assets:

Revenue Bonds - Current Maturities (Note 4)	70,000	
Accrued Interest on Bonds Payable	1,773	71,773
Total Current Liabilities		199,909

LONG-TERM LIABILITIES:

Revenue Bonds, Less Current Maturities (Note 4)	70,000	
Unamortized Bond Premium (Discount)	(83)	
Deferred Amount on Refunding	(6,711)	
Accounts Payable and Accrued Liabilities	17,973	
Total Long-Term Liabilities - Net		81,179

TOTAL LIABILITIES**281,088****NET ASSETS**

Invested in Capital Assets, Net of Related Debt	2,436,992
Restricted for Debt Service	23,334
Unrestricted	103,063

TOTAL NET ASSETS**\$ 2,563,389**

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

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

EXHIBIT 15-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED NOVEMBER 30, 2009

OPERATING REVENUE -		
Contract Revenue (Note 2)		\$ 1,107,693
OPERATING EXPENSES:		
Personal Services	\$ 257,940	
Supplies	240,042	
Other Services and Charges	427,952	
Depreciation	<u>139,822</u>	
Total Operating Expenses		<u>1,065,756</u>
OPERATING INCOME		41,937
NON-OPERATING REVENUE (EXPENSES):		
Investment Income	5,188	
Interest Expense	(10,368)	
Amortization of Bond Sale Expenses	(5,174)	
Paying Agent Fees	(382)	
SEC Disclosure Fees	(3,500)	
Other	<u>901</u>	
Total Non-Operating Revenue (Expense) - Net		<u>(13,335)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS		28,602
CONTRIBUTIONS (Note 5)		34,187
TRANSFERS IN (Note 6)		<u>6,570</u>
CHANGE IN NET ASSETS		69,359
NET ASSETS - DECEMBER 1, 2008		<u>2,494,030</u>
NET ASSETS - NOVEMBER 30, 2009		<u>\$ 2,563,389</u>

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

**TRINITY RIVER AUTHORITY OF TEXAS
LIVINGSTON REGIONAL WATER SUPPLY SYSTEM ENTERPRISE FUND**

EXHIBIT 15-3

**STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,084,911	
Cash Payments to Suppliers for Goods and Services	(519,370)	
Cash Payments to Employees for Services	(251,824)	
Cash Payments to Other Funds for Services	<u>(154,760)</u>	
Net Cash Provided by Operating Activities		\$ 158,957
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES -		
Transfer from Other Authority Funds		6,570
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(59,687)	
Principal Paid on Revenue Bond Maturities	(70,000)	
Interest Paid on Revenue Bonds and Related Fees	(7,735)	
Paying Agent Fees	(428)	
SEC Disclosure Fees	(3,500)	
Proceeds From Sale of Capital Assets	<u>901</u>	
Net Cash Used for Capital and Related Financing Activities		(140,449)
CASH FLOWS FROM INVESTING ACTIVITIES -		
Cash Received for Investment Income		<u>5,188</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		30,266
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>263,787</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 294,053</u>
RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income		\$ 41,937
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation	\$ 139,822	
Change in Assets and Liabilities:		
Accounts Receivable - Other	(177)	
Prepays and Other Assets	(74)	
Accounts Payable	231	
Accounts Payable - Contracting Party	<u>(22,782)</u>	
Total Adjustments		<u>117,020</u>
Net Cash Provided by Operating Activities		<u>\$ 158,957</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Amortization of Bond Premium/Discount		\$ 83
Amortization of Deferred Amount on Refunding		3,355

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

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

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED NOVEMBER 30, 2009

1. See Exhibit 1-10, Note 1 for summary of significant accounting and reporting policies.
2. The Authority has entered into a contract with the City of Livingston, Texas 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. The City agreed, among other things, to pay the operation and maintenance expenses of the facilities and to meet the debt service obligations on the bonds - See Note 4.

Bonded debt for which the City has agreed to pay consists of revenue refunding bonds that are secured by and payable from net revenues of the fund. Specifically, net revenues from contracts between the Authority and the 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, 2009, debt service of \$76,930 was secured by pledged revenues of \$76,533, and interest income earned on accounts restricted for debt service of \$397. The pledge continues for the life of the bonds.

During fiscal year 2007, the Authority entered into an engineering services contract for design of increased capacity to a treated water pipeline to provide adequate water during peak flow conditions. The contract maximum compensation totals \$740,000. As of the end of fiscal year 2009, the Authority had incurred \$368,634 for engineering services related to this contract. The Authority will receive interim funding from the City of Livingston for payment of these services. The Authority plans to issue bonds to fund the entire cost of expansion and the City of Livingston 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, 2009 were as follows:

	<u>Balance</u> <u>December 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>November 30, 2009</u>
Land and Easements	\$ 88,584			\$ 88,584
Water Transportation and Treatment Facilities	5,131,196			5,131,196
Accumulated Depreciation	(2,993,183)	\$ (128,780)		(3,121,963)
Machinery and Equipment	194,874	25,501	\$ (20,804)	199,571
Accumulated Depreciation	(168,793)	(11,042)	20,804	(159,031)
Construction-in-Progress	<u>334,447</u>	<u>34,187</u>	<u> </u>	<u>368,634</u>
Total	<u>\$ 2,587,125</u>	<u>\$ (80,134)</u>	<u>NIL</u>	<u>\$ 2,506,991</u>

4. Changes in the long-term debt during the year ended November 30, 2009 were as follows:

<u>Series</u>	<u>Balance December 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance November 30, 2009</u>	<u>Current Portion</u>
2003	\$ 210,000	NIL	\$ 70,000	\$ 140,000	\$70,000
Compensated Absences	<u>24,871</u>	<u>\$ 12,853</u>	<u>7,968</u>	<u>29,756</u>	<u>11,783</u>
Total Long- Term Debt	<u>\$ 234,871</u>	<u>\$ 12,853</u>	<u>\$ 77,968</u>	<u>\$ 169,756</u>	<u>\$81,783</u>

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

The Authority's Revenue Refunding Bonds (Livingston Regional Water Supply System (Series 2003) bear interest at a rate of 3.0% to 3.9% per annum and mature serially on August 1 of each year.

Annual debt service requirements to maturity, including interest, for Series 2003 are set forth in Exhibit 49 and are summarized as follows:

<u>Year Ending November 30</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 5,320	\$ 70,000
2011	<u>2,730</u>	<u>70,000</u>
Total	<u>\$ 8,050</u>	<u>\$ 140,000</u>

In prior years, the Authority issued bonds to fully refund the Series 1991 Revenue Bonds. The net proceeds plus certain reserve and interest and sinking funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the Livingston Regional Water Supply System financial statements. Prior to November 30, 2009, all such old bonds have been called and no bonds are considered defeased as of year end.

5. In 2009, Livingston Regional Water Supply System Enterprise Fund billed \$34,187 to the City of Livingston to fund a treated water pipeline engineering design study.
6. In 2009, Livingston Regional Water Supply System Enterprise Fund received a transfer of \$6,570 from the Risk Retention Fund as a rebate of insurance premiums.

**TRINITY RIVER AUTHORITY OF TEXAS
LIVINGSTON REGIONAL WATER SUPPLY SYSTEM ENTERPRISE FUND**

**SCHEDULE OF EXPENSES - BUDGETED AND ACTUAL
YEAR ENDED NOVEMBER 30, 2009**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
WATER TRANSPORTATION:			
Personal Services:			
Salaries - Regular	\$ 194,200	\$ 194,200	\$ 191,470
Payroll Taxes - FICA	14,860	14,860	13,522
Employee Benefit - Health/Life Insurance	34,730	34,730	34,278
Employee Benefit - Pension	21,690	21,690	18,505
Employee Recognition Program	580	580	111
Employee Benefit - Education	1,000	1,000	54
Total	267,060	267,060	257,940
Supplies:			
Office Supplies	1,400	1,400	1,153
Dues and Subscriptions	500	500	360
Fees - Other Than Dues and Subscriptions	1,900	1,900	1,308
Maintenance and Operating Supplies	18,400	18,400	16,277
Laboratory Supplies	5,750	7,000	6,284
Process Chemicals and Supplies	224,430	217,380	199,113
Fuel, Oil and Lubricants	13,600	13,600	5,690
Computer Software, Lic. & Instr. Supplies	10,500	10,500	9,857
Total	276,480	270,680	240,042
Other Services and Charges:			
Auditing	4,650	4,850	4,800
Legal	250	250	
Outside Services	1,650	3,150	2,286
Other Professional Services	250	250	135
Information Technology Support	11,620	11,620	11,620
Telephone and Telemetry	6,240	7,790	7,705
Postage	250	350	310
Printing and Binding	200	200	32
Insurance	7,850	7,850	7,850
Travel	1,200	1,200	730
Laundry, Uniform and Ind. Equipment	3,400	3,400	2,143
Training	1,960	1,960	1,755
Water	58,400	58,400	58,400
Power	133,760	133,760	108,502
Repairs and Maintenance - Improvements			
Other Than Buildings	13,000	13,000	10,830
Repairs and Maintenance - Equipment	1,800	1,800	1,430
Repairs and Maintenance - Plant & Bldgs.	62,900	62,900	50,489
Repairs and Maintenance - Vehicles	1,200	1,200	(837)
Total Forward	310,580	313,930	268,180

EXHIBIT 15-5

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Forward	\$ 310,580	\$ 313,930	\$ 268,180
Rent - Machinery and Equipment	400	1,600	1,376
Interfund Services and Charges	2,500	3,700	3,636
Operating Overhead	102,370	102,370	102,370
Administrative Overhead	52,390	52,390	52,390
Total	468,240	473,990	427,952
TOTAL OPERATING EXPENSES EXCLUSIVE OF DEPRECIATION AND AMORTIZATION	1,011,780	1,011,730	925,934
CAPITAL OUTLAYS - Machinery and Equipment	35,500	35,500	25,501
DEBT SERVICE:			
Bond Principal Payments	70,000	70,000	70,000
Interest on Long-Term Debt*	6,930	6,930	6,930
Paying Agent Fees	500	500	382
SEC Debt Disclosure Fees	3,500	3,500	3,500
TOTAL DEBT SERVICE	80,930	80,930	80,812
TOTAL	\$ 1,128,210	\$ 1,128,160	\$ 1,032,247

* For Interest on Long-Term Debt, amounts represent interest expense and amount excludes amortization of deferred amount on refunding.

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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LAW OFFICES
M^cCALL, PARKHURST & HORTON L.L.P.

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1800 ONE AMERICAN CENTER
AUSTIN, TEXAS 78701-3248
TELEPHONE: 512 478-3805
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717 NORTH HARWOOD
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DALLAS, TEXAS 75201-6587
TELEPHONE: 214 754-9200
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700 N. ST. MARY'S STREET
1525 ONE RIVERWALK PLACE
SAN ANTONIO, TEXAS 78205-3503
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Proposed Form of Opinion of Bond Counsel

[Closing Date]

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

**TRINITY RIVER AUTHORITY OF TEXAS CONTRACT REVENUE BONDS,
SERIES 2010 (LIVINGSTON REGIONAL WATER SUPPLY SYSTEM PROJECT),
DATED SEPTEMBER 1, 2010, IN THE PRINCIPAL AMOUNT OF \$2,715,000**

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which mature and bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, all as provided in the resolution of the Issuer authorizing the issuance of the Bonds (the "Bond Resolution").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and duly delivered, all in accordance with law; and that, except as may be limited by laws relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, (i) the covenants and agreements in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Bonds constitute valid and legally binding special obligations of the Issuer, which, together with other parity bonds, are secured by and payable from a first lien on and pledge of the Issuer's Net Revenues from the "Trinity River Authority of Texas - City of Livingston Water System Services Contract", entered into as of February 22, 1978, as amended by the "Trinity River Authority of Texas - City of Livingston Water System Services Amendatory Contract", entered into as of June 26, 1991, between the Issuer and the City of Livingston, Texas, with respect to the Issuer's water supply and treatment system serving said City (collectively, the "Contract"), and (ii) the Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with its terms and provisions.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional parity revenue bonds which also may be secured by and made payable from a first

lien on and pledge of the aforesaid Net Revenues from the Contract.

THE ISSUER also has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution with the approval of the holders and/or registered owners of two-thirds in principal amount of all outstanding bonds which are secured by and payable from a first lien on and pledge of the aforesaid Net Revenues from the Contract.

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 Bond Resolution.

IT IS FURTHER OUR OPINION, that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) is not includable in an owner's alternative minimum taxable income under section 55 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 if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL
SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100



Financial Advisory Services
Provided By

FirstSouthwest 
A PlainsCapital CompanySM