

OFFICIAL STATEMENT

Dated February 2, 2011



(See "Continuing Disclosure of Information" herein)

Ratings:
S&P: "AA+" (stable outlook)
AGC Insured
See ("Bond Insurance" and "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

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

\$4,735,000

**TRINITY RIVER AUTHORITY OF TEXAS
TOWN OF FLOWER MOUND WASTEWATER TRANSPORTATION CONTRACT
REVENUE BONDS, SERIES 2011**

Dated Date: February 1, 2011

Due: August 1, as shown on inside cover

Interest will accrue from the date of delivery

PAYMENT TERMS . . . Interest on the \$4,735,000 Trinity River Authority of Texas Town of Flower Mound Wastewater Transportation Contract Revenue Bonds, Series 2011 (the "Bonds") will accrue from the date of delivery of the Bonds and will be payable February 1 and August 1 of each year commencing August 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, Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended and other applicable laws. Under the Constitution and the statutes of the State of Texas, the Trinity River Authority of Texas (the "Authority" or "Issuer") has broad powers to effectuate flood control and the conservation and use for all beneficial purposes of storm and flood waters in the Trinity River watershed, and as a necessary aid to these purposes, the Authority has specific authority to construct, own and operate water and wastewater treatment, collection and transportation systems, and to make contracts in reference thereto with municipalities and others.

PURPOSE . . . Proceeds from the sale of the Bonds will be used to design, acquire and construct the Town of Flower Mound's portion of Phase 2 of the Graham Branch Wastewater Transportation System, consisting of a lift station and force main used to transport wastewater from the Towns of Flower Mound, Argyle and Northlake, Texas to the Authority's Denton Creek Regional Wastewater System and to pay the costs associated with the issuance of the Bonds (see "The System - The Project").

INSURANCE . . . The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY CORP.



CUSIP PREFIX: 896560

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

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

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about February 22, 2011.

MATURITY SCHEDULE**CUSIP Prefix: 896560 ⁽¹⁾**

Maturity (8/1)	Amount	Rate	Yield	CUSIP Suffix ⁽¹⁾	Maturity (8/1)	Amount	Rate	Yield	CUSIP Suffix ⁽¹⁾
2011	\$ 150,000	6.000%	0.600%	VD8	2021	\$ 230,000	4.000%	3.800%	VP1
2012	160,000	6.000%	0.700%	VE6	2022	240,000	4.000%	4.000%	VQ9
2013	170,000	5.500%	1.100%	VF3	2023	250,000	4.000%	4.170%	VR7
2014	175,000	4.000%	1.550%	VG1	2024	265,000	4.125%	4.320%	VSS
2015	180,000	4.000%	2.000%	VH9	2025	275,000	4.250%	4.450%	VT3
2016	190,000	3.000%	2.300%	VJ5	2026	290,000	4.500%	4.600%	VU0
2017	195,000	3.000%	2.600%	VK2	2027	305,000	4.500%	4.700%	VV8
2018	205,000	3.500%	3.000%	VL0	2028	320,000	4.625%	4.800%	VW6
2019	215,000	4.000%	3.270%	VM8	2029	340,000	4.750%	4.880%	VX4
2020	220,000	4.000%	3.550%	VN6	2030	360,000	4.750%	4.950%	VY2

(Accrued Interest from the Date of Delivery)

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

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 reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain information set forth herein has been obtained from the Authority, the Town 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 Town or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's and Town's undertakings to provide certain information on a continuing basis.

NEITHER THE AUTHORITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM OR ASSURED GUARANTY CORP. ("AGC") 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 AGC.

Assured Guaranty Corp. ("AGC") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGC 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 AGC supplied by AGC and presented under the heading "Bond Insurance" and "Appendix D - Specimen Financial Guaranty 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	CONTINUING DISCLOSURE OF INFORMATION	43
AUTHORITY OFFICIALS, STAFF AND		OTHER INFORMATION	44
CONSULTANTS	7	RATINGS	44
INTRODUCTION	9	LITIGATION	45
THE BONDS	9	REGISTRATION AND QUALIFICATION OF BONDS FOR	
BOND INSURANCE	15	SALE	45
THE SYSTEM	15	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE	
DEBT INFORMATION	18	PUBLIC FUNDS IN TEXAS.....	45
TABLE 1 - DEBT SERVICE REQUIREMENTS	18	LEGAL MATTERS.....	45
SELECTED CONTRACT PROVISIONS.....	19	AUTHENTICITY OF FINANCIAL DATA AND OTHER	
SELECTED PROVISIONS OF BOND		INFORMATION.....	46
RESOLUTION.....	25	FINANCIAL ADVISOR.....	46
THE AUTHORITY	37	INITIAL PURCHASER	46
THE AUTHORITY'S ACTIVITIES	37	FORWARD-LOOKING STATEMENTS DISCLAIMER	46
THE AUTHORITY'S REVENUE-BASED PROJECTS	37	CERTIFICATION OF THE OFFICIAL STATEMENT	47
THE FUTURE ROLE OF THE AUTHORITY.....	39	APPENDICES	
PENSION PLAN.....	39	BIOGRAPHICAL INFORMATION.....	A
OTHER OUTSTANDING INDEBTEDNESS OF THE		CERTAIN FINANCIAL AND OPERATING DATA	
AUTHORITY	40	OF THE TOWN OF FLOWER MOUND, TEXAS.....	B
TAX MATTERS	41	FORM OF LEGAL OPINION OF BOND COUNSEL	C
		SPECIMEN FINANCIAL GUARANTY INSURANCE	
		POLICY	D

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 TOWN The Town of Flower Mound, Texas is a political subdivision and municipal corporation of the State, located in Denton County, Texas. The Town operates under the Council/Manager form of government where the Mayor and five Councilmembers are elected for staggered two-year terms. The Town Council formulates operating policy for the Town while the Town Manager is the chief administrative officer. The estimated 2010 population for the Town is 62,950. The Town covers approximately 45 square miles.

THE BONDS..... The Bonds are issued as \$4,735,000 Trinity River Authority of Texas Town of Flower Mound Wastewater Transportation Contract Revenue Bonds, Series 2011. The Bonds are issued as serial bonds maturing 2011 through 2030 (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 Gross Revenues of the Authority under the Contract entered into with the Town of Flower Mound, Texas, located in Denton and Tarrant Counties, Texas (the “Town”), (see “The Bonds - Security and Source of Payment”).

REDEMPTION..... The Authority reserves the right, at its option, to redeem Bonds having state 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, including the alternative minimum tax on corporations.

USE OF PROCEEDS FOR

THE BONDS..... Proceeds from the sale of the Bonds will be used to design, acquire and construct the Town’s portion of Phase 2 of the Graham Branch Wastewater Transportation System, consisting of a lift station and force main used to transport wastewater from the Towns of Flower Mound, Argyle and Northlake, Texas to the Authority’s Denton Creek Regional Wastewater System and to pay the costs associated with the issuance of the Bonds (see “The System – The Project”).

RATINGS Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign a rating of "AA+" (stable outlook) to the Bonds based upon the financial guaranty insurance policy of AGC 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. The presently outstanding revenue debt of the Town is rated "A+" by S&P. (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. Warren N. Brewer, Jr.*		Mr. W. Boyd London, Jr.
Ms. Patricia M. Cleveland		Ms. Mary Williams
Mr. Bill R. Smith	or	First Southwest Company
Ms. Fiona Allen (after March 1, 2011)		325 North St. Paul Street, Suite 800
Trinity River Authority of Texas		Dallas, Texas 75201
Northern Region		(214) 953-4000
P.O. Box 240		
Arlington, Texas 76004		
(817) 493-5100		

*Warren Brewer will be retiring February 28, 2011.

AUTHORITY OFFICIALS, STAFF AND CONSULTANTS

Board Members	Position	Area Represented
Linda D. Timmerman, Ed.D.	President and Member, Executive Committee	Freestone County
Harold L. Barnard	Vice-President and Member, Executive Committee	Ellis County
Michael Cronin	Chairman, Executive Committee	Kaufman County
Herschel S. Brannen III	Member, Administration Committee	Trinity County
Karl R. Butler	Member, Legal Committee	Dallas County
Patricia 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 B. Davis	Member, Administration Committee	Leon County
Ronald J. Goldman	Member, Utility Services Committee	Director at Large
Martha A. Hernandez	Member, Legal Committee	Tarrant County
John W. Jenkins	Chairman, Legal Committee, Member, Exec. Comm.	Director at Large
Keith W. Kidd	Member, Legal Committee	Dallas County
Jess A. Laird	Member, Administration Committee	Henderson County
Nancy E. Lavinski	Chair, Administration Committee, Member, Exec. Comm.	Anderson County
David B. Leonard	Member, Utility Services Committee	Liberty County
Andrew Martinez	Member, Legal Committee	Walker County
Kevin Maxwell	Member, Utility Services Committee	Houston County
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.....	Regional Manager, Northern Region*
Jimmie R. Sims.....	Regional Manager, Southern Region
Robert E. Moore, CPA	Manager, Financial Services
Thomas D. Sanders.....	Construction Services Manager
Don A. Tucker	General Services Manager
J. Sam Scott	Executive Services Manager
Howard S. Slobodin.....	Secretary, Board of Directors and Staff Attorney

*Announced retirement. J. Kevin Ward has been selected to replace Danny F. Vance. Ms. Fiona Allen, P.E. has been selected to replace Warren N. Brewer effective March 1, 2011.

Consultants and Advisors

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

[This Page is Intentionally Left Blank]

OFFICIAL STATEMENT

RELATING TO

\$4,735,000

TRINITY RIVER AUTHORITY OF TEXAS TOWN OF FLOWER MOUND WASTEWATER TRANSPORTATION CONTRACT REVENUE BONDS, SERIES 2011

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$4,735,000 Trinity River Authority of Texas Town of Flower Mound Wastewater Transportation Contract Revenue Bonds, Series 2011 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in Resolution No. 1311, adopted by the Board of Directors of the Authority, which authorize the issuance of the Bonds, except as otherwise indicated herein (see "Selected Provisions of Bond Resolution").

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

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

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

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated February 1, 2011, and mature on August 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will accrue from the date of delivery of the Bonds, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1, commencing August 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 the Authority Act, Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended and other applicable laws. Under the Constitution and the statutes of the State of Texas, the Authority has broad powers to effectuate flood control and the conservation and use for all beneficial purposes of storm and flood waters in the Trinity River watershed, and as a necessary aid to these purposes, the Authority has specific authority to construct, own and operate water and wastewater treatment, collection and transportation systems, and to make contracts in reference thereto with municipalities and others.

SECURITY AND SOURCE OF PAYMENT . . . The Authority has entered into a contract (the "Contract") with the Town of Flower Mound, located in Denton and Tarrant Counties, Texas (the "Town") to enable it to provide wastewater transmission facilities for the benefit of the Town (see "The System-The Project"). The Town has agreed to pay to the Authority its cost of debt service on the Bonds. The debt service on any Additional Bonds that are required to complete the construction of this phase of the project or any future additions or expansions will be paid by the Town. The Town will pay its obligation to the Authority out of moneys received from the operation of its Combined Waterworks and Sewer System, said obligation being an operation and maintenance expense of the Town which is senior to the Town's wastewater and sewer system revenue debt. The Bonds, and interest thereon, are payable solely from Gross Revenues to be received by the Authority under the terms of the Contract, and the Authority has pledged these Gross Revenues to the punctual payment of these obligations, when due.

RESERVE FUND . . . There has been created a Reserve Fund to be used to finally retire or to pay when due debt service on the Bonds and any Additional Bonds to the extent the amounts in the Interest and Sinking Fund are insufficient. The Resolution provides that so long as the market value of the money and investments in the Reserve Fund are not less than a "Required Amount" equal to the average annual principal and interest requirements of the Bonds and Additional Bonds, no deposit to the Reserve Fund is required. (See "SELECTED PROVISIONS OF BOND RESOLUTION").

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.

NOTICE OF REDEMPTION AND DTC NOTICES . . . At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity, the Authority shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING BONDS OR PORTIONS THEREOF HAVE NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BONDS OR PORTIONS THEREOF SHALL CEASE TO ACCRUE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Authority, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Authority will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the Authority, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Authority or the Paying Agent/Registrar. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect

participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds 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 Resolutions 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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

SOURCES OF FUNDS

Par Amount of Bonds	\$ 4,735,000.00
Reoffering Premium	30,391.00
Total Sources of Funds	<u>\$ 4,765,391.00</u>

USES OF FUNDS

Deposit to the Project Construction Fund	\$ 4,249,834.23
Cost of Issuance ⁽¹⁾	162,000.00
Deposit to Debt Service Reserve Fund	353,556.77
Total Use of Proceeds	<u>\$ 4,765,391.00</u>

⁽¹⁾ Includes Insurance Premium

[Remainder of this Page Intentionally Left Blank]

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Corp. (“AGC” or the “Insurer”) will issue its financial guaranty insurance policy (the “Policy”) for the Bonds. 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 an exhibit 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 CORP.

AGC is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. AGC commenced operations in 1988. AGC is a wholly owned, 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. Neither AGL nor any of its shareholders is obligated to pay any debts of AGC or any claims under any insurance policy issued by AGC.

AGC’s financial strength is rated “AA+” (stable outlook) by Standard & 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 AGC at the then current rating level. Each rating of AGC 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 AGC 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 AGC. AGC 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 January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the “Bond Insurance RFC”) in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGC) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGC) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGC’s counterparty credit and financial strength rating from “AAA” (negative outlook) to “AA+” (stable outlook). 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 AGC 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.

In a press release dated December 18, 2009, Moody’s announced that it had confirmed its “Aa3” insurance financial strength rating of AGC, 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 AGC.

For more information regarding AGC’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 (“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, 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, and AGL’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, which was filed by AGL with the SEC on November 9, 2010.

CAPITALIZATION OF ASSURED GUARANTY CORP.

As of September 30, 2010, AGC had total admitted assets of \$2,960,883,225 (unaudited), total liabilities of \$1,988,304,080 (unaudited), total surplus of \$972,579,145 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,639,152,806 (unaudited), in each case, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The portions of the following documents filed by AGL with the SEC relating to AGC are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- 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);
- 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);
- the Current Report on Form 8-K dated August 6, 2010;
- 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); and
- the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (which was filed by AGL with the SEC on November 9, 2010).

All consolidated financial statements of AGC and all other information relating to AGC included in documents filed by AGL with the SEC 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 prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE — Assured Guaranty Corp." shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of AGC incorporated by reference herein and of the statutory financial statements filed by AGC with the Maryland Insurance Administration are available upon request by contacting AGC at 31 West 52nd Street, New York, New York 10019 or by calling AGC at (212) 974-0100. In addition, the information regarding AGC that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

AGC makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGC 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 AGC supplied by AGC and presented under the heading "BOND INSURANCE".

[Remainder of this Page Intentionally Left Blank]

THE SYSTEM

THE SYSTEM. . . The Denton Creek Regional Wastewater System was established in October 1987 through approval of contracts for service between the cities of Fort Worth, Haslet, and Roanoke and the Trinity River Authority of Texas. The contracts committed the Authority to finance, design, construct, and operate a wastewater treatment system to serve the three initial contracting parties and future contracting parties. The contracts committed the three initial contracting parties to pay a proportionate share of the Authority's annual costs for operating, maintaining, and servicing debt associated with the treatment system, such obligation to be further divided among additional contracting parties on a proportionate basis for use of the system. Contracts were subsequently approved providing for the addition of the parties of the cities of Keller and Southlake; the towns of Argyle, Flower Mound, Northlake, and Westlake; and the Circle T Municipal Utility District Nos. 1 & 3. To facilitate transportation of wastewater flows from the system's contracting parties to the treatment system, the Authority has entered into several separate contracts with one or more of the system contracting parties providing for the Authority's financing, design, and construction of various pipeline systems, the costs for which are being borne by the parties served by these pipeline systems.

The original wastewater plant was placed in service in 1989, and was rated at 0.84 million gallons per day (MGD). The System currently features a 11.5 MGD activated sludge wastewater treatment plant from the recent expansion of the 5.0 MGD facility capacity.

THE PROJECT⁽¹⁾. . . In 2008, the Authority entered into the Denton Creek Wastewater Transportation Contract with the towns of Argyle, Flower Mound, and Northlake for the design and construction of a wastewater transportation project to serve all three towns. The contract provides for the Authority to issue contract revenue bonds for the town of Flower Mound's proration cost of the Project. Funding of the towns of Argyle and Northlake has been provided by cash contributions made to the Authority.

The Wastewater Transportation Project includes the construction of three gravity sanitary sewer pipelines that will provide wastewater transportation for the towns of Argyle, Flower Mound, and Northlake. The gravity pipelines have been identified in four basic pipeline segments that range in size (inside diameter) from 15 inches to 30 inches. All four segments total approximately 9.5 miles of wastewater pipelines.

In addition, numerous meter stations will be constructed and are located at specific points in each pipeline segment for the proper metering of wastewater flows. Two of these four pipeline segments specifically provide wastewater transportation for the town of Flower Mound. Funding from the bond proceeds will be used for the construction costs of this Project that will provide wastewater service to Flower Mound.

⁽¹⁾ Is the construction of facilities to transport wastewater from the Denton Creek drainage area into the Denton Creek Regional Wastewater System

[Remainder of this Page Intentionally Left Blank]

DEBT INFORMATION

TABLE 1 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 11/30	The Bonds			Percent of Principal Retired
	Principal	Interest	Total	
2011	\$ 150,000	\$ 90,329	\$ 240,329	
2012	160,000	195,519	355,519	
2013	170,000	185,919	355,919	
2014	175,000	176,569	351,569	
2015	180,000	169,569	349,569	17.63%
2016	190,000	162,369	352,369	
2017	195,000	156,669	351,669	
2018	205,000	150,819	355,819	
2019	215,000	143,644	358,644	
2020	220,000	135,044	355,044	39.28%
2021	230,000	126,244	356,244	
2022	240,000	117,044	357,044	
2023	250,000	107,444	357,444	
2024	265,000	97,444	362,444	
2025	275,000	86,513	361,513	65.89%
2026	290,000	74,825	364,825	
2027	305,000	61,775	366,775	
2028	320,000	48,050	368,050	
2029	340,000	33,250	373,250	
2030	360,000	17,100	377,100	100.00%
	<u>\$ 4,735,000</u>	<u>\$ 2,336,135</u>	<u>\$ 7,071,135</u>	

AUTHORIZED BUT UNISSUED REVENUE BONDS - NONE

ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The Authority does not anticipate the issuance of additional revenue bonds payable from the Contract with the Town of Flower Mound. The Town of Flower Mound does not plan on issuing Waterworks and Sewer System Revenue Bonds within the next twelve months, however, the Town anticipates issuing approximately \$14,485,000 in Certificates of Obligation to fund waterworks and sewer system projects within the next twelve months.

[Remainder of this Page Intentionally Left Blank]

SELECTED CONTRACT PROVISIONS

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

Section 1. RECITALS AND DEFINITION OF TERMS. The recitals set forth in the preamble hereto are hereby incorporated as if set forth in full at this place. The definitions set forth in the preamble to this Contract are incorporated herein as if set forth at this place. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

(a) "Annual Payment" means the amount of money to be paid to the Authority by the Town during each Annual Payment Period in payment of the Annual Requirement.

(b) "Annual Payment Period" means the Authority's Fiscal Year, which currently begins on December 1 of each calendar year and ends on the last day of November of the next calendar year.

(c) "Annual Requirement" means the aggregate during each Annual Payment Period of the Bond Service Requirements with respect to the Bonds for such Annual Payment Period, all as more specifically described and defined in Section 9 of this Contract.

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

(e) "Bonds" means all bonds hereafter issued by the Authority, expected to be in one or more series or issues, and the interest thereon, to acquire and construct the Town's portion of Phase 2 of the Project (including all bonds issued to complete the acquisition and construction of such portion of the Project), and any bonds issued to refund any Bonds or to refund any such refunding bonds.

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

Section 2. CONSULTING ENGINEERS; CONSTRUCTION OF PROJECT. (a) The Authority and the Town agree that the Authority will choose the Consulting Engineers for the Project, provided that the Consulting Engineers may be changed at the option of the Authority. The Authority agrees that the Project will be acquired and constructed in general accordance with the Engineering Report, and in accordance with the laws applicable to the Authority.

(b) It is anticipated that the acquisition and construction of the Town's portion of Phase 2 of the Project, as hereinafter provided, will be financed by the Authority through the issuance of one or more series or issues of its Bonds payable from and secured by Annual Payments made under this Contract. The proceeds from the sale of any Bonds will be used for the payment of the Authority's costs and expenses in connection with the Town's portion of Phase 2 of the Project (including engineering and design costs and expenses, and the cost of the land and interests therein, related to said portion of the Project) and the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs incurred in issuing its Bonds. Such Bonds will be issued by the Authority in the amount actually required to provide for the acquisition and construction of the Town's portion of Phase 2 of the Project and to fund, to the extent deemed advisable by the Authority, any debt service reserve fund, a contingency fund, and interest on Bonds during construction. It is now estimated that such Bonds, if issued, will be issued in an aggregate amount of approximately \$5,250,000 (whether actually more or less), which sum now is estimated to be sufficient to cover the aforesaid costs and expenses and other amounts required. Upon completion of the acquisition and construction of the Town's portion of Phase 2 of the Project, any remaining construction funds derived from the issuance of Bonds shall be deposited promptly into the debt service fund established by the Authority for the payment of principal and interest on the Bonds and applied to reduce the Annual Requirement (hereinafter defined) of the Town to the extent thereof. Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds issued thereunder, which shall mature not more than 30 years from the date of such Bonds, and shall bear interest at not to exceed the maximum legal rates then permitted by law, and each Bond Resolution shall create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed advisable, all in the manner and amounts as provided in such

Bond Resolution. The Town agrees that if and when such Bonds are actually issued and delivered to the purchaser thereof, the Bond Resolution authorizing the Bonds shall for all purposes be deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes. The foregoing notwithstanding, the Authority will not issue and deliver any such Bonds unless (a) the Town Manager of the Town shall have approved in writing the basic pre-sale structure of the Bond Resolution authorizing the Bonds and (b) both Argyle and Northlake shall have deposited with the Authority the funds required by the terms of the Joint Contract for the payment of their respective portions of the costs of Phase 2 of the Project.

Section 3. PROJECT USE BY THE TOWN. (a) In consideration of the payments to be made by the Town under this Contract, the Town is entitled to and shall have a right to discharge its Wastewater into the Project at its Point or Points of Entry hereinafter described, subject to the restrictions hereinafter stated; and provided that the Town must transport such Wastewater to its Point or Points of Entry into the Project.

(b) The total quantity of Wastewater discharged into the Project shall never exceed the amount which the Project and the Regional Wastewater System are capable of receiving, treating, and disposing, unless approved by the Authority, subject to terms and conditions to be established by the Authority. Notwithstanding the foregoing, the Town shall never make any discharge into the Project or the Regional Wastewater System which would cause them to be overloaded or be in violation of applicable discharge permits from the State of Texas and/or the United States of America.

(c) Wastewater meeting the quality requirements of Section 4 of this Contract will be received into the Project at the Points of Entry, respectively, to be established pursuant to mutual agreement between the Authority and the Town. Additional Points of Entry may be established by mutual agreement between the Authority and the Town in the future if such additional Points of Entry are determined by the Authority to be beneficial to the Project.

Section 4. QUALITY. The Town shall discharge into the Project only such Wastewater as it is permitted to discharge into the Regional Wastewater System, and will not discharge into the Project any wastes prohibited by the Regional Wastewater System Contract.

Section 5. METERING OF WASTEWATER. The Authority will furnish and install, for the Town, as part of the Project, such meter stations of standard type as the Authority may determine in its discretion are required for measuring properly all Wastewater discharged into the Project by the Town at such station. Such meters and other equipment shall remain the property of the Authority. The Town shall have access to such metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority in the presence of a representative of the Town if requested by the Town. All readings of meters will be entered upon proper books of record maintained by the Authority. Upon written request the Town may have access to said record books during reasonable business hours.

Section 6. UNIT OF MEASUREMENT. Wastewater discharged into the Project shall be measured in thousands of gallons, U. S. Standard Liquid Measure.

Section 7. LIABILITY FOR DAMAGES AND RESPONSIBILITY FOR WASTEWATER. Liability for damages arising from the transportation, delivery, reception, treatment, and/or disposal of all Wastewater discharged into the Project hereunder shall remain in the Town to its Point or Points of Entry, respectively, into the Project, and title to such Wastewater shall be in the Town to such Point or Points, and upon passing through Points of Entry liability for such damages and title to such Wastewater shall pass to the Authority. As between the Authority and the Town, each party agrees to indemnify and to save and hold the other party harmless, to the extent permitted by applicable law, from any and all claims, demands, causes of action, damages, losses, costs, fines, and expenses, including reasonable attorney's fees, which may arise or be asserted by anyone at any time on account of the transportation, delivery, reception, treatment, and/or disposal while title to the Wastewater is in such party, or on account of a prohibited discharge by the Town.

Section 8. OTHER CONTRACTS. The Town reserves the right to enter into contracts with any other entity which has entered into a Regional Wastewater System Contract with the Authority, for the discharge of Wastewater generated by such entity and the use of any part of the capacity of the Town's portion of the Project; but for the purposes of this Contract such Wastewater shall constitute and be regarded as Wastewater of the Town and no such contract shall relieve the Town of its primary obligation to comply with this Contract and make the pay-

ments to the Authority required under this Contract, nor shall any entity make any discharge into the Project except as permitted in a Regional Wastewater System Contract with the Authority.

Section 9. FISCAL PROVISIONS. Subject to the terms and provisions of this Contract and the Joint Contract, the Authority will provide and pay for the cost of the acquisition and construction of the Town's portion of Phase 2 of the Project by issuing its Bonds in amounts which will be sufficient to accomplish such purpose, and the Authority will own the Project. It is specifically understood and agreed, however, that this Contract does not, and is not intended to, cover or prescribe any matters relating to the operation and maintenance of the Project, and that all matters in connection with and governing the operation and maintenance of the Project and the responsibility and cost thereof are contained in the Regional Wastewater System Contracts. It is acknowledged and agreed that payments to be made to the Authority by the Town under this Contract will be the only source available to the Authority to provide the Annual Requirement, and that the Annual Requirement for each Annual Payment Period shall at all times be not less than an amount sufficient to pay or provide for the payment of the "Bond Service Requirements" equal to:

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

Section 10. PAYMENTS BY THE TOWN. (a) For the Wastewater facilities and services to be provided pursuant to this Contract, the Town agrees to pay, at the time and in the manner hereinafter provided, the Annual Requirement, which shall be determined as herein described and shall constitute the Town's Annual Payment. The Town shall pay the Annual Requirement for each Annual Payment Period directly to the Authority, in monthly installments, on or before the 10th day of each month of each Annual Payment Period, in accordance with the schedule of payments furnished by the Authority.

(b) The Annual Requirement shall be redetermined, after consultation with the Town, at any time during any Annual Payment Period to the extent deemed necessary or advisable by the Authority, if the Authority issues Bonds to complete the Project or to refund any Bonds which require an increase in the Annual Requirement;

(c) All amounts due and owing to the Authority by the Town shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid. The Authority shall, to the extent not prohibited by law, discontinue the services of the Project to the Town if it remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume such services while the Town is so delinquent. However, the Authority shall pursue all legal remedies against the Town to enforce and protect the rights of the Authority and the owners of the Bonds, and the Town shall not be relieved of the liability to the Authority for the payment of all amounts which are due by it hereunder. If any amount due and owing by the Town to the Authority is placed with an attorney for collection, the Town shall pay to the Authority all actual and reasonable attorneys' fees, in addition to all other payments provided for herein, including interest.

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

Section 11. SPECIAL PROVISIONS. (a) It is the intent of the parties that the Project will be placed in operation no later than July 31, 2010, and the Authority agrees to proceed diligently with the design and construction of the Project to meet such schedule, subject to the other terms and conditions in this Contract. It is expressly understood and agreed, however, that any obligation on the part of the Authority to acquire, construct, and

complete the Project shall be (i) conditioned upon the Authority's ability to obtain all necessary land and interests therein, permits, material, labor, and equipment, and upon the ability of the Authority to finance the cost of the Town's portion of Phase 2 of the Project through the actual sale of the Authority's Bonds and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

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

(c) The Town represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its combined waterworks and sewer system, as defined in Chapter 1502, Texas Government Code, and in Section 30.030, Texas Water Code, and that all such payments will be made from the revenues of its combined waterworks and sewer system. The Town represents and has determined that the services to be provided by the Project are necessary and essential to the present and future operation of its combined water and sewer system, and that the Project constitutes the best available and most adequate method for obtaining the Wastewater facilities and services as hereinbefore described, and, accordingly, all payments required by this Contract to be made by the Town shall constitute reasonable and necessary operating expenses of its combined waterworks and sewer system as described above, with the effect that the obligation to make such payments from revenues of such combined waterworks and sewer system shall have priority over any obligation to make any payments from such revenues of principal, interest, or otherwise, with respect to all bonds or other obligations heretofore or hereafter issued by the Town.

(d) The Town agrees throughout the term of this Contract to continuously operate and maintain its combined waterworks and sewer system and to fix and collect such rates and charges for water and sewer services to be supplied by its combined waterworks and sewer system as aforesaid as will produce revenues in an amount equal to at least (i) all of the operating and maintenance expenses of such system, including specifically the payments by the Town under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

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

Section 12. **FORCE MAJEURE.** If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of the Town to make its payments to the Authority as required under this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any Civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 13. **UNCONDITIONAL OBLIGATION TO MAKE PAYMENTS.** Recognizing the fact that the Town urgently requires the facilities and services of the Project, and that such facilities and services are essential

and necessary for actual use and for standby purposes, and recognizing the fact that the Authority will use payments received from the Town to pay and secure its Bonds, it is hereby agreed that the Town shall be unconditionally obligated to pay, without offset or counterclaim, its payments under this Contract, including the Annual Requirement of the Town as provided and determined by this Contract, regardless of whether or not the Authority actually acquires, constructs, or completes the Project or is actually providing the facilities or services of the Project to the Town hereunder, or whether or not the Town actually uses the facilities or services of the Project whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Town shall be for the benefit of and enforceable by the owners of the Bonds and/or the Authority.

Section 14. TERM OF CONTRACT; MODIFICATION; NOTICES; STATE OR FEDERAL LAWS, RULES, ORDERS, OR REGULATIONS; CONFLICTS. (a) This Contract shall be effective from and after the Contract Date, and this Contract shall continue in force and effect until the principal of and interest on all Bonds shall have been paid.

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

(c) Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to the other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the Authority, to:

Trinity River Authority of Texas
5300 S. Collins Street
Arlington, Texas 76018

If to the Town, as follows:

Town of Flower Mound
2121 Cross Timbers Road
Flower Mound, Texas 75028

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

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

(e) Conflicts. To the extent of any conflict between the provisions of Sections 3 through 8, inclusive, of this Contract and the provisions of the Joint Contract, the provisions of the Joint Contract shall control for all purposes.

Section 15. SEVERABILITY. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 16. REMEDIES UPON DEFAULT. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that the Authority's undertaking to provide and maintain the services of the Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that the Town shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of the Town's obligations hereunder could not be adequately compensated in money damages alone, the Town agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstances.

Section 17. VENUE. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Tarrant County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Contract that Tarrant County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Tarrant County, Texas.

[Remainder of this Page Intentionally Left Blank]

SELECTED PROVISIONS OF BOND RESOLUTION

Section 5. PLEDGE. (a) It is specifically recognized that the Town is required to make payments to the Issuer pursuant to the Contract, and particularly under Section 10 thereof, sufficient to enable the Issuer to make all deposits and payments provided for herein, and that the Bonds, and the interest thereon, are and shall be payable solely from and secured by a first lien on and pledge of all of the gross water and sewer system revenues or payments received by the Issuer from the Town under the Contract (hereinafter called the "Gross Revenues"), and said Gross Revenues are further pledged to the establishment and maintenance of the Funds hereinafter created.

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

Section 6. REVENUE FUND. There is hereby created and there shall be established and maintained on the books of the Issuer, and accounted for separate and apart from all other funds and accounts of the Issuer, a special fund to be entitled the "Trinity River Authority of Texas - Town of Flower Mound Wastewater Transportation Contract Revenue Bonds Revenue Fund" (hereinafter called the "Revenue Fund"). All Gross Revenues shall initially be credited to the Revenue Fund promptly as they become available.

Section 7. INTEREST AND SINKING FUND. For the sole purpose of paying the principal of and interest on all Bonds and any Additional Bonds, as the same come due, there is hereby created and there shall be established and maintained on the books of the Issuer, and accounted for separate and apart from all other funds and accounts of the Issuer, a separate fund to be entitled the "Trinity River Authority of Texas - Town of Flower Mound Wastewater Transportation Contract Revenue Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund").

Section 8. RESERVE FUND. (a) There is hereby created and there shall be established and maintained on the books of the Issuer, and accounted for separate and apart from all other funds and accounts of the Issuer, a separate fund to be entitled the "Trinity River Authority of Texas - Town of Flower Mound Wastewater Transportation Contract Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund").

(b) In addition to words and terms otherwise defined in this Resolution, the following definitions shall apply to words and terms used in this section:

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

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

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

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

the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the series of Bonds or Additional Bonds and the interest thereon.

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

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

"Reserve Fund Obligation" means a Credit Facility satisfying the requirements of this section which is deposited in the 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.

(c) Initially, immediately following delivery of the Bonds, the Required Reserve shall be funded by a deposit of bond proceeds or cash. 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 Bonds or Additional 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 (g) 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.

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

(e) The Reserve Fund shall secure and be used to pay all Bonds or Additional 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.

(f) 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 Bonds or Additional Bonds, such funds may only be withdrawn and either (i) deposited into the Interest and Sinking Fund or (ii) applied for a purpose for which such Bonds or Additional Bonds were originally issued. If a Reserve Fund Obligation is used as provided above, any reimbursements required thereunder to be paid to a Credit Facility Provider as a result of a draw or demand thereunder and any interest thereon and expenses payable thereunder shall be made, as provided in the Reserve Fund Obligation, from moneys deposited into the 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.

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

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

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

(3) An unconditional irrevocable letter of credit issued to the Issuer or other party, as agent of the registered owners, by a bank if the issuer thereof, at the time of issuance, is rated by at least two of the following rating agencies in the indicated rating categories, to-wit, at least "AA" by S&P or Fitch or "Aa" by Moody's. The letter of credit shall be payable in one or more draws upon presentation by the Issuer or other party of a sight draft accompanied by its certificate (which must be satisfactory in form and substance to the Issuer or other party and the issuer of the letter of credit) that the Issuer then holds insufficient funds to make a required payment of principal or interest on the Bonds or Additional Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years and shall be subject to an "evergreening" feature so as to provide the Issuer with at least 30 months notice of termination. The issuer of the letter of credit shall be required to notify the Issuer not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the 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.

Section 9. DEPOSITS OF GROSS REVENUES; INVESTMENTS. (a) The Gross Revenues shall be transferred from the Revenue Fund and deposited into the Interest and Sinking Fund and Reserve Fund when and as required by this Resolution.

(b) 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, provided however that the final maturity of any Reserve Fund investment shall not exceed five (5) years from the date of the purchase. 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. Subject to the provisions of Section 8 of this Resolution, 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 Town's Annual Payment under the Contract shall be reduced accordingly.

Section 10. FUNDS SECURED. Money in all Funds created by this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the Issuer.

Section 11. DEBT SERVICE REQUIREMENTS. The Issuer shall transfer Gross Revenues from the Revenue Fund and deposit them to the credit of the Interest and Sinking Fund in the amounts, and at the times, as follows: on or before the first interest payment date for the Bonds, and semiannually thereafter, on or before February 1 and August 1 of each year, an amount sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest and/or principal and interest scheduled to accrue and come due on the Bonds on each such February 1 or August 1.

Section 12. DEFICIENCIES; EXCESS GROSS REVENUES. (a) If on any occasion there shall not be sufficient Gross Revenues to make the required deposits into the Interest and Sinking Fund and Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Gross Revenues.

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

Section 13. PAYMENT OF BONDS AND ADDITIONAL BONDS. On or before the first interest payment date for the Bonds, and semiannually on or before each February 1 and August 1 thereafter while any of the Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the Paying Agent/Registrar therefor, out of the Interest and Sinking Fund, or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Bonds and Additional Bonds as will be payable on each such February 1 and August 1.

Section 14. ADDITIONAL BONDS. (a) The Issuer, with the prior written approval of the Town Manager of the Town, shall have the right and power at any time and from time to time, and in one or more series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in accordance with law, in any amounts, for the purpose of completing the acquisition, by purchase and construction, of the Project in accordance with the Contract, or for the purpose of refunding any Bonds or Additional Bonds and/or the interest thereon, or refunding any such refunding bonds and/or the interest thereon. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with the provisions hereof, shall be secured by and made payable equally and ratably on a parity with the Bonds, from a first lien on and pledge of the Gross Revenues.

(b) The Interest and Sinking Fund and Reserve Fund established pursuant to this Resolution shall secure and be used to pay all Additional Bonds as well as the Bonds, all on a parity. However, each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of each resolution authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Issuer shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to the amount of the Required Reserve immediately after the delivery of the then proposed Additional Bonds as provided in Section 8 of this Resolution.

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

Section 15. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with the provisions hereof, but notwithstanding any provisions hereof to the contrary, no installment, series, or issue of Additional Bonds shall be issued or delivered unless the General Manager or the President and the Secretary of the Board of Directors of the Issuer sign a written certificate to the effect (i) that the Issuer is not in default as to any covenant, condition or obligation in connection with all outstanding Bonds and Additional Bonds, and the resolutions authorizing the same, that the Interest and Sinking Fund and Reserve Fund contains the amount then required to be therein, and (ii) the Contract is in full force and effect and no default exists in connection therewith.

Section 16. GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each resolution authorizing the issuance of the Bonds and any Additional Bonds, and in each and every Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Bonds or Additional Bonds, and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund and any owner of the Bonds or Additional Bonds may require the Issuer, its Board of Directors, and its officials and employees, to carry out, respect or enforce the covenants and obligations of each resolution authorizing the issuance of the Bonds and Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board of Directors and its officials and employees.

(b) It is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59, of the Texas Constitution, and the Authority Act, and is duly authorized under the laws of the State of Texas to create and issue the Bonds; that all action on its part of the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) That other than for the payment of the Bonds herein authorized, the Gross Revenues have not in any manner been pledged to the payment of any debt or obligation of the Issuer.

(d) That while any of the Bonds are outstanding, the Issuer will not, with the exception of the Additional Bonds expressly permitted by this Resolution to be issued, additionally encumber the Gross Revenues.

(e) That the Issuer will carry out all of its obligations under the Contract; and when or if necessary will promptly enforce and cause the Town to carry out all of its obligations under the Contract, for the benefit of the Issuer and the owners of the Bonds and Additional Bonds by all legal and equitable means, including the use of mandamus proceedings against the Town; and the Contract will not be changed, rescinded, or amended in any way which would have a materially adverse effect on the rights of the owners of the Bonds and Additional Bonds.

Section 17. BONDS ARE SPECIAL OBLIGATIONS. The Bonds shall be special obligations of the Issuer payable solely from the Gross Revenues, and the registered owner or owners of the Bonds shall never have the right to demand payment thereof out of funds from any source other than specified in this Resolution.

Section 18. AMENDMENT OF RESOLUTION. (a) The owners of Bonds and Additional Bonds aggregating a majority in principal amount of the aggregate principal amount of then outstanding Bonds and Additional Bonds (for purposes of this sentence only, 100% of the aggregate principal amount of Bonds or Additional Bonds which are insured by a bond insurance provider at the time that the Issuer seeks approval of an amendment shall be deemed to be owned by such bond insurance provider) shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of any Bonds or Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Bonds or Additional Bonds so as to:

- (1) Make any change in the maturity of the outstanding Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Bonds or Additional Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all of the Bonds and Additional Bonds then outstanding; or

(6) Change the minimum percentage of the principal amount of Bonds and Additional Bonds necessary for consent to such amendment.

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

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

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

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

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

(g) Notwithstanding the foregoing provisions of this Section, if there has been filed with the Paying Agent/Registrar a Bond Insurance Policy, or a certified copy thereof, with respect to any Bond or Additional Bond, no consent by the registered owner of such Bond or Additional Bond to the execution of any amendment or other modification of this Resolution shall be effective unless the Bond Insurer consents in writing to the execution of such amendment or other modification. The Issuer further covenants that it will furnish to each Bond Insurer of record a transcript of the pertinent proceedings relating to each amendment or other modification of this Resolution.

Section 19. 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 Gross Revenues herein

pledged as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection 19(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 19(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 20. **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 this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 21. COVENANTS REGARDING TAX-EXEMPTION. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, 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 or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

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

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

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

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

(1) proceeds of the Bonds invested for a reasonable temporary period not in excess of 3 years until such proceeds are needed for the purpose for which the bonds are issued,

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

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

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

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

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

Section 23. DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion from nationally-recognized bond counsel that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 24. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be used along with other bond proceeds for the purpose for which the Bonds are issued set forth in Section 1 hereof; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund.

Section 25. CONSTRUCTION FUND. The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Trinity River Authority of Texas - Town of Flower Mound Wastewater Transportation Contract Revenue Bonds Capital Projects Fund" for use by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Project as hereinbefore provided. The Issuer shall deposit the net proceeds from the sale of the Bonds into said Fund. Upon payment of all such costs, any moneys remaining on deposit in said Fund shall be transferred to the Interest and Sinking Fund.

Section 26. 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 27. 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 any document offering the Bonds for sale. Notwithstanding anything to the contrary contained herein, while the Bonds are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representation is hereby incorporated herein and its provisions shall prevail over any other provisions of this Resolution in the event of conflict. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 28. CONTINUING DISCLOSURE OF INFORMATION. (a) As used in this 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 Contracting Parties have undertaken for the benefit of the beneficial owners of the Bonds, to the extent set forth therein, to provide continuing disclosure of financial information and operating data with respect to the Contracting Parties in accordance with the Rule as promulgated by the SEC.

(c) Material Event Notices if Bonds are sold prior to December 1, 2010. The Issuer shall notify the MSRB in an electronic format as prescribed by 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:

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.

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection. The provisions of this subsection apply only if the Issuer enters into a binding written contract for the sale of the Bonds prior to December 1, 2010.

(d) Event Notices if Bonds are sold on or after December 1, 2010. The Issuer shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds:

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

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (c) of this Section by the time required by subsection (c). The provisions of this subsection apply only if the Issuer enters into a binding written contract for the sale of the Bonds on or after December 1, 2010. As used in clause (d)12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Issuer in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Section 29. EXPIRATION OF AUTHORIZATION. The authority of the General Manager, as Authorized Officer, to sell the Bonds as described in Section 2(b) of this Resolution shall expire on the one-year anniversary date of the adoption of this Resolution by the Board.

THE AUTHORITY

THE AUTHORITY'S ACTIVITIES

1. **Master Planning.** After a series of public hearings, the Authority adopted the original master plan in April 1958. The purpose of the Master Plan is to define and provide a course of action for the Authority to achieve water and soil conservation goals for which purpose the Authority was established by the State of Texas Legislature. The Master Plan goals can generally be described as: to improve the quality of water within the Trinity River Basin in order to provide supplies of good quality water for all beneficial purposes, conserve water and soil resources, reduce flooding, promote water oriented recreation, preserve natural areas, promote the diversity and productivity of aquatic life, and foster an understanding of the complex interrelationships among people, resources, economy and the environment in the basin. The Authority's Board of Directors reviews the status of the master plan annually and amends the master plan periodically when it is deemed necessary.

2. **Federal Projects.** By various resolutions, the Authority has agreed to serve as the local sponsor of the Navarro Mills Reservoir, Bardwell Reservoir, Joe Pool Lake and the Wallisville Salt Water Barrier Project in cooperation with local municipalities or districts that benefit from these projects.

3. **Revenue-Based Projects.** The Authority, without collecting any property taxes, has implemented service projects serving cities, communities and other special districts throughout the Trinity River Basin. The majority of these funds for these projects have come from the sale of tax-exempt contract service revenue bonds, service payments from customers, federal grants and long-term federal loans. The Authority has responsibility for operating certain of these projects (referred to below as "Operating"). Persons other than the Authority operate the remainder of these projects (referred to below as "Non-Operating"). These projects and those served include:

THE AUTHORITY'S REVENUE-BASED PROJECTS

Project Name (Operating)	Cities and Communities Serviced 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, 21 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-Forrester, and Buena Vista-Bethel Water Supply Corporations.
Freestone Raw Water Supply Project	Freestone Power Generation LP
Ennis Raw Water Supply Project	Ennis
Midlothian Raw Water Supply Project	Midlothian
Huntsville Wastewater Treatment Facilities	Huntsville
Big Bear Creek Interceptor Project	Fort Worth, Keller and Southlake
Southlake Sewer Project	Southlake
Lancaster Water and Sewer Project	Lancaster
Denton Creek Wastewater Interceptor System	Fort Worth, Haslet, and Roanoke
Denton Creek Wastewater Pressure Interceptor	Southlake
Cade Branch Interceptor	Fort Worth, Keller
Denton Creek Wastewater Interceptor System (Fort Worth Project)	Fort Worth
Fort Worth Sendera Ranch Project	Fort Worth
Pollution Control Facilities	Community Waste Disposal, Inc and Texas Utilities Electric Co.
Denton Creek Wastewater Transportation Project	Argyle, Flower Mound and Northlake

THE FUTURE ROLE OF THE AUTHORITY

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

1. Master Planning.

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

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

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

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

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

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

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

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

PENSION PLAN

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

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>	<u>Outstanding January 1, 2011</u>
Big Bear Creek Wastewater Interceptor Project	\$ 135,000
Central Regional Wastewater System	829,120,000
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	555,000
Ellis County (Bristol and Buena Vista-Bethel Corps. Water Supply Project)	13,000
City of Fort Worth Water & Wastewater Transmission Contract (Sendera Ranch Project)	7,620,000
General Improvement	3,370,000
City of Huntsville Sewer System Project	1,085,000
Huntsville Regional Water Supply System	9,405,000
City of Lancaster Water and Sewer Project	220,000
Livingston Regional Water Supply Project	2,785,000
Mountain Creek Regional Wastewater System	1,775,000
Northeast Lakeview Wastewater Transportation Project	16,300,000
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	97,150,000
Texas Utilities Electric Company Pollution Control	51,075,000
Trinity County Regional Water Supply System Project	1,250,000
TOTAL	\$ 1,327,583,000

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>	<u>Outstanding January 1, 2011</u>
Bardwell Reservoir	\$ 1,455,851
Joe Pool Lake	65,256,857
Wallisville Lake	9,594,170
	<u>\$ 76,306,878</u>

[The remainder of this page is left blank intentionally]

TAX MATTERS

OPINION... On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. **See Appendix C -- Form of Legal Opinion of Bond Counsel.**

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

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds. Bond Counsel's opinion is not binding on the Internal Revenue Service. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

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

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

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

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

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES...Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

CONTINUING DISCLOSURE OF INFORMATION

In a Continuing Disclosure Agreement entered into between the Authority and the Town, the Town has made the following agreements for the benefit of the holders and beneficial owners of the Bonds. The Town and the Authority are required to observe the agreements for so long as the Town remains obligated to advance funds to pay the Bonds. Under the agreement, the Town will be obligated to provide certain updated financial information and operating data annually, and the Authority and the Town 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 Town 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 Town of the general type included in Appendix B of this Official Statement. The Town will update and provide this information within six months after the end of each fiscal year. The Town 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 Town 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 Town commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Town will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles in effect at the time or that the Town may be required to employ from time to time pursuant to state law or regulation.

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

MATERIAL EVENT NOTICES . . . The Authority and the Town 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, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. As used above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if jurisdiction has been assumed by leaving the Board and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction

over substantially all of the assets or business of the District. Neither the Bonds nor the Resolution make any provision liquidity enhancement. In addition, the Town will provide timely notice of any failure by the Town to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Town will provide each notice described in this paragraph to the MSRB.

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

The Authority or the Town 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 Town, 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 Town (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 Town so amend the agreement, the Town 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 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 Town 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 are expected to be assigned an insured rating of "AA+" (stable outlook) by S&P at the time of delivery of the Bonds based upon the issuance of the policy by AGC. Additionally, the Bonds have been assigned a rating of

"A+" by S&P, without regard to credit enhancement. The presently outstanding revenue debt of the Town is rated "A+" by S&P. 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 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 governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Authority will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding special obligations of the Authority, and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Although it represents the Initial Purchaser and the Financial Advisor from time to time in unrelated matters, in connection with the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Authority. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the

issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

The legal opinion to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the Authority accepted the bid of SAMCO Capital Markets (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the (inside) cover page of the Official Statement at a price of 101.23 (%) of par plus a cash premium of \$58,202.90. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the Authority to the Initial Purchaser. The Authority has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CERTIFICATION OF THE OFFICIAL STATEMENT

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

The Resolution authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

TRINITY RIVER AUTHORITY OF TEXAS

General Manager

[This Page is Intentionally Left Blank]

APPENDIX A
BIOGRAPHICAL INFORMATION
BOARD OF DIRECTORS
AND
MANAGEMENT OFFICERS

[This Page is Intentionally Left Blank]

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's degree in 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.

KEVIN WARD, J. Kevin Ward has been selected to replace Danny F. Vance as General Manager. Mr. Ward received a Bachelor of Business Administration degree in Accounting from the University of Texas at Austin in 1982. As the executive administrator of the Texas Water Development Board (TWDB), Mr. Ward serves as the chief executive officer of a state agency employing over 300 scientists, engineers, lawyers, GIS professionals, finance officers, and related support staff. Under the direction of a six-member board appointed by the governor, the TWDB is responsible for planning the statewide development of water resources, financing water-related infrastructure, and maintaining and disseminating natural resource data for Texas, which includes water-bearing formations and watersheds. Mr. Ward was appointed to his current position in May 2002.

Mr. Ward serves on the board of the Council of Infrastructure Financing Authorities and was an active participant on the State/Environmental Protection Agency State Revolving Fund workgroup several years ago for implementing the Clean and Drinking Water State Revolving Fund programs. He also serves on the Visiting Committee for the Bureau of Economic Geology. He was the presiding officer on the Water Conservation Implementation Task Force, created through Senate Bill 1094, 78th Texas Legislature, which produced the Report to the 79th Legislature and the Best Management Practices Guide to encourage increased use of conservation throughout the state. In addition, Mr. Ward served on the advisory committee of the Caroline and William N. Lehrer Distinguished Chair in Water Engineering, established by the Agriculture Program and the Agricultural Engineering Department of Texas A&M University, which selected the first Water Resources Engineering professor in the Department of Biological and Agricultural Engineering.

During his 22-year tenure with the TWDB, he has served in several capacities, including financial analyst, finance section chief, and development fund manager. He served in various management positions in the agency, specializing in the development and implementation of the financial aspects of the TWDB's State Revolving Fund loan programs. From March 1996 to April 2002, Mr. Ward served as the TWDB's deputy executive administrator for the Office of Project Finance and Construction Assistance. Immediately prior to joining the TWDB, Mr. Ward was an officer and controller for two management consulting firms in Austin, both serving a client base of water and wastewater municipal utility districts and water supply corporations.

* Announced retirement.

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, and served as a board member of the Texas Water Research Foundation until 2010. 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 is an outgoing member of the board of directors of the Texas Water Conservation Association and outgoing chairman of the North Central Texas Council of Governments' Water Resources Council.

FIONA M. ALLEN, P.E., Ms. Allen has been selected to replace Warren N. Brewer as Regional Manager, Northern Region effective March 1, 2011. Ms. Allen received her bachelor of science in Civil Engineering from Texas A&M University and is a Professional Engineer and Registered Sanitarian. Ms. Allen was with the City of Arlington from December 1990 to February 2011, most recently as the Deputy City Manager for Capital Investment and Economic Development since 2005 and previously as Director of the Water Utilities Department since 2003.

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.

APPENDIX B

CERTAIN FINANCIAL AND OPERATING DATA
FOR THE
TOWN OF FLOWER MOUND, TEXAS

The information contained in this Appendix consists of information relating to the Town for the Fiscal Year Ending September 30, 2010. The Town 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 the state information depository. See "Other Information - Continuing Disclosure of Information" herein.

[This Page is Intentionally Left Blank]

TOWN OF FLOWER MOUND, TEXAS

WATERWORKS SYSTEM

The Town purchases treated water from the City of Dallas, Texas ("Dallas") and from the Upper Trinity Regional Water District (the "District"). The Town began receiving additional treated water from the District in 1997. Under the current terms of the contracts with these entities, the Town can receive up to 30 million gallons of water per day (MGD) from the District and 11 MGD from Dallas. The Town is currently paying \$342,365 per million gallons of peak daily demand and a rate of \$0.86 per thousand gallons for actual water usage from the District and \$187,263 per million gallons of peak daily demand and a rate of \$0.3722 per thousand gallons for actual water usage from Dallas.

Water from Dallas is supplied to the Town via a 30" transmission line, which terminates at the Pintail Pump Station. Improvements to this station, completed in 2003, included construction of an additional 3,000,000 gallon ground station (GST), which increases the combined GST storage capacity to 6,000,000 gallons. This station has a total pumping capacity of 16,800 gallons per minute.

Water from the District is supplied to the Town via a 42" transmission line, which terminates at the Stonehill Pump Station. This station was constructed on a joint-use site that the Town shares with the District. There is a 10,000,000 gallon ground storage tank on the site used exclusively by the Town; however, there is an additional 7,000,000 gallons of storage owned by the District that could be used in an emergency. The Town's Stonehill Pump Station incorporates five pumps that have a combined capacity of 35,000 gallons per minute.

In addition to the 16,000,000 gallons of ground storage capacity located at the pumping stations, the Town also maintains two elevated storage tanks with a capacity of 1,000,000 and 2,000,000 gallons, respectively, providing the Town with a total water storage capacity equal to 19,000,000 gallons.

The Town maintains 379 miles of water lines, 3,168 fire hydrants, 8,000 water valves, and 21,305 water connections.

Selected Information Related to the Town of Flower Mound's Treated Water Providers

The Town's contract with Dallas was entered into on January 21, 1987 (the "Dallas Contract"), is for a term of thirty years and expires in 2017. Set forth below is a summary of selected provisions of the Dallas Contract related to Section 7.0 - Rates and Payments:

7.1 Rates charged Customer, including demand charges established herein, shall be established by ordinance of Dallas. The capital costs contributed by the Customer for delivery facilities and metering facilities shall be excluded from the rate base.

7.2 Customer understands that Dallas City Council has the right by ordinance to revise the rates charged, from time to time as needed, to cover all reasonable, actual and expected costs. Any revision of rates shall be pursuant to principles set forth in the Memorandum of Agreement attached hereto. Dallas shall give Customer a minimum of 6 months notice of intent to revise rates. Dallas will furnish Customer a draft copy of the Cost of Service Study for Proposed Rates thirty (30) days prior to Dallas submitting a rate increase request to its City Council.

7.3 Customer agrees to give Dallas a minimum of 30 days notice of intent to protest rates or any other condition of service. Provided, however, that Customer is not required to give 30 days notice of intent to appear before Dallas City Council to protest cost of service studies for proposed rates.

7.4 Dallas agrees to render a statement of charges monthly. Payment is due upon receipt of statement. Customer agrees to pay promptly. Demand charge shall be billed monthly.

7.5 In the event a meter(s) is discovered malfunctioning, then the amount of water that has passed through the meter will be estimated for each day the meter has not functioned correctly. The last correctly measured monthly consumption will be used as a basis for mutually computing the amount of water delivered to Customer during the time the meter has not been functioning correctly.

The Town's contract with the District was entered into on May 7, 1992 (the "District Contract") and does not expire while bonds issued by the system, as described in the District Contract, remain outstanding. The current final maturity date of outstanding bonds issued by the District Contract for the system is 2034. The Town's District Contract is a "take or pay" contract whereby the Town is obligated to make payments to the District to cover the Town's share of the District's operational expenses and debt service requirements, regardless of whether the District is able to deliver water to the Town.

Set forth below is a summary of selected provisions of the District Contract related to Fiscal Provisions in Article 5 - Fiscal Provisions:

Section 5.05. Minimum Payments. It is agreed that if, during any Annual Payment Period, the estimated and/or actual metered volume of treated water provided by the System to Flower Mound is, for any reason whatsoever, less than any minimum amount prescribed by this Contract and the District, Flower Mound shall pay its Annual Payment according to such minimum amount. However, if Flower Mound's estimated and/or actual metered amount of water is equal to or in excess of such minimum amount, its Annual Payment shall be calculated on the basis of estimated and actual volumes and Demands. All contracts with Additional Participating Members shall also provide for equitable minimum amounts. Such minimums shall be fixed in amounts at least sufficient, as determined by the District, to assure an initial annual payment by such Additional Participating Member for not less than the amount of its estimated use of treated water during the first year of service under such contract.

Section 5.07. Other Revenues. During each Annual Payment Period, all revenue derived from sales of System water, other than sales of treated water to Participating Members, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Participating Member. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment . All Administrative Payments made by Contract Members shall be used to help Pay Administrative and Planning Expenses of the District and not for costs related to the Project or System.

Section 5.09. Delinquent Bills. The District shall, to the extent permitted by law, suspend the delivery of water from the System to any Member which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume delivery of water while such Member is so delinquent. It is further provided and agreed that if any Member should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Member's minimum amount specified in Exhibit B, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Members and the District shall redetermine such percentage on that basis in such event so that the non-delinquent Members collectively shall be required to pay all of the Annual Requirement. However, the District shall pursue all legal remedies against any such delinquent Member to enforce and protect the rights of the District, the other Members, and the holders of the Bonds. The delinquent Member shall not be relieved of the liability to the District for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the holders of the Bonds so as to insure that all of the Annual Requirement will be paid by the non-delinquent Members during each Annual Payment Period regardless of the delinquency of a particular Member. If any amount due and owing the District by any Member is placed with an attorney for collection, such Member shall pay to the District all attorneys fees, in addition to all other payments provided for herein, including interest.

Copies of the complete Dallas Contract and District Contract are available upon request from the Town of Flower Mound Financial Services Department at 972-874-6020.

The following map displays the District's service area in Denton County. The portions of the District's service area that are currently served by other wholesale or retail water providers are shown in black on the map. The individual dots on the map represent the 1,880 natural gas surface wells and the 2,992 natural gas bottom wells within Denton County, as provided by the Texas Railroad Commission in September 2010. The Town is unable to predict the impact that the natural gas surface wells and associated pipelines reflected on the map will have on future demand for District water sales from surface development or otherwise.

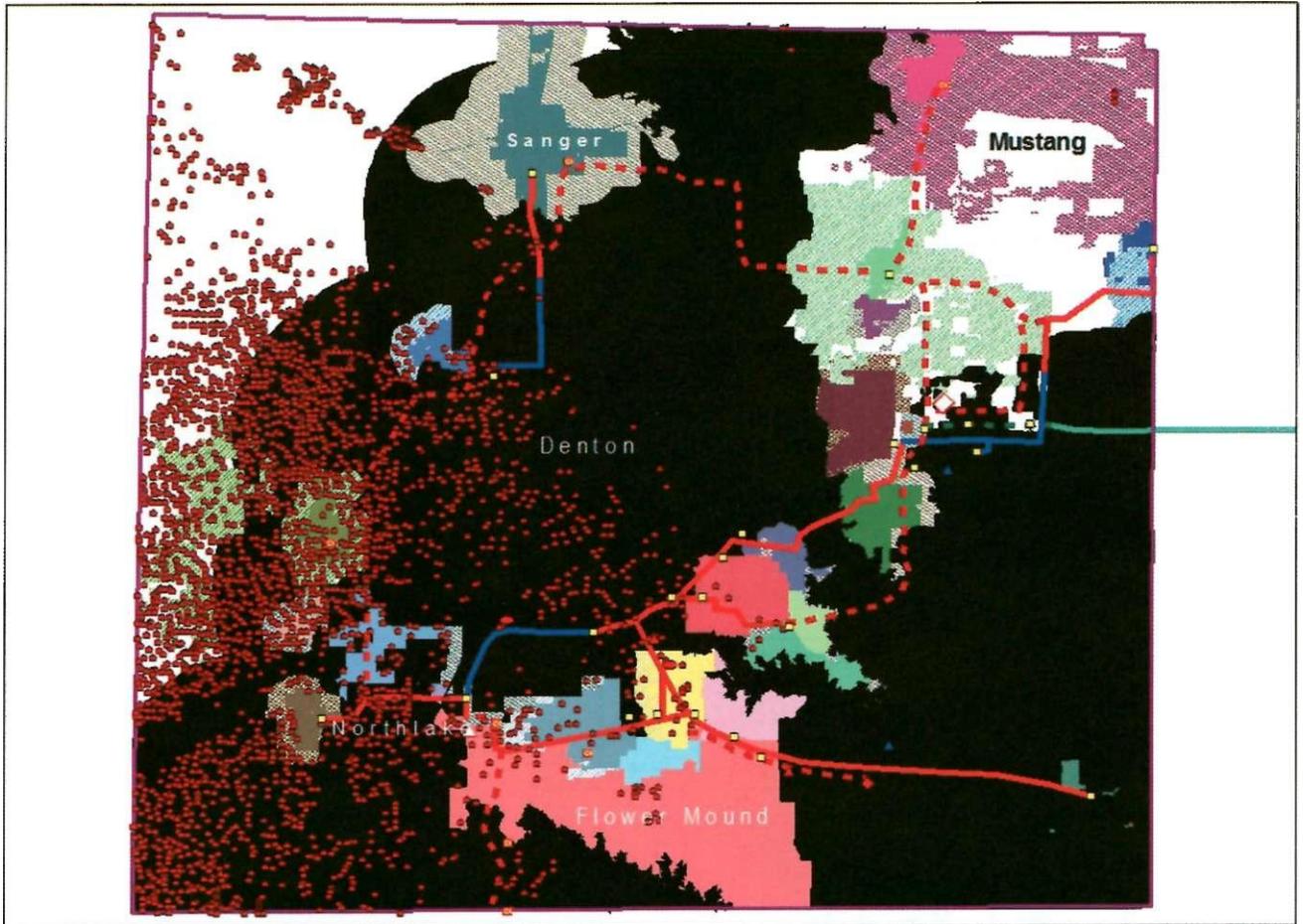


Table 1 displays the District's 2004 Rate Study projections of future rates. These projections are compared to the actual rates of the District which were not projected to occur until 2015 for demand charges and 2020 for volume charges. This is the most recent rate study projection prepared by an external firm for the District that has been provided to the Town of Flower Mound.

**Table 1
District Rates Compared to 2004 Rick Giardina and Associates, Inc. (RGA) Rate Study**

Fiscal Year	RGA Proposed Demand Charge	Phase In Adopted By Board	Actual Demand Charge	RGA Proposed Volume Rate	Phase In Adopted By Board	Actual Volume Rate
2004	190,000	225,000	190,000	\$ 0.80	\$ 0.79	\$ 0.80
2005	247,000	259,000	225,000	0.57	0.72	0.79
2006	271,700	274,000	259,000	0.59	0.69	0.72
2007	279,851		274,000	0.63		0.76
2008	279,851		290,000	0.65		0.76
2009	279,851		308,095	0.65		0.83
2010	279,851		324,970	0.65		0.86
2011	279,851			0.67		
2012	279,851			0.71		
2013	285,448			0.73		
2014	305,429			0.75		
2015	320,701			0.75		
2016	339,943			0.77		
2017	363,739			0.80		
2018	389,201			0.81		
2019	416,445			0.84		
2020	416,445			0.86		
2021	416,445			0.89		
2022	416,445			0.91		

Source: The District and the RGA Rate Study Final Report dated September 2004

Tables 2A and 2B display the blended average rate (the demand charge plus the volume rate per mgd) for wholesale water members of the District and Dallas from FY 2002 through FY 2011. The cumulative rate increase since FY 2002 is 61.72% for the District and 39.06% for Dallas.

**Table 2A
Upper Trinity Regional Water District Historical Rates**

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Average Rate	2.19	2.19	2.29	2.50	2.72	2.90	3.03	3.24	3.40	3.54
Annual Percent Increase		0.00%	4.49%	9.36%	8.63%	6.91%	4.31%	6.98%	5.00%	4.00%
Cumulative Percent Increase		0.00%	4.49%	14.27%	24.12%	32.70%	38.42%	48.09%	55.50%	61.72%

**Table 2B
Dallas Water Utilities Historical Rates**

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Average Rate	1.32	1.38	1.39	1.46	1.62	1.66	1.62	1.74	1.79	1.84
Annual Percent Increase		4.39%	0.41%	5.62%	10.73%	2.66%	-2.91%	7.65%	3.05%	2.60%
Cumulative Percent Increase		4.39%	4.82%	10.71%	22.59%	25.85%	22.19%	31.53%	35.54%	39.06%

Source: Town of Flower Mound

Table 3 displays the Town of Flower Mound's historical utility expenditures offset by the use of impact fees for ten fiscal years. The proportion of Town expenditures for purchase of wholesale water from the District has increased from 30.2% in FY 2001-02 to an estimated 39.1% in FY 2010-11.

Table 3
Town of Flower Mound, Texas
Historical Utility Fund Expenses by Category

	Salaries & Benefits		Electricity		Purchased Water						Transfers to General Fund and VEF (1)		Use of Impact Fees for Debt Service		All Other Expenses		Total		
					Trinity River Authority		Dallas Water Utilities		Upper Trinity Water Dist.									Debt Service	
2002	\$ 3,454,371	17.88%	\$ 648,639	3.36%	\$ 28,570	0.15%	\$ 2,097,791	10.86%	\$ 5,841,417	30.24%	\$ 4,023,658	20.83%	\$ 2,755,075	14.26%	\$ (1,910,819)	-9.89%	\$ 2,376,798	12.31%	\$ 19,315,501
2003	3,844,260	18.51%	962,773	4.64%	26,350	0.13%	2,136,417	10.29%	7,019,612	33.80%	3,900,450	18.78%	2,654,937	12.78%	(1,991,530)	-9.59%	2,213,816	10.66%	20,767,086
2004	3,936,154	20.31%	1,004,077	5.18%	95,292	0.49%	2,391,288	12.34%	6,861,673	35.40%	3,264,868	16.84%	1,948,772	10.05%	(1,990,194)	-10.27%	1,872,908	9.66%	19,384,839
2005	3,803,763	21.56%	1,166,358	6.61%	32,373	0.18%	2,335,402	13.24%	7,690,485	43.58%	3,654,334	20.71%	-	0.00%	(3,207,785)	-18.18%	2,170,184	12.30%	17,645,115
2006	3,828,896	17.14%	1,459,523	6.53%	51,911	0.23%	2,818,643	12.61%	9,721,529	43.51%	3,783,808	16.93%	66,878	0.30%	(1,853,937)	-8.30%	2,467,341	11.04%	22,344,593
2007	4,143,455	17.83%	1,273,657	5.48%	30,079	0.13%	2,619,517	11.27%	9,504,393	40.89%	3,848,418	16.56%	-	0.00%	(1,124,872)	-4.84%	2,948,598	12.69%	23,243,346
2008	4,278,474	16.80%	1,560,441	6.13%	29,016	0.11%	2,684,084	10.54%	10,352,864	40.65%	4,390,833	17.24%	403,739	1.59%	(863,828)	-3.47%	2,653,456	10.42%	25,469,060
2009	4,656,536	16.59%	1,431,967	5.10%	31,174	0.11%	2,899,161	10.33%	11,045,311	39.36%	4,863,727	17.33%	656,252	2.34%	(642,759)	-2.29%	3,118,527	11.11%	28,059,897
Unaudited 2010	4,608,503	16.07%	1,478,515	5.15%	40,847	0.14%	2,803,142	9.77%	11,751,777	40.97%	4,897,298	17.07%	929,325	3.24%	(305,168)	-1.06%	2,479,803	8.65%	28,684,043
Budget 2011	4,726,481	15.25%	1,450,000	4.68%	393,200	1.27%	2,922,124	9.43%	12,121,698	39.11%	5,092,537	16.43%	1,575,969	5.08%	(161,761)	-0.52%	2,874,726	9.27%	30,994,975

(1) Town of Flower Mound Vehicle Equipment Replacement Fund (VERF)

Source: Town of Flower Mound

Table 4 compares the District's subscribed capacity to plant capacity and peak day demand. The subscribed capacity of the District is the total contracted MGD by members and customers. Plant capacity includes the Tom Taylor Water Plant with a capacity of 70 MGD. In FY 2007-08, the Tom Harpool Plant with a capacity of 20 MGD, began providing water to members and customers in northern Denton County for a total plant capacity of 90 MGD for the District. Peak day demand is the maximum amount of water sold to members and customers in a single day during the year. The District's 2010 peak day demand is 54.5% of the plant capacity.

**Table 4
Budgeted Subscribed Capacity of the District Compared to Plant Capacity and Peak Day Demand**

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<u>Demand (mgd)</u>										
Flower Mound	30.0000	30.0000	30.0000	30.0000	30.0000	30.0000	30.0000	30.0000	30.0000	30.0000
All Other	32.7700	32.7700	32.7700	35.3200	40.3200	41.1200	41.1200	42.1700	41.4200	41.4200
<i>Total</i>	<u>62.7700</u>	<u>62.7700</u>	<u>62.7700</u>	<u>65.3200</u>	<u>70.3200</u>	<u>71.1200</u>	<u>71.1200</u>	<u>72.1700</u>	<u>71.4200</u>	<u>71.4200</u>
Plant Capacity	<u>70.0000</u>	<u>70.0000</u>	<u>70.0000</u>	<u>70.0000</u>	<u>70.0000</u>	<u>70.0000</u>	<u>90.0000</u>	<u>90.0000</u>	<u>90.0000</u>	<u>90.0000</u>
Peak Demand	<u>35.1300</u>	<u>41.0700</u>	<u>36.1500</u>	<u>41.4600</u>	<u>47.7000</u>	<u>42.1800</u>	<u>47.2000</u>	<u>44.7400</u>	<u>45.7700</u>	<u>45.7700</u>

Source: District Monthly Management Report and Annual Operating Budget for Fiscal Years Ending 2003 through 2011. Fiscal Year 2002 Demand for All Other is estimated to be the same as Fiscal Year 2003.

Table 5 displays the District's debt service requirements as presented in the District's Regional Treated Water Supply System Revenue Bonds, Series 2010A official statement dated September 29, 2010. The Town does not undertake the responsibility to update the information contained in the District's disclosure document other than to provide the District with information related to the Town and the Town's water system.

Table 5
Upper Trinity Regional Water District
Debt Service Requirements

Fiscal Year Ended 9/30	Outstanding Parity Debt Service Requirements (1)				Total Outstanding Parity Debt	Subordinate Lien Commercial Paper Notes (3)	Subordinate Lien State Participation Debt Service Requirements (4)	Total Outstanding Debt Service Requirements	% of Principal Retired (1)
	The Bonds (2)								
	Principal	Interest	Principal	Interest					
2010	\$ 6,180,000	\$ 6,555,957	\$ -	\$ -	\$ 12,835,957	\$ 1,181,600	\$ 3,835,838	\$ 17,853,395	
2011	6,600,000	6,350,139	1,750,000	718,903	15,419,042	655,200	1,027,377	17,101,619	
2012	6,810,000	6,126,914	1,560,000	909,544	15,406,458	3,124,744	1,731,915	20,263,117	
2013	7,075,000	5,872,164	1,605,000	862,744	15,414,908	3,122,944	1,731,914	20,269,766	
2014	7,395,000	5,588,414	1,655,000	814,594	15,453,008	3,124,794	1,731,915	20,309,717	21.78%
2015	7,715,000	5,258,914	1,720,000	748,394	15,442,308	2,597,194	1,731,914	19,771,416	
2016	8,060,000	4,916,352	1,790,000	679,594	15,445,946	2,469,594	1,731,914	19,647,454	
2017	8,415,000	4,577,134	1,835,000	634,844	15,461,978	2,469,844	1,731,914	19,663,736	
2018	9,835,000	4,214,555	1,890,000	579,794	16,519,349	2,469,794	1,731,915	20,721,058	
2019	9,800,000	4,037,206	1,945,000	523,094	16,305,300	2,468,094	1,731,914	20,505,308	50.20%
2020	8,655,000	3,600,684	2,005,000	459,881	14,720,565	2,464,881	1,767,377	18,952,823	
2021	8,525,000	3,227,878	2,070,000	397,225	14,220,103	2,467,225	1,768,272	18,455,600	
2022	7,460,000	2,843,572	2,135,000	329,950	12,768,522	2,464,950	1,766,486	16,999,958	
2023	7,825,000	2,504,329	2,210,000	255,225	12,794,554	2,465,225	1,762,019	17,021,798	
2024	8,185,000	2,147,162	2,290,000	177,875	12,800,037	2,467,875	1,769,869	17,037,781	77.74%
2025	8,575,000	1,771,940	2,380,000	86,275	12,813,215	2,466,275	1,764,142	17,043,632	
2026	8,985,000	1,377,334	-	-	10,362,334	-	1,765,437	12,127,771	
2027	6,920,000	968,745	-	-	7,888,745	-	1,768,155	9,656,900	
2028	5,995,000	671,469	-	-	6,666,469	-	1,766,999	8,433,468	98.01%
2029	4,945,000	395,644	-	-	5,340,644	-	1,766,969	7,107,613	
2030	2,205,000	168,356	-	-	2,373,356	-	1,767,144	4,140,500	
2031	740,000	66,281	-	-	806,281	-	1,767,812	2,574,093	
2032	775,000	33,906	-	-	808,906	-	1,763,672	2,572,578	
2033	-	-	-	-	-	-	1,769,724	1,769,724	
2034	-	-	-	-	-	-	1,765,067	1,765,067	100.00%
	<u>\$ 157,675,000</u>	<u>\$ 73,375,049</u>	<u>\$ 28,840,000</u>	<u>\$ 8,177,936</u>	<u>\$ 268,067,985</u>	<u>\$ 38,480,233</u>	<u>\$ 45,217,674</u>	<u>\$ 351,765,882</u>	

(1) Does not include State Participation obligations or the Commercial Paper Notes

(2) Average life of issue - 8.292 years. Interest on the District's bonds are calculated at the rates set forth in the District's Official Statement dated September 29, 2010.

(3) Estimated figures due to variable rate program.

(4) Does not include portion of State Participation Program to be paid off through the issuance of the District's bonds.

ISSUANCE OF ADDITIONAL DEBT....The District anticipates issuing approximately \$12,000,000 of its Commercial Paper Notes over the next twelve months.

Source: Upper Trinity Regional Water District, Regional Treated Water Supply System Revenue Bonds, Series 2010A official statement.

Table 6 displays the District's total outstanding debt service requirements, as disclosed in Table 5 above, proportionally allocated to each member and customer based on subscribed capacities.

Table 6
Proportional Debt of Members and Customers of the District

	Subscribed Capacities	Proportional Percent	Current Debt
Aubrey	0.1000	0.14%	\$ 492,531
Celina	2.5000	3.50%	12,313,284
Corinth	7.5000	10.50%	36,939,851
DCFWSD #1A - Castle Hills	3.0000	4.20%	14,775,940
DCFWSD #7 - Lantana	3.0000	4.20%	14,775,940
Highland Village	3.0000	4.20%	14,775,940
Justin	0.7500	1.05%	3,693,985
Krum	0.4000	0.56%	1,970,125
LCMUA	3.8000	5.32%	18,716,191
Lincoln Park	0.1000	0.14%	492,531
Mustang SUD	2.8000	3.92%	13,790,878
Sanger	0.5000	0.70%	2,462,657
Argyle WSC	1.5000	2.10%	7,387,970
Bartonville WSC	2.5000	3.50%	12,313,284
DCFWSD #10 - Savannah	2.4000	3.36%	11,820,752
DCFWSD #11A - Paloma	3.0000	4.20%	14,775,940
DCFWSD #8A - Paloma	2.1700	3.04%	10,687,930
DCFWSD #9 - Providence	2.4000	3.36%	11,820,752
<i>Total Members and Customers</i>	<u>71.4200</u>	<u>1.0000</u>	<u>351,765,888</u>

Source: Town of Flower Mound

Table 7 displays the District's Five Year Capital Improvement Plan adopted by the District's Board of Directors on September 2, 2010. This table indicates that the District plans to issue approximately \$67.5 million of additional debt over the next 5 years. The additional debt includes commercial paper, revenue bonds, Water Infrastructure Fund (WIF) loans, and State Participation loans. Both WIF loans and State Participation loans are provided through the Texas Water Development Board.

Table 7
Upper Trinity Regional Water District
Regional Treated Water System
Proposed Capital Budget - FY 2011 through FY 2015

Project	Prior Expenditures	Estimates FY 2010	Proposed FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Southwest Pipeline Project:								
Activate Southwest Pipeline	\$ 12,386	\$ -	\$ 25,000	\$ 627,800	\$ -	\$ -	\$ -	\$ 665,186
Southwest Pipeline - Phase 2 Sec 3A (Highland Village)	5,919	5,000	40,000	240,000	1,600,000	2,000,001	0	3,890,920
Southwest Pipeline - Phase 2 Sec 3B (Flower Mound)	0	5,000	95,000	500,000	3,200,000	4,200,000	0	8,000,000
Southwest Pipeline - Phase 3	45,525	50,000	2,244,275	3,955,730	0	0	0	6,295,530
Southwest Pump Station - Phase 1	42,672	5,000	350,000	0	0	0	0	397,672
Harpool In-Line Booster Pump Station @ N.E. Pipeline	0	0	0	0	0	145,000	207,000	352,000
RTWS Geographic Information System Mapping	0	35,000	345,000	0	0	0	0	150,000
Ray Roberts Raw Water Alignment Study / R.O.W.	28,781	5,000	0	0	0	0	0	33,781
Lake Ralph Hall Project	5,777,727	6,824,920	3,500,000	3,780,110	8,750,000	8,000,005	8,000,000	44,632,762
Coordinate Correction of Flower Mound's Stone Hill Tank	0	0	25,000	0	0	0	0	25,000
Security / SCADA Improvements	20,576	0	60,000	0	0	0	0	80,576
Aubrey Pipeline	24,585	0	10,000	10,000	10,000	10,000	10,000	74,585
Administrative Office Expansion	0	0	0	0	25,000	250,000	250,000	525,000
Equipment / Vehicle Storage Building	2,373	20,000	565,000	0	0	0	0	577,373
Lake Sharon Pipeline Relocation and Interconnect	0	5,000	140,000	0	0	0	0	150,000
Lake Chapman Improvements (Dredging)	0	0	0	0	0	250,000	0	250,000
Harpool RTWP Disinfection	0	0	0	0	0	1,500,000	2,000,000	3,500,000
Harpool RTWP Raw Water Local Storage	0	525,000	0	0	0	1,000,000	700,000	2,225,000
Fiber Optics Project:	3,099	150,000	520,000	0	0	0	0	723,099
Roadway Improvements Coordination Adjustments	0	0	30,000	30,000	0	0	0	60,000
Coordinate Elimination of Metering Points for FWSD #9	0	0	10,000	15,000	0	0	0	25,000
Northlake Temporary Connection - Construction Water	3,057	1,000	10,000	0	0	0	0	14,057
Taylor RWTP Hypo-Chlorite Generation Study / Facilities	0	340,000	3,250,000	0	0	0	0	3,590,000
HVAC Improvements at the Taylor RWTP Electrical Building	0	0	300,000	0	0	0	0	300,000
Taylor RWTP Caustic Tank Replacement	0	0	75,000	0	0	0	0	75,000
Pipeline from Harpool RWTP Raw Water Local Storage to	0	0	250,000	250,000	500,000	2,000,000	1,500,000	4,500,000
Miscellaneous Improvements	0	0	100,000	100,000	100,000	100,000	100,000	500,000
Total	\$ 5,966,700	\$ 7,970,920	\$ 11,709,275	\$ 9,508,640	\$ 14,185,000	\$ 19,455,006	\$ 12,767,000	\$ 81,562,541
Funding Sources:								
Commercial Paper	\$ 3,190,607	\$ 4,110,000	\$ 3,905,762	\$ 4,950,000	\$ 2,000,000	\$ -	\$ -	\$ 24,059,389
Revenue Bonds	0	0	0	2,733,530	7,803,550	15,455,006	8,767,000	34,759,086
Non-Bond Funds	0	35,000	115,000	0	0	0	0	150,000
Water Infrastructure Fund Loan	1,777,297	1,610,517	3,500,000	1,780,110	256,450	0	0	6,924,374
Reimbursement from WIF Funds	998,796	2,214,403	100,000	0	0	0	0	3,373,692
Operating Funds	0	0	115,000	45,000	0	0	0	160,000
State Participation	0	0	0	0	4,125,000	4,000,000	4,000,000	12,125,000
Member / Customer Project Funding	0	1,000	10,000	0	0	0	0	11,000
Total	\$ 5,966,700	\$ 7,970,920	\$ 11,709,275	\$ 9,508,640	\$ 14,185,000	\$ 19,455,006	\$ 12,767,000	\$ 81,562,541

Source: Upper Trinity Regional Water District Capital Improvement Funds Five Year Forecast for FY 2010-11

Tables 8A and 8B display the recommended water management strategies for the District and Dallas as published in the 2011 State of Texas Region C Water Plan. The Region C water planning group adopted general strategies that will develop a total supply for wholesale water providers between 20 and 30 percent greater than projected demands to provide a margin of safety due to unexpected climate changes, a drought more severe than the previous drought of record, demand increases more rapidly than projected, or proposed strategies that cannot be developed or are developed more slowly than anticipated. The District's proposed strategies provide a surplus of 24% greater than projected demand in 2060. Dallas Water Utilities proposed strategies provide a surplus of 11% greater than projected demand in 2060.

Table 8A			Table 8B		
Upper Trinity Regional Water District			Dallas Water Utilities		
Summary of Costs of Recommended Strategies			Summary of Costs of Recommended Strategies		
Strategy	Date to be Developed	Capital Cost	Strategy	Date to be Developed	Capital Cost
Conservation	2010-2060	*	Conservation	2010-2060	***
Additional Supplies from Dallas (Up to Current Contract)	2010-2060	\$ -	Additional Lake Ray Hubbard	2010	\$ 1,750,000
Lake Ralph Hall and Indirect Reuse	2020	286,401,000	100 mgd WTP Expansion	2012	146,318,000
Additional Direct Reuse	2030	11,313,000	Main Stem Trinity PS	2013	142,567,000
Marvin Nichols	2050	143,042,000	Additional Direct Reuse	2015	82,920,000
Oklahoma	2060	97,359,000	Additional Pipeline from Tawakoni	2015	496,243,000
Additional DWU (New Contract)	2060	-	Sowthwest Treated Water Pipeline	2016	260,000,000
Treatment and Distribution System Improvements	2020	590,686,000	Connect Lake Palestine	2018	887,954,000
Total District Capital Costs		\$ 1,128,801,000	New WTP (100 mgd)	2018	190,125,000
			100 mgd WTP Expansion	2025	146,318,000
			Wright Patman Lake	2035	896,478,000
			100 mgd WTP Expansion	2035	146,318,000
			100 mgd WTP Expansion	2045	146,318,000
			100 mgd WTP Expansion	2052	146,318,000
			100 mgd WTP Expansion	2058	146,318,000
			Total Dallas Capital Costs		\$ 3,835,945,000
			***Dallas has already made significant capital investment to implement its conservation programs. In the future, all costs will be annual operating costs which are estimated to range from \$3.5 million in 2010 to \$7.0 million in 2060.		

Source: <http://www.regioncwater.org/Documents/index.cfm?Category=2011+Region+C+Water+Plan>

Selected Information Related to the Town of Flower Mound's Operating and Financial Information

TABLE 1 - HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year Ending 9/30	Total Usage	Average Daily Usage	Peak Day Usage	Actual Peak Day	Total Water & Sewer Revenues Received
2006	5,496,967,155	15,269,353	29,316,000	07/22/06	\$ 24,212,306
2007	3,668,454,585	10,050,561	24,911,000	08/13/07	\$ 18,844,729
2008	4,480,146,161	12,279,214	28,068,000	08/10/08	\$ 23,191,049
2009	4,496,835,575	12,320,097	27,535,000	07/15/09	\$ 27,950,717
2010*	4,012,687,164	10,993,663	29,418,000	08/23/10	\$ 27,669,280

*Unaudited, preliminary subject to change

TABLE 2 - TEN LARGEST WATER CUSTOMERS FISCAL YEAR 2009-2010 (BASED ON GALLONS CONSUMED)

Customer	Type of Industry	Water Usage	% of Total Water Usage	Water Revenue
LISD	SCHOOL DISTRICT	105,040,570	2.62%	\$ 669,593
TOWN OF FLOWER MOUND	MUNICIPALITY	65,120,060	1.62%	205,740
HOA WELLINGTON	HOME OWNER ASSOCIATION	31,758,960	0.79%	181,438
TRIDGE APARTMENTS	APARTMENTS	24,381,360	0.61%	193,755
CWS APARTMENT HOMES	APARTMENTS	17,747,800	0.44%	133,449
LIFETIME FITNESS	HEALTH FITNESS CLUB	16,473,900	0.41%	125,755
ARCHSTONE LEXINGTON	APARTMENTS	15,665,470	0.39%	108,783
HOA STONEHILL FARMS	HOME OWNER ASSOCIATION	12,766,050	0.32%	66,078
HOA BRIDLEWOOD	HOME OWNER ASSOCIATION	12,685,700	0.32%	80,029
INLAND AMERICAN RETAIL	COMMERCIAL	12,587,060	0.31%	79,866
TOTAL		314,226,730	7.83%	\$ 1,844,486

*Unaudited, preliminary subject to change

TABLE 3 - MONTHLY WATER RATES

(Effective October 1, 2010)

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

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

(Volume rates effective October 1, 2010)

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

WATER IMPACT FEES:

Chart A Meter Size	Platted Prior to 10/17/94	Platted 10/17/94 - 12/18/00	Platted 12/18/00 - 04/19/04*	Platted 4/19/04 - 2/1/10*	Platted After 2/1/10 See Chart B
	Res./Non-Res.	Res./Non-Res.	Residential	Residential	
5/8" x 3/4"	\$ 492.80	\$ 674	\$ 1,212	\$ 2,342	
1"	877.18	1,685	3,030	5,856	
1 1/2"	1,971.20	3,370	6,060	11,700	
2"	3,503.81	5,392	9,696	18,739	
3"	7,884.80	11,795	19,392	37,478	
4"	14,015.23	20,220	30,300	58,560	
6"	31,539.20	42,125	60,600	117,120	
8"	56,070.78	60,660	96,960	187,392	
10"	87,609.98	97,730	139,380	269,376	

Chart B Meter Size	Platted After 2/1/10* Residential
5/8" x 3/4" PD	\$ 3,896
3/4" PD	5,844
1" PD	9,740
1 1/2" PD	19,480
2" PD	31,168
2" Compound	31,168
2" Turbine	38,960
3" Compound	62,336
3" Turbine	93,504
4" Compound	97,400
4" Turbine	163,632
6" Compound	194,800
6" Turbine	358,432
8" Compound	311,680
8" Turbine	623,360
10" Turbine	974,000

* Commercial Project - rate is reduce to 50% applicable fees.

WASTEWATER SYSTEM

The Town owns and operates a 10,000,000 gallon per day wastewater treatment plant that utilizes single stage nitrification and extended aeration processes, including primary clarification, nitrification basins, secondary clarifiers, and sequencing batch reactors for treatment. Treatment processes are followed by cloth media filtration and ultra-violet disinfection for superior effluent quality. A total of 20 lift stations collect and transport sewage to the treatment plant through 250.8 miles of sewer mains, 3,453 manholes and 18,639 sanitary sewer connections as part of the sanitary sewer system.

The Town became a member of the Denton Creek Wastewater Treatment System in February 2000, in which the Town will pay an annual amount to the Trinity River Authority of Texas (TRA) for the Town's portion of operation and debt service of the treatment plant. In December 2006, the Town entered a contract with the TRA and the Towns of Argyle and Northlake for the construction of the Denton Creek Wastewater Transportation System ("Denton Creek System"). In June 2008, the Town entered into a new contract with TRA and the Towns of Argyle and Northlake for the construction of the Denton Creek System. The June 2008 contract replaced the December 2006 contract. Funding for the design, right-of-way purchases and construction of the Denton Creek System has been funded under the terms of the June 2008 contract. TRA is currently constructing the first phase of the Denton Creek System and completing design and purchasing right-of-way for the complete project. It is anticipated that the Denton Creek System will serve customers in the western portion of the Town.

TABLE 4 - WASTEWATER USAGE (GALLONS)

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

*Unaudited, preliminary subject to change

TABLE 5 - MONTHLY SEWER RATES (Effective October 1, 2010)

All size meters:

First 2,000 gallons \$ 17.25 (Minimum)
 Over 2,000 gallons 3.44 per 1,000 gallons

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

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

SEWER IMPACT FEES:

Chart A Meter Size	Platted Prior to 10/17/94 Res./Non-Res.	Platted 10/17/94 - 12/18/00 Res./Non-Res.	Platted 12/19/2000 - 1/31/2010*			Platted After 02/01/10 See Chart B
			Lakeside Business District	Denton Creek District	Long Prairie District	
			Residential	Residential	Residential	
5/8" x 3/4"	\$ 1,413	\$ 1,396	\$ 978	\$ 1,254	\$ 4,204	
1"	2,515	3,490	2,445	3,135	10,510	
1 1/2"	5,652	6,980	4,890	6,270	21,020	
2"	10,047	11,168	7,824	10,033	33,632	
3"	22,608	24,430	15,648	20,066	67,264	
4"	40,186	41,880	24,450	31,352	105,100	
6"	90,433	87,250	48,900	62,705	210,200	
8"	160,772	125,640	78,240	100,328	336,320	
10"	251,205	202,420	112,470	144,221	483,460	

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

*Commercial Project - rate is reduced to 50% of applicable fees.

STORM WATER UTILITY FEES (EFFECTIVE NOVEMBER 1, 2009)

<u>Residential</u>	<u>Non-residential</u>
< 1 Acre \$3.90	1-25,000 sq ft. \$29.37
1-5 Acres \$3.36	25,000-50,000 sq. ft. \$40.05
> 5 Acres \$2.83	> 50,000 sq. ft. \$50.73
<u>Residential- w/ Detention credit</u>	<u>Non-residential- w/ Detention credit</u>
< 1 Acre \$3.24	1-25,000 sq ft. \$24.38
1-5 Acres \$2.79	25,000-50,000 sq. ft. \$33.24
> 5 Acres \$2.35	> 50,000 sq. ft. \$42.11

TABLE 6 - CONDENSED STATEMENT OF OPERATIONS OF THE SYSTEM

Revenues	Fiscal Year Ended September 30,				
	2010*	2009	2008	2007	2006
Charges for Services	\$ 28,307,619	\$ 29,339,214	\$ 27,498,736	\$ 19,871,689	\$ 25,579,065
Penalties, Fines and Forfeits	252,068	253,411	245,132	218,419	243,542
Interest Income	54,031	349,578	618,685	660,316	459,588
Other	70,110	202,933	76,724	45,246	45,232
Total Revenues	28,683,828	30,145,136	28,439,277	20,795,670	26,327,427
Expenses					
Administration	2,346,453	2,804,561	6,336,510	5,592,151	4,102,430
Maintenance and Operations	21,045,394	19,742,114	16,096,436	14,948,116	15,587,454
Total Expenses	23,391,847	22,546,675	22,432,946	20,540,267	19,689,884
Net Available for Debt Service	\$ 5,291,981	\$ 7,598,461	\$ 6,006,331	\$ 255,403	\$ 6,637,543
Water Customers	21,305	21,245	21,155	21,027	20,986
Sewer Customers	18,639	18,562	18,527	18,473	18,421

*Unaudited, preliminary subject to change

TABLE 7 - COVERAGE AND FUND BALANCES (1)*

Average Annual Principal and Interest Requirements 2011 - 2020**	\$ 1,132,284
Coverage of Average Requirements by 9/30/10 Net Income	4.67
Maximum Principal and Interest Requirements, 2018**	\$ 1,228,950
Coverage of Maximum Requirements by 9/30/10 Net Income	4.31
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/10	\$ 9,490,000
System Interest and Sinking Fund, 9/30/10	\$ 422,628
Reserve Fund, 9/30/10	\$ 1,197,447

(1) Excludes self-supporting debt.

*Unaudited, preliminary subject to change

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

APPENDIX C
FORM OF LEGAL OPINION OF BOND COUNSEL

[This Page is Intentionally Left Blank]

Proposed Form of Opinion of Bond Counsel

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

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
1800 ONE AMERICAN CENTER
AUSTIN, TEXAS 78701-3248
Telephone: 512 478-3805
Facsimile: 512 472-0871

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

700 N. ST. MARY'S STREET
1525 ONE RIVERWALK PLACE
SAN ANTONIO, TEXAS 78205-3503
Telephone: 210 225-2800
Facsimile: 210 225-2984

TRINITY RIVER AUTHORITY OF TEXAS
TOWN OF FLOWER MOUND WASTEWATER TRANSPORTATION CONTRACT
REVENUE BONDS, SERIES 2011
DATED FEBRUARY 1, 2011

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

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

BASED ON SAID EXAMINATION, it is our opinion that the Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, which rights may be limited by general principles of equity which permit the exercise of judicial discretion, (i) the covenants and agreements in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Bonds constitute valid and legally binding special obligations of the Issuer, which are secured by and payable from a first lien on and pledge of the "Gross Revenues", as defined in the Bond Resolution, which consist of the gross revenues or payments to be received by the Issuer pursuant to the "Trinity River Authority of Texas - Town of Flower Mound Wastewater Transportation Contract" dated as of April 22, 2009 (the "Contract"), between the Issuer and the Town of Flower Mound, Texas (the "Town"), and (ii) said Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with its terms and provisions.

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

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the owners of a majority of the principal amount of all outstanding bonds payable from and secured by

a first lien on and pledge of the aforesaid Gross Revenues, subject to the restrictions stated in the Bond Resolution.

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

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

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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Town, or the adequacy of the pledged Gross Revenues 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 sufficiency of the Gross 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, our 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 as to 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, might result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

[This Page is Intentionally Left Blank]

APPENDIX D

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

[This Page is Intentionally Left Blank]

Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("AGC"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

AGC will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which AGC shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by AGC is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and AGC shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in AGC. Upon and to the extent of such disbursement, AGC shall become the Holder of the Obligations, any appurtenant coupon thereon and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by AGC to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of AGC under this Policy to the extent of such payment.

This Policy is non-cancelable by AGC for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of AGC, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Avoided Payment" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "Business Day" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or AGC are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "Due for Payment" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation 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 a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless AGC in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "Holder" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "Insured Payments" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "Nonpayment" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "Receipt" or "Received" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to AGC may be mailed by registered mail or personally delivered or telecopied to it at 31 West 52nd Street, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel at the same address and at generalcounsel@assuredguaranty.com or at the following Facsimile Number: (212) 445-8705, or to such other address as shall be specified by AGC to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by AGC on a given Business Day if it is Received prior to 12:00 noon (New York City

time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "Term" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, AGC may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to AGC pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to AGC. All payments required to be made by AGC under this Policy may be made directly by AGC or by the Fiscal Agent on behalf of AGC. The Fiscal Agent is the agent of AGC only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of AGC to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGC hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to AGC to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and AGC expressly reserves, AGC's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by AGC of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of AGC with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, AGC has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon AGC by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By: _____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

Counsel



Financial Advisory Services
Provided By

FirstSouthwest 
A PlainsCapital Company.