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RED OAK CREEK SYSTEM REVENUE BONDS  
SERIES 2009, \$8,280,000

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**APPLICATION FOR FINANCIAL ASSISTANCE**

**To The  
TEXAS WATER DEVELOPMENT BOARD**

**Through The  
Clean Water State Revolving Fund**

**(PRE-DESIGN FUNDING OPTION)**

**APPLICANT:**

**TRINITY RIVER AUTHORITY OF TEXAS  
RED OAK CREEK SYSTEM**

**\$19,990,000 Revenue Bonds,**

**(Application Dated: August 31, 2009)**

**PREPARED BY:**

 **First Southwest Company**

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**GENERAL INFORMATION:**

**(1) Applicant**

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

The Authority consists of all the territories in the Counties of Dallas, Tarrant, Ellis, Navarro and Chambers, and the principal watershed portions of Anderson, Freestone, Henderson, Houston, Kaufman, Leon, Madison, Polk, San Jacinto, Trinity, Walker and Liberty Counties. The Authority is governed by a Board of 24 directors who are appointed by the Governor with the advice and consent of the Texas Senate. The first directors were appointed for staggered terms, and directors thereafter have had six-year terms. Two 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 Red Oak Creek System**

Currently, the Red Oak Creek Regional Wastewater System (the "System") consists of a 3.5 million gallon per day ("MGD") wastewater treatment plant and interceptor lines which will service the Contracting Parties of Glenn Heights, Ovilla and Red Oak and portions of Cedar Hill, DeSoto and Lancaster. The collection system covers approximately 36 square miles which includes the Little Creek drainage basin and the upper portions of the Bear Creek and Red Oak Creek drainage basins. The plant location is approximately one mile south of the City of Red Oak adjacent to the Red Oak Creek.

The plant is designed to treat an average flow of 3.5 MGD with a two-hour peak flow of 8.8 MGD. Activated sludge biological treatment process for organic removal and nitrification process is designed to discharge effluent with the following parameters:

Biochemical Oxygen Demand	(10 mg/l)
Total Suspended Solids	(15 mg/l)
Ammonia	(2 mg/l in summer and 5 mg/l in winter)

The plant's capacity is currently being increased to an average daily flow of 6 MGD. Final completion of the construction is anticipated to be completed by the end of 2010. The plant site layout can accommodate an expansion which would bring the ultimate capacity to 10.5 MGD at the present site.

Each of the six cities are Contracting Parties of the System. Each city will pay a percentage of the total annual obligation (debt service plus operation and maintenance cost) of the System based on the percentage of each city's contributed flow to the System taken as a part of the total annual flow received from the Contracting Parties.

**The Project involves improvements to the collection interceptor pipeline system, including the construction of the Bear Creek Lift Improvements, the Solids Dewatering Building, engineering associated with system planning and pipeline relief projects, and other related necessary system improvements.**

(2) **Official Representative**

Warren Brewer, Northern Region Manager  
5300 South Collins Street  
Arlington, Texas 76018  
Phone: (817) 493-5100  
Fax: (817) 417-0367  
E-mail: brewerw@trinityra.org

(3) **Trinity River Authority of Texas Board of Directors**

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

(4) (a) **Project Engineer**

Chiang, Patel & Yerby, Inc.  
Ms. Dawn Anderson, P.E.  
1820 Regal Row, Suite 200  
Dallas, Texas 75234  
Phone (214) 638-0500  
(214) 638-3723

(b) **Bond Counsel**

McCall, Parkhurst & Horton L.L.P.  
Chuck Kobdish  
717 N. Harwood, 9th Floor  
Dallas, Texas 75201-6587  
Phone: (214) 754-9236  
Fax: (214) 754-9250  
E-mail: [ckobdish@mphlegal.com](mailto:ckobdish@mphlegal.com)

(c) **Other Legal Counsel**

None

(d) **Financial Advisor**

Mary Williams  
First Southwest Company  
325 N. St. Paul St., Suite 800  
Dallas, Texas 75201  
Phone: (214) 953-4021  
Fax: (214) 953-4050  
E-mail: [mwilliams@firstsw.com](mailto:mwilliams@firstsw.com)

(5) **Comprehensive Description of the Project**

See - Appendix A – Engineering Report - Executive Summary

(6) **Ownership**

The Project will be owned by the Authority.

(7) **Engineer's Itemized Project Cost Estimate – Sources and Uses of Funds**

(include all costs – construction, engineering services, legal and fiscal costs and funding sources)

See - Appendix A – Engineering Report

**FISCAL INFORMATION:**

(1) **Security of Debt Issue**

**Bond Description:** The Red Oak Creek System is requesting the approval of an approximate \$19,990,000 financing agreement with the TWDB. The Series 2009 Bonds will mature on February 1 in each of the years 2012 through 2031. Interest is payable on each February 1 and August 1 commencing February 1, 2010, and is calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are callable as a whole, or in part in inverse order of maturity, at the option of the Authority, on August 1, 2019 and on any date thereafter, at the price of par, plus accrued interest to the date of redemption. The Bonds will be issued in Book-Entry-Only form through the facilities of The Depository Trust Company ("DTC"). See "Book-Entry-Only" below. **(Note: The Bond Description is for illustration purposes only; the actual amount and dating is subject to change).**

**Security:** The Bonds constitute special obligations of the Authority, payable both as to principal and interest, and secured by a first lien on a pledge of the Pledged Revenues of the Authority under the Contracts entered into with the Contracting Parties.

(2) **Book-Entry Only (Depository Trust Company Language)**

The Authority is aware of and will abide by The Depository Trust Company language.

(3) **Issues that may affect repayment of debt:**

None determined at this time.

(4) **Circumstances surrounding prior default(s).**

The Authority has never defaulted.

(5) **Total Outstanding Debt.**

(a) **Revenue Debt**

	Outstanding Debt Service	Series 2009 SRF Bonds*			Total Outstanding Debt Service
		Principal	Interest	Total	
11/30/2010	\$ 2,895,983	\$ -	\$ 198,448	\$ 198,448	\$ 3,094,431
11/30/2011	2,898,255	-	626,365	626,365	3,524,620
11/30/2012	2,903,656	215,000	789,002	1,004,002	3,907,658
11/30/2013	2,903,089	700,000	780,678	1,480,678	4,383,766
11/30/2014	2,898,875	720,000	766,611	1,486,611	4,385,486
11/30/2015	2,807,886	835,000	748,679	1,583,679	4,391,566
11/30/2016	2,809,528	850,000	726,555	1,576,555	4,386,083
11/30/2017	2,807,625	875,000	701,873	1,576,873	4,384,498
11/30/2018	2,801,665	915,000	674,378	1,589,378	4,391,043
11/30/2019	2,801,025	940,000	644,082	1,584,082	4,385,107
11/30/2020	2,801,098	975,000	609,767	1,584,767	4,385,864
11/30/2021	2,797,075	1,020,000	570,891	1,590,891	4,387,966
11/30/2022	2,793,771	1,065,000	528,552	1,593,552	4,387,323
11/30/2023	2,796,253	1,110,000	482,914	1,592,914	4,389,167
11/30/2024	2,793,765	1,160,000	434,044	1,594,044	4,387,809
11/30/2025	2,791,100	1,215,000	381,291	1,596,291	4,387,391
11/30/2026	2,788,860	1,275,000	324,067	1,599,067	4,387,927
11/30/2027	2,788,995	1,335,000	262,850	1,597,850	4,386,845
11/30/2028	2,786,965	1,405,000	197,628	1,602,628	4,389,593
11/30/2029	-	1,880,000	118,214	1,998,214	1,998,214
11/30/2030	-	1,500,000	36,225	1,536,225	1,536,225
	\$ 53,665,468	\$ 19,990,000	\$ 10,603,111	\$ 30,593,111	\$ 84,258,578

\*\$1,317,851.66 of Capitalized Interest is available to make debt service payments towards the 2009 SRF Bonds

(6) **G.O. and Revenue Debt per Capita**

Not applicable

(7) **Direct and Overlapping Tax Rate**

Not applicable

**(8) Assessed Valuation Per Capita**

Not applicable

**(9) Five Year Sales Tax Collection History**

Not applicable

**(10) Proforma**

**(a) System Net Revenues No Growth Pro-Forma**

See – Appendix B - Proforma

**(b) Pro-Forma for I&S Tax-Backed Issue**

Not Applicable

**(11) Top Ten Water Customers (FYE 2008)**

See - Appendix C – Contracting Parties information

**Top Ten Waste Water Customers (FYE 2008)**

See - Appendix C – Contracting Parties information

**(12) Five Year Comparative Waterworks and Sewer System Operating Statement**

**(a) Waterworks and Sewer System Statement of Operations**

See – Appendix C – Contracting Parties Information

**(13) Water and Wastewater Rates and Usage**

See - Appendix C – Contracting Parties information

**(14) Taxable Assessed Valuation**

**(a) 5 Year Historical Data**

Not applicable

**(b) Ad Valorem Taxes Levied, Tax Rates and Tax Collection History**

Not applicable

**(15) Top Ten Taxpayers**

Not applicable

**(16) Maximum Tax Permitted by Law per \$100 of property value**

Not applicable

**(17) Audit Report**

Copy of the Authority FYE 2008 audit report is provided under separate cover.

**(18) State if Bond insurance will be purchased for the loan and if it will be financed with loan proceeds.**

The Authority will submit applications to various municipal bond insurance companies. Should a commitment from an insurance provider be received, the Authority reserves the right to insure all or a part of the Bonds, if it determines that such insurance is economically beneficial to the Authority. Such bond insurance will be financed with loan proceeds.

**(19) State if planning to use Pre-Design Funding Option.**

The Authority does plan to use Pre-Design Funding Option.

**(20) State if planning to use any other credit enhancement (i.e. surety bonds), the authority for its use, and which firm or company will be used.**

The Authority does not plan to use any other credit enhancement.

**(21) Current outstanding bond ratings.**

The Authority's Red Oak Creek System Revenue Bonds are rated "A+" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., without regard to credit enhancement.

**COMMUNITY INFORMATION**

**(1) Median Household Income**

Not applicable

**(2) Unemployment Rate**

Not applicable

**(3) Percentage of Area below Poverty Level**

Not applicable

**(4) Median Age of Work Force**

Not applicable

**(5) Largest Employers**

Not applicable

**LEGAL INFORMATION**

**(1) One (1) certified original and three (3) copies of a resolution requesting financial assistance and identifying the amount of requested assistance, designating the authorized representative to act on behalf of the governing body, and authorizing the representative to execute the application, appear before the board on behalf of the applicant, and submit such other documentation as may be required by the executive administrator or the board.**

See - Appendix D - Resolution

**(2) One (1) certified original and three (3) copies of an affidavit executed by the official representative stating that for a political subdivision, the decision to request financial assistance from the board was made in a public meeting held in accordance with the Open Meetings Act, the information submitted in the application is true and correct according to best knowledge and belief of the representative, the applicant has no litigation or other proceedings pending or threatened against the applicant that would materially adversely affect the financial condition of the applicant or the ability of the applicant to issue debt, and the applicant will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the board.**

See - Appendix E – Application Affidavit

**(3) Three (3) copies of the following executed documents:**

**(a) any option, sales, or lease agreements necessary for the project**

Not applicable

**(b) any actual or proposed service contracts for water supply or sewer service indicating adequate supply or capacity for life of the proposed loan.**

Not applicable

**(c) any actual or proposed contracts between the applicant and any other entity which will generate revenues pledged to the repayment of the proposed debt**

See - Appendix F – Form of Contracting Party Contract – all other contracts are essentially identical – All contracts are joint and several. Please see section 13(f).

**(4) Three copies of all executed contracts for consultant services included in the total project costs.**

TWDB has contracts on file for financial advisor (FSC) and bond counsel (MPH).

**(5) For a proposed revenue issue secured by a subordinate lien, or to be issued on parity, two (2) copies of the resolution/ordinance issuing the prior or junior lien on parity debt.**

See - Appendix D – Resolution

**(6) Certificate of Convenience and Necessity**

Not applicable

**(7) A citation to the specific legal authority in the Texas Constitution and statutes pursuant to which the applicant is authorized to provide the service for which the applicant is receiving financial assistance.**

- Article 16, Section 59, Texas Constitution
- Chapter 518, Acts of the 54<sup>th</sup> Texas Legislature, Regular Session, 1955, as amended
- Chapter 30, Texas Water Code, as amended.

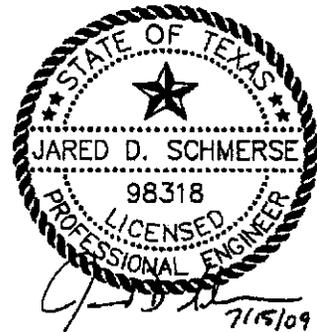
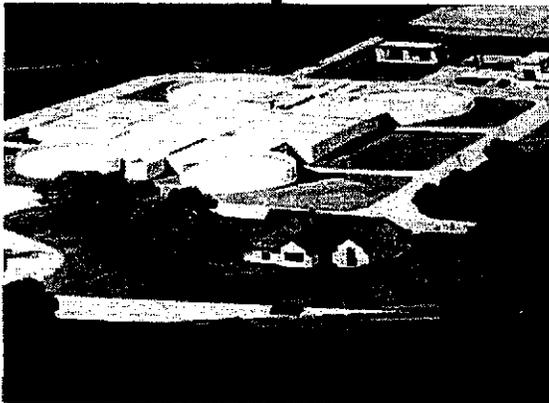
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# Trinity River Authority of Texas



## Red Oak Creek Regional Wastewater System

### Engineering Report to Support Series 2009 Bond Program



July 2009



**FINAL**



## Chapter I Executive Summary

### Background and History

The Trinity River Authority's Red Oak Creek Regional Wastewater System (ROCRWS) currently is serving approximately 31,700 customers in Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak. ROCRWS faces the challenge to upgrade the collection and treatment systems to meet future demands. In 2005, Nathan D. Maier Consulting Engineers, Inc. (NDM), BW2 Engineers, Inc. (BW2), and Chiang, Patel & Yerby, Inc. (CP&Y) submitted the Facilities Planning Update report to the Trinity River Authority (TRA). The Facilities Planning Update report provided preliminary recommendations for system improvements for ROCRWS. These recommendations include improvements to the collection system and the expansion of the treatment plant. In 2009, Black & Veatch (B&V) developed an Infiltration/Inflow Assessment report that included a comprehensive infiltration/inflow (I/I) study and updated population and land use information. A proposed schedule for the collection system improvements was also provided, which aided in determining the Series 2009 Bond Program presented in this document.

This document outlines a program of capital improvements involving collection system improvements and inspection services for the expansion of the treatment plant, in addition to various improvements at the treatment plant. These projects with an estimated deposit to construction cost of \$16.23 million have been prioritized for proposed funding through Series 2009 Revenue Bonds. In addition, projects anticipated to be required in the future have been included and summarized in this document. As project costs and priorities are better developed and refined, it is anticipated that 2010 loan funds may be used to fund projects currently slated for future funding.

### Objective

The main objective of this report is to summarize the need and projected costs for proposed ROCRWS capital improvements to be funded by issuance of Series 2009 revenue bonds. As State Revolving Funds do not allow costs associated with Land Rights to be applied, additional funding will be required by open market.

Capital improvements totaling approximately \$16.23 million are recommended for funding in the Authority's proposed 2009 Bond Program. Approximately \$14.22 million are recommended to be applied toward the collection system improvements and approximately \$2.01 million are recommended to be applied toward the treatment plant improvements.

### Key Findings and Recommendations

The key finding and recommendations of this report are summarized below:

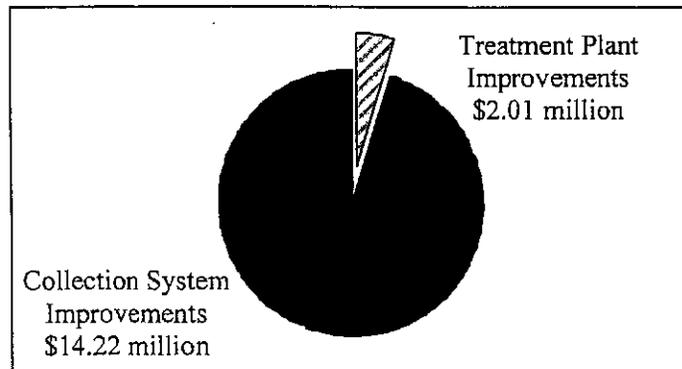
- **Population and Wastewater Flow Projections** The population and wastewater flow system rates within the ROCRWS are increasing generally in accordance with projected rates. The projections indicate that the next earliest capacity expansion will be needed by the year 2014, and that average daily wastewater flows will likely increase to 10.0 million gallons per day (MGD) by the year 2021.
- **Collection System Improvements** The Infiltration/Inflow Assessment report identified a number of priority interceptor relief projects for implementation. The fees associated with the study and engineering efforts for the 4 major pipeline segments that require relief along with the construction and inspection costs for these proposed improvements are recommended to be funded under the 2009 program for \$14.22 million.

- Treatment Plant Improvements** The NDM Report proposed a number of expansion and treatment improvements to ensure that the plant can reliably treat current flows, with proposed future expansion to handle projected growth. The majority of the projects proposed for initial funding are directed toward replacement of aging equipment, additional treatment units, and improvements to enhance the plant's reliability and increase treatment capacity. Planning and design efforts for future plant expansion to 6.0 MGD were initiated in the 2006 program. The construction and construction services costs for these recommended improvements were included in the 2008 program. Supplemental inspection service costs for these proposed improvements, as well as costs for improvements of the Solids Dewatering Building and Equipment Galleries are proposed for funding in the 2009 program.
- Future Capital Improvements** Additional capital improvements are currently anticipated for 2010, 2011, 2013, 2015, 2016, 2020, 2025, and 2030 for plant and collection system capacity upgrades. Although timing of the future improvements may be adjusted to respond to growth and other issues, funding amounts for capital programs are generally anticipated for 2010 in the amount of \$12.78 million, 2011 in the amount of \$26.38 million, 2013 in the amount of \$24.53 million, and 2015 in the amount of \$32.79 million. These costs are expressed in 2010 dollars, 2011 dollars, 2013 dollars, and 2015 dollars, respectively. Further future capital improvement programs are anticipated for 2016 in the amount of \$7.57 million, 2020 in the amount of \$5.26 million, and in 2030 in the amount of \$11.27 million. These costs are expressed in 2016 dollars, 2020 dollars and 2030 dollars, respectively.

**Cost Distribution Summary – 2009 Capital Program**

This report provides a detailed listing of proposed improvements to be funded through the Series 2009 Bond Proceeds. Construction and inspection for the Capital improvements requiring a net deposit to the construction budget of approximately \$16.23 million are recommended for funding in TRA's proposed Series 2009 Bond Program. The major improvement areas and projected costs for construction and inspection are presented in the table and in Figure 1. The improvements are detailed in subsequent chapters.

Cost Distribution Summary for 2009 Bond Program	
Capital Improvements	Total for 2009 Bond
Collection System Improvements	\$14.22 million
Treatment Plant Improvements	\$ 2.01 million
<b>Totals</b>	<b>\$16.23 million</b>



**Figure 1 2009 Construction Fund Distribution Summary**



## Chapter II Introduction

The Trinity River Authority's Red Oak Creek Regional Wastewater System (ROCRWS) currently is serving approximately 31,700 customers in Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak. The existing wastewater facilities include 3.5 MGD average daily flow activated sludge plant and sludge drying beds, approximately 27.7 miles of 12-inch diameter to 30-inch diameter gravity sewage pipeline, fourteen (14) meter stations, two (2) lift stations and approximately 2 miles of 8-inch diameter force main. The overall system is divided into three (3) basins: Red Oak Creek, Little Creek and Bear Creek.

In 2005, Trinity River Authority (TRA) completed the planning effort, commonly referred to as "Facilities Planning Update," for the next twenty-five years. The Facilities Planning Update report was submitted by Nathan D. Maier Consulting Engineers, Inc. (NDM), BW2 Engineers, Inc. (BW2), and Chiang, Patel & Yerby, Inc. (CP&Y) and will be called NDM Report in this document. The NDM Report provided a basis for evaluating the collection system and expansion evaluation of the existing treatment plant during its development.

In March of 2009, TRA completed an infiltration/inflow (I/I) study that identified relief alternatives and recommended priorities for meeting current and future demands through the year 2040. The Infiltration/Inflow Assessment was submitted by Black & Veatch (B&V) in 2009 and will be called I/I Assessment in this document. The I/I Assessment provides the basis for evaluating the piping system for current and future capacity needs and points of entry, and the basis for evaluating the future expansion for the treatment plant.

### Objectives

This report presents a detailed listing of needed system improvements for the collection and treatment facilities of the ROCRWS. The improvements are described and prioritized according to the System's immediate needs, with the highest priority projects identified for funding in a proposed Series 2009 Bond Program. Probable costs for the needed improvements are presented in subsequent chapters.

### Service Area

The ROCRWS service area encompasses portions of the Red Oak Creek, Little Creek and Bear Creek watersheds of the Trinity River. Figure 2 shows the treatment plant location and the approximate boundaries of the system's service area. The service area includes all or portions of the following entities: Cedar Hill (partially served), DeSoto (partially served), Glenn Heights, Lancaster (partially served), Ovilla, and Red Oak. Each customer entity operates its own internal collection system within the city boundaries and connects its flow to the ROCRWS at Points of Entry where it is metered. Each of the three interceptors included in the ROCRWS is described in the following paragraphs:

The Red Oak Creek Interceptor consists of approximately 60,000 linear feet of 18 to 27-inch diameter gravity sewage pipeline, four (4) metering stations, and two (2) lift stations. Cedar Hill Lift Station is operated by TRA and the Highland Lift Station is operated by the City of Cedar Hill.

The Little Creek Interceptor consists of approximately 31,500 linear feet of 15 to 21-inch diameter gravity sewage pipeline and seven (7) metering stations.

The Bear Creek Interceptor consists of approximately 22,400 linear feet of 15 to 24-inch diameter gravity sewage pipeline, 13,800 linear feet of 14-inch pressure pipe, one (1) Bear Creek Lift Station and an additional 13,200 linear feet of 15 to 18-inch diameter gravity identified as the Bear Creek Outfall.

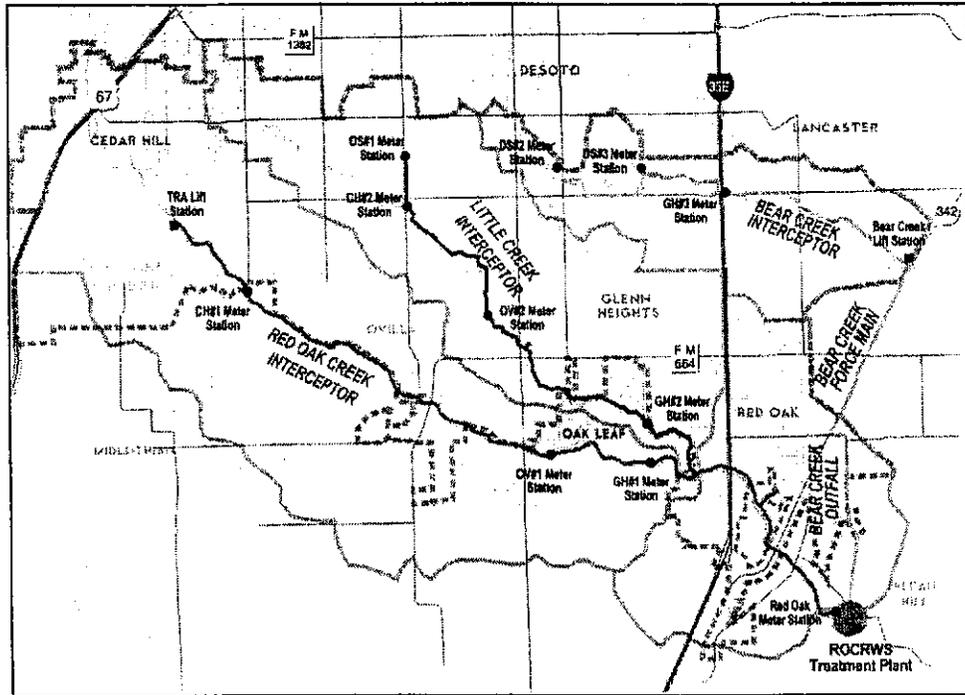


Figure 2 ROCRWS Service Area and Collection System

**Population and Flow Projections**

Population and wastewater flow projections for the ROCRWS were developed in 2009 as part of the I/I Assessment report performed by B&V.

A summary of the population projections for each customer city are described in the following table. Population projections were determined by the year 2000 North Central Texas Council of Governments (NCTCOG) Traffic Survey Zone information and additional information provided by the customer cities. A detail description is found in the I/I Assessment report.

City	2007	2025	2040
Cedar Hill	11,068	27,547	33,479
DeSoto	2,503	7,696	9,970
Glenn Heights	8,055	14,404	22,381
Lancaster	6	3,432	5,266
Ovilla	283	2,236	2,260
Red Oak	9,785	76,295	111,441
<b>Total</b>	<b>31,700</b>	<b>131,610</b>	<b>184,797</b>

The following paragraph describes several assumptions made for calculating the wastewater projected flows to the ROCRWS.

- The wastewater flow projections are calculated based on NCTCOG population projections including additional information provided by the customer cities, and an assumed gallon per capita per day (gpcd) consumption.

- The I/I Assessment report based the design flows on 100 gpcd for residential areas and 20 gpcd for commercial/industrial areas as identified in the Texas Commission on Environmental Quality (TCEQ) Chapter 317 regulations.
- The total service area flows are calculated from the serviced population which was adjusted to exclude the population that is not connected to the ROCRWS. The serviced population, or population equivalent, was assumed as the sum of the population and one-fifth of the employment.
- The total plant flows include the total service area flows minus the flows diverted out of the ROCRWS system to other treatment systems. The City of Cedar Hill has the ability to divert wastewater flows to Ten Mile Creek Regional Wastewater System (TMCRRWS) by using Highland Lift Station (Cedar Hill owned) and Cedar Hill Road Lift Station (TRA owned). Currently the City of Cedar Hill has a contract agreement with TMCRRWS for a maximum of 0.75 MGD. The Cedar Hill flow diversion to TMCRRWS was calculated based on contract amounts and maximum pump capacity of both lift stations in the Red Oak Interceptor.

ROCRWS System	Year		
	2007	2025	2040
Population	30,283	126,030	176,767
Employment	7,088	27,906	40,208
Total Serviced Population <sup>(1)</sup>	31,700	131,610	184,797
Assumed Consumption Rate (gpcd) <sup>(2)</sup>	100/20	100/20	100/20
Total Service Area Flow (MGD)	3.06	12.72	17.84
Total Plant Flow (MGD)	2.31	11.97	17.09

(1) Equates to the Population and one-fifth of the employment as identified in the I/I Assessment.  
(2) Assumed Consumption Rate for the Population and Employment, respectively.

Figure 3 depicts the wastewater flow projections to the ROCRWS. The historical annual average for the year 2009 includes historical flows through May and incorporates projected flows for the remaining months based on past years.

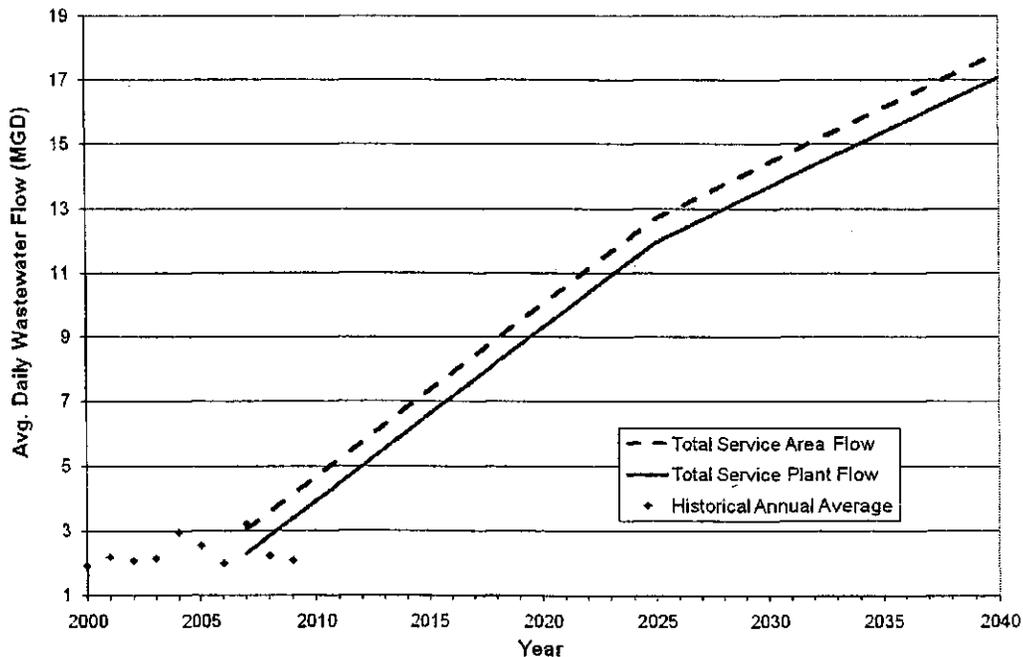


Figure 3 ROCRWS Projected Annual Average Daily Flows

Figure 4 shows the timeline of the proposed plant expansions in relation to the projected plant flows.

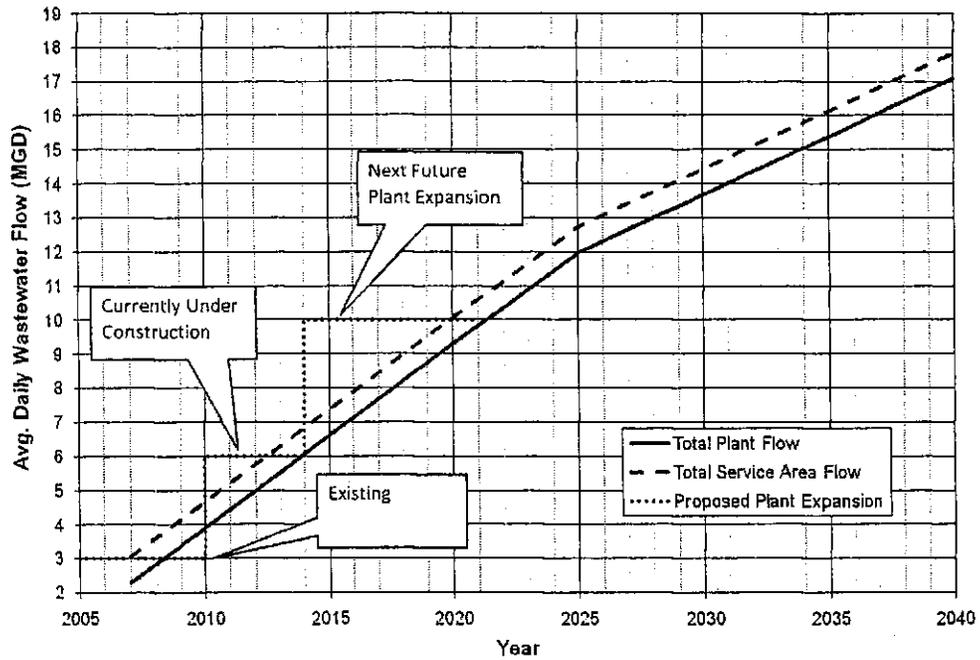


Figure 4 Proposed Plant Expansions



## Chapter III Collection System Improvements

### Introduction

TRA currently owns and operates three major sub-system interceptors that comprise the Red Oak Creek Regional Wastewater System: the Red Oak Creek Interceptor, the Little Creek Interceptor, and the Bear Creek Interceptor. A comprehensive assessment of the Red Oak Creek Collection System was completed in 2005 by TRA and its consultants (NDM, BW2, and CP&Y). A recent updated assessment of the collection system was completed in 2009 by TRA and B&V. This evaluation identified and prioritized the necessary interceptor relief and rehabilitation improvements throughout the collection system.

### 2009 Bond Program

The Bond Program for 2009 includes engineering and construction costs associated with the collection system improvements. The collection system improvement projects proposed for the 2009, 2010, 2015, 2016, 2020, and 2030 Bond Programs include relief improvements to all three interceptor systems. Approximately 27,500 linear feet of the Red Oak Creek Interceptor will be relieved in 2009. The approximate locations of the proposed improvements are shown in Figure 5. The Bear Creek collection system improvements project proposed for the 2009 Bond Program includes pumping and electrical improvements at the Bear Creek Lift Station.

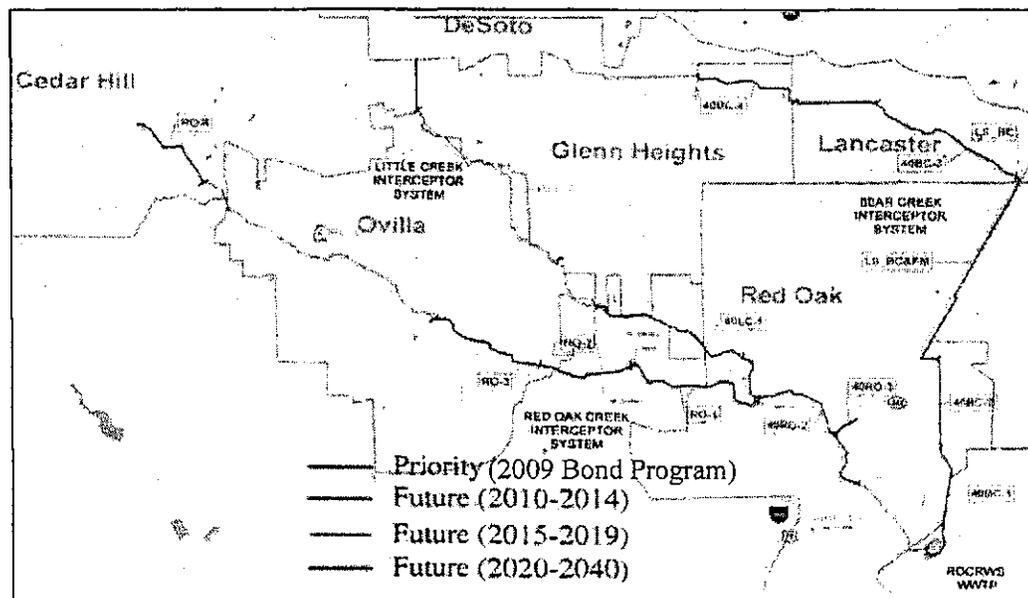


Figure 5 Proposed Interceptor Improvements

The following table provides an opinion of probable cost for each of the proposed collection system projects for the Series 2009 Bond Program.

Collection System Improvements						
Segment/Item	Series 2009 Bond Program					
	Study	Engineering/ Surveying	Land Rights (1)	Construction	Inspection Services	Total for 2009 Bond (1)
RO-1 (2)		\$ 315,000	\$ 105,000	\$ 3,330,000	\$ 120,000	\$ 3,765,000
RO-2 (2)	\$ 110,000	\$ 284,000	\$ 65,000	\$ 2,184,000	\$ 110,000	\$ 2,688,000
RO-3 (2)	\$ 115,000	\$ 298,000	\$ 85,000	\$ 2,290,000	\$ 115,000	\$ 2,818,000
RO-4 (2)	\$ 75,000	\$ 194,000	\$ 70,000	\$ 1,490,000	\$ 75,000	\$ 1,834,000
Bear Creek Lift Station		\$ 90,000		\$ 1,800,000	\$ 135,000	\$ 2,025,000
GIS	\$ 156,000					\$ 156,000
CMOM Implementation	\$ 100,000					\$ 100,000
Master Plan	\$ 100,000					\$ 100,000
Subtotals	\$ 656,000	\$ 1,181,000	\$ 325,000	\$ 11,094,000	\$ 555,000	\$ 13,486,000
Contingency						\$ 732,000
Totals	\$ 656,000	\$ 1,181,000	\$ 325,000	\$ 11,094,000	\$ 555,000	\$ 14,218,000

(1) Land Right costs are shown for informational purposes only as they cannot be funded through State Revolving Funds (SRF), therefore, costs associated with the Land Rights are excluded from the Bond totals.

(2) Associated costs are based on adjusted segment lengths and construction costs as of 2009 provided by B&V.

### Interceptor Relief Improvements

The 2005 analysis completed in the NDM Report provided a preliminary recommendation for the interceptor improvements. The existing interceptor systems were studied to determine which segments will need to be relieved and when they will need to be relieved in order to continue providing service to the existing service areas. Based on population and wastewater flow projections, the year in which each existing interceptor segment will become overloaded was determined. During the year the segment reaches its capacity, it is recommended that a second, parallel interceptor be installed to relieve the existing segment. The relief lines will be essentially at the same vertical locations and the same slope as the existing interceptor lines. They have been sized to accommodate 2030 peak flows in conjunction with the existing lines. Modeling, primarily funded under the 2008 Bond Program, provided accurate design parameters necessary to assess I/I impacts and mitigation, and recommended interceptor segment improvements provided in the I/I Assessment. The I/I Assessment identified providing either larger size diameter segments or parallel pipelines to accommodate 2040 peak flows.

#### Red Oak Creek Interceptor

The collection system improvement projects proposed for the 2009 Bond Program include relief improvements to only one of the three sub-system interceptors. The current Red Oak Creek Interceptor serves Cedar Hill, Glen Heights, Ovilla, and Red Oak with approximately 60,000 linear feet of 18" to 27" pipe. The Red Oak Creek Interceptor discharges into the Red Oak Creek Regional Wastewater System treatment plant. It is recommended that the entire interceptor be relieved by 2040 to accommodate future wastewater flows. Approximately 27,500 feet of the Red Oak Creek Interceptor will need to be relieved in 2009.

The proposed improvements for the Red Oak Interceptor are described below:

- RO-1 (Node 5000R to Node 1080R): This project will provide approximately 8,800 feet of 33 to 36-inch diameter relief pipeline for the existing segment.
- RO-2 (Node 5460R to Node 5020R): This project will provide approximately 5,650 feet of 30 to 36-inch diameter relief pipeline for the existing segment.

- RO-3 (Node 5980R to Node 5460R): This project will provide approximately 7,350 feet of 30 to 36-inch diameter relief pipeline for the existing segment.
- RO-4 (Node LS\_CH to Node 6740R): This project will provide approximately 5,700 feet of 27 to 30-inch diameter relief pipeline for the existing segment.

#### ***Bear Creek Lift Station***

The 2008 evaluation completed by CP&Y of the Bear Creek Lift Station (BCLS) recommended the replacement of one existing pump and the addition of one new pump in the open slot to provide raw water pumping of future flows. Minimal structure and piping modifications to the existing BCLS will also be required to achieve optimum operational reliability and minimize surging to the Bear Creek lines. Significant electrical and instrumentation modifications to the existing BCLS Motor Control Center (MCC) room will also be required.



# Chapter IV Treatment Plant Improvements

## Introduction

The ROCRWS treatment plant was originally constructed and placed into service during the early 1980's. The plant was designed for an average daily flow of 3.5 MGD and a 2-hour peak flow of 8.8 MGD. The ROCRWS treatment plant is currently being expanded to 6.0 MGD and a 2-hour peak flow of 15.0 MGD based on population and flow projections outlined in the NDM Report. The wastewater flow projections discussed in Chapter II, indicate that a capacity expansion is needed by the year 2014.

## 2009 Bond Program

The Bond Program for 2009 includes inspection service costs associated with the treatment plant expansion construction performed as part of the 2008 Bond Program. The 2009 Bond Program also includes construction costs associated with improvements to the Solids Dewatering Building. Major improvements proposed for funding of fees associated with the plant improvements are listed in the following table.

Treatment Plant Improvements					
Item	Series 2009 Bond Program				Total for 2009 Bond
	Study	Engineering/ Surveying	Construction	Inspection Services	
<i>Plant Expansion Inspection Services</i>				\$ 402,000	\$ 402,000
<i>Solids Dewatering Building</i>			\$ 1,500,000		\$ 1,500,000
<i>Equipment Galleries' Roof Repairs</i>			\$ 105,000		\$ 105,000
Subtotals			\$ 1,605,000	\$ 402,000	\$ 2,007,000
Contingency					
Totals			\$ 1,605,000	\$ 402,000	\$ 2,007,000

### Plant Expansion Inspection Services

Supplemental inspection service costs for the treatment plant expansion improvements funded by the 2006 and 2008 Bond Programs are included in the 2009 Bond Program.

### Solids Dewatering Building

A Solids Dewatering Building will be constructed onsite to house two centrifuges and provide space for a third centrifuge in the future. CP&Y coordinated with TRA to provide a two story building configuration that allows gravity discharge of dewatered solids to dumpsters below. The Solids Dewatering Building provides room for the use of roll-off dumpsters and trailers for flexibility with contractors for the removal of dewatered solids. In addition, a large polymer room is provided and sized for the current use of storage drums or potential use of totes in the future.

### Equipment Galleries Roof Repair

The Primary and Secondary Equipment Galleries require roof repairs. These repairs will be part of the 2009 Bond Program.



## Chapter V Future Capital Improvements

The Facilities Planning Update by NDM, BW2, and CP&Y (NDM Report) is the primary source that identified the capital improvements projects listed for Series 2006 and 2008 funding and beyond.

The NDM Report presents a recommended schedule of future projects. The projects recommended for immediate planning and construction were included in the Series 2006 and 2008 Bond Programs. These projects include the I/I Assessment of the collection system and an expansion of ROCRWS treatment plant to 6.0 MGD.

The report also recommends several collection system projects anticipated for construction in 2009, 2010 and 2025. In addition, it is recommended to expand the ROCRWS wastewater treatment plant to 9.0 MGD in approximately 2018. The timing and frequency of future debt issuance, along with prioritization of the recommended projects, should be reviewed on a regular basis.

B&V has revised the prioritization of the recommended projects in the 2009 I/I Assessment. The updated collection system projects are now anticipated for construction in 2010, 2011, 2015, 2016, 2020, and 2030 for 2040 relief. Based on preliminary data provided in Chapter II of this report, an expansion of the ROCRWS wastewater treatment plant to 10.0 MGD is desirable in approximately 2013 with a preliminary engineering study beginning in the year 2011. A new master plan should be prepared in the near future to review updated population and flow projections.

The projects recommended for the Series 2010 Bond Program include relief of approximately 13,207 linear feet of the Bear Creek Interceptor, approximately 9,888 feet of the Red Oak Creek Interceptor, approximately 13,160 linear feet of the Little Creek Interceptor, and a siphon upgrade (40RO-2S) for the Red Oak Creek Interceptor. The costs associated with the study, and engineering/survey costs for these projects are anticipated to be funded under the 2010 Bond Program, while the construction, inspection services costs are recommended to be funded under the 2010 Bond Program for the Bear Creek Interceptor and under the 2011 Bond Program for the work associated with the Red Oak Interceptor and Little Creek Interceptor.

The total amount of funds required for the collection system study, engineering/survey, construction, and inspection costs under the 2010 Bond Program is \$12.78 million in 2010 dollars. Additional costs associated with Land Rights require approximately \$425,000 in 2009 dollars or \$442,000 in 2010 dollars at an annual inflation rate of 4% and is anticipated for separate funding. The cost estimates for the interceptor relief improvements were originally developed based on the NDM Report and current material and labor rates for proposal work. B&V provided revised construction costs in March of 2009 within the I/I Assessment based on adjustments to the sewer lengths that reflect the proper segments and stationing. The associated costs were increased from 2009 to 2010 dollars based on a 4% annual increase. The associated increase to the study and engineering/surveying fees have also been applied due to the sewer lengths adjustments and assumed inflation rate.

Collection System Improvements						
Segment/Item	Series 2010 Bond Program					
	Study	Engineering/ Surveying	Land Rights (1)	Construction	Inspection Services	Total for 2010 Bond (1)
40BC-1 (2)	\$ 262,000	\$ 679,000	\$ 90,000	\$ 5,223,000	\$ 262,000	\$ 6,426,000
40RO-2 (2)	\$ 462,000	\$ 1,201,000	\$ 115,000			\$ 1,663,000
40BC-2 (2)	\$ 77,000	\$ 200,000	\$ 65,000	\$ 1,537,000	\$ 77,000	\$ 1,891,000
40LC-1 (2)	\$ 340,000	\$ 884,000	\$ 155,000			\$ 1,224,000
GIS	\$ 150,000					\$ 150,000
Subtotals	\$ 1,291,000	\$ 2,964,000	\$ 425,000	\$ 6,760,000	\$ 339,000	\$ 11,354,000
Inflation Contingency (3)	\$ 52,000	\$ 119,000	\$ 17,000	\$ 271,000	\$ 14,000	\$ 456,000
Contingency						\$ 970,000
Totals	\$ 1,343,000	\$ 3,083,000	\$ 442,000	\$ 7,031,000	\$ 353,000	\$ 12,780,000

(1) Land Right costs are shown for informational purposes only as they cannot be funded through State Revolving Funds (SRF), therefore, costs associated with the Land Rights are excluded from the Bond totals.

(2) Associated costs are based on adjusted segment lengths and construction costs as of 2009 provided by B&V.

(3) Inflation Contingency is based on 2010 dollars increased from 2009 dollars at annual inflation of 4%.

The projects recommended for the Series 2011 Bond Program includes the construction and inspection of the Red Oak Creek Interceptor and the Little Creek Interceptor designed from the Series 2010 Bond Program that were not already funded in 2010. In order to treat future flows, the ROCRWS treatment plant will require a preliminary engineering study and design prior to the next expansion. The Series 2011 Bond Program includes the engineering/surveying costs associated with the next anticipated plant expansion. A total cost of approximately \$24.39 million in 2009 dollars or \$26.38 million in 2011 dollars at an annual inflation rate of 4% is anticipated.

In order to treat future flows, the ROCRWS treatment plant will require expansion to 10.0 MGD in approximately 2013. A total cost of approximately \$22.68 million in 2009 dollars or \$24.53 in 2013 at an annual inflation rate of 4% is anticipated. The construction of this project and inspection services is expected to be funded under the Series 2013 Bond Program.

The projects recommended for the Series 2015 Bond Program includes the relief of approximately 22,790 linear feet of the Red Oak Creek Interceptor in addition to the segments relieved in 2009 and 2011. The relief of approximately 18,292 linear feet of the Little Creek Interceptor is also included in the 2015 Bond Program. A total cost of approximately \$25.91 million in 2009 dollars or \$32.79 million in 2015 dollars at an annual inflation rate of 4% is anticipated. Additional costs associated with Land Rights require approximately \$475,000 in 2009 dollars or \$602,000 in 2015 dollars at an annual inflation rate of 4% and is anticipated for separate funding.

The Bear Creek Force Main will require relief by 2016 and is expected to be funded under the Series 2016 Bond Program. It includes the relief of approximately 13,800 linear feet of the Bear Creek Force Main. A total cost of approximately \$5.75 million in 2009 dollars or \$7.57 million in 2020 dollars at an annual inflation rate of 4% is anticipated. Additional costs associated with Land Rights require approximately \$160,000 in 2009 dollars or \$211,000 in 2015 dollars at an annual inflation rate of 4% and is anticipated for separate funding.

The project recommended for the Series 2020 Bond Program includes the relief of approximately 9,915 linear feet of the Bear Creek Interceptor. A total cost of approximately \$3.42 million in 2009 dollars or \$5.26 million in 2020 dollars at an annual inflation rate of 4% is anticipated. Additional costs associated

with Land Rights require approximately \$115,000 in 2009 dollars or \$178,000 in 2015 dollars at an annual inflation rate of 4% and is anticipated for separate funding.

The projects recommended for the Series 2030 Bond Program includes the relief of approximately 1,639 linear feet of the Red Oak Creek Interceptor and approximately 7,285 linear feet of the Bear Creek Interceptor. A total cost of approximately \$4.94 million in 2009 dollars or \$11.27 million in 2030 dollars at an annual inflation rate of 4% is anticipated. Additional costs associated with Land Rights require approximately \$105,000 in 2009 dollars or \$240,000 in 2015 dollars at an annual inflation rate of 4% and is anticipated for separate funding.

**CP&Y** 

**B**

**RED OAK CREEK REGIONAL WASTEWATER SYSTEM**

7/30/2009

<b>ENDING 30-Nov</b>	<b>PROJECTED FLOW (MGD)</b>	<b>GROSS COST PER 1000 GAL</b>	<b>TOTAL DEBT SERVICE REVENUES</b>	<b>TOTAL DEBT SERVICE EXPENSE *</b>	<b>PROJECTED COVERAGE</b>
2010	3.10	\$4.123	\$4,665,510	\$2,894,880	1.61
2011	3.12	\$5.318	\$6,056,270	\$4,180,605	1.45
2012	3.14	\$5.536	\$6,361,885	\$4,429,538	1.44
2013	3.16	\$5.599	\$6,418,084	\$4,426,871	1.45
2014	3.18	\$5.616	\$6,477,145	\$4,424,792	1.46
2015	3.20	\$5.546	\$6,567,647	\$4,425,469	1.48
2016	3.40	\$5.353	\$6,661,735	\$4,429,732	1.50
2017	3.60	\$5.141	\$6,755,398	\$4,433,570	1.52
2018	3.80	\$4.937	\$6,846,936	\$4,435,283	1.54
2019	4.00	\$4.754	\$6,940,303	\$4,438,826	1.56
2020	4.20	\$4.589	\$7,034,969	\$4,443,667	1.58
2021	4.40	\$4.438	\$7,127,359	\$4,446,232	1.60
2022	4.60	\$4.301	\$7,221,010	\$4,450,059	1.62
2023	4.80	\$4.176	\$7,316,990	\$4,456,213	1.64
2024	5.00	\$4.060	\$7,409,965	\$4,459,363	1.66
2025	5.20	\$3.822	\$7,253,918	\$4,213,492	1.72
2026	5.40	\$3.742	\$7,376,105	\$4,245,854	1.74
2027	5.60	\$3.703	\$7,569,103	\$4,349,028	1.74
2028	5.80	\$3.677	\$7,784,558	\$4,474,658	1.74
2029	6.00	\$4.000	\$8,760,902	\$5,361,177	1.63

\* DEBT SERVICE EXPENSE IS BASED ON CURRENT DEBT SERVICE EXPENSE PLUS PROJECTED EXPENSE FOR SERIES 2009 BONDS ONLY.

**C**

**TRINITY RIVER AUTHORITY  
RED OAK CREEK SYSTEM**

*Contracting Parties:*

*City of Cedar Hill, Texas  
City of DeSoto, Texas  
City of Glenn Heights, Texas  
City of Lancaster, Texas  
City of Ovilla, Texas  
City of Red Oak, Texas*

## CITY OF CEDAR HILL, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Year Ended September 30,				
	2008 <sup>(1)</sup>	2007	2006	2005	2004
<b>OPERATING REVENUES</b>					
Water Sales	\$ 9,166,124	\$ 7,752,744	\$ 9,660,693	\$ 8,530,907	\$ 7,383,346
Sewer Sales	4,985,576	4,530,261	4,468,990	4,595,528	4,258,564
Other Charges	521,310	617,519	575,863	590,911	643,106
<b>Total Operating Income</b>	<b>14,673,010</b>	<b>12,900,524</b>	<b>14,705,546</b>	<b>13,717,346</b>	<b>12,285,016</b>
<b>OPERATING EXPENSES</b>					
Sewage Treatment	3,809,777	3,441,542	3,165,803	3,544,648	3,058,807
Purchase of Water	2,811,772	3,140,673	3,306,043	2,884,566	2,703,082
Personnel Services	2,370,241	2,211,241	2,068,556	1,958,923	1,789,285
Depreciation	1,602,646	1,666,907	1,522,928	1,196,741	1,065,846
Gross Receipts Tax	644,739	552,735	639,126	590,436	523,886
Heat, Light and Power	498,065	376,878	520,596	333,691	210,313
Maintenance	304,158	208,050	317,288	315,291	341,213
Contractual Services	391,466	473,223	251,217	180,514	193,672
Bad Debts	-	428,691	330,026	178,520	119,925
Materials and Supplies	328,398	244,764	215,310	258,053	270,568
Miscellaneous	79,604	73,075	64,475	72,813	51,106
<b>Total Operating Expenses</b>	<b>12,840,866</b>	<b>12,817,779</b>	<b>12,401,368</b>	<b>11,514,196</b>	<b>10,327,703</b>
<b>OPERATING INCOME</b>	<b>1,832,144</b>	<b>82,745</b>	<b>2,304,178</b>	<b>2,203,150</b>	<b>1,957,313</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Other Revenues	41,527	53,283	616,842	552,116	977,356
Interest Revenue	604,215	767,361	646,285	340,448	119,255
Gain (Loss) on Retirement of Assets	(11,189)	(58,192)	(1,463,439)	-	-
Interest and Fiscal Charges	(523,216)	(424,801)	(376,825)	(331,207)	(242,237)
<b>Total Non-Operating Income</b>	<b>111,337</b>	<b>337,651</b>	<b>(577,137)</b>	<b>561,357</b>	<b>854,374</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>1,943,481</b>	<b>420,396</b>	<b>1,727,041</b>	<b>2,764,507</b>	<b>2,811,687</b>
Contributions	3,429,343	2,011,817	1,434,853	3,150,795	6,163,978
Contributions, Tap Fees & Other	200,131	623,568			
<b>TRANSFER OUT</b>	<b>(1,802,000)</b>	<b>(1,801,000)</b>	<b>(1,800,000)</b>	<b>(1,800,000)</b>	<b>(1,800,000)</b>
<b>NET INCOME</b>	<b>3,770,955</b>	<b>1,254,781</b>	<b>1,361,894</b>	<b>4,115,302</b>	<b>7,175,665</b>
<b>ADDITIONS</b>					
Depreciation	1,602,646	1,666,907	1,522,928	1,196,741	1,065,846
Interest & Fiscal Charges	523,216	424,801	376,825	331,207	242,237
Gain (Loss) on Retirement of Assets	11,189	58,192	1,463,439	-	-
Transfer Out	1,802,000	1,801,000	1,800,000	1,800,000	1,800,000
<b>TOTAL ADDITIONS</b>	<b>3,939,051</b>	<b>3,950,900</b>	<b>5,163,192</b>	<b>3,327,948</b>	<b>3,108,083</b>
<b>DEDUCTIONS</b>					
Contributions	3,429,343	2,011,817	1,434,853	3,150,795	6,163,978
Capital Recovery Fees	199,483	614,292	562,964	504,549	968,455
Interest Income-Cap. Rec. Fees	117,167	194,721	180,668	127,959	49,491
Interest Income-Bond Proceeds	313,218	258,546	197,615	86,334	20,196
<b>TOTAL DEDUCTIONS</b>	<b>4,059,211</b>	<b>3,079,376</b>	<b>2,376,100</b>	<b>3,869,637</b>	<b>7,202,120</b>
<b>NET REVENUES</b>	<b>\$ 3,650,795</b>	<b>\$ 2,126,305</b>	<b>\$ 4,148,986</b>	<b>\$ 3,573,613</b>	<b>\$ 3,081,628</b>

(1) Preliminary, provided by City officials.

**TABLE 2 - COVERAGE AND FUND BALANCES <sup>(1)</sup>**

Average Annual Principal and Interest Requirements, 2009-2027	\$ 804,647
Coverage of Average Requirements by 9/30/08 Net Revenues	4.54 Times
Maximum Principal and Interest Requirements, 2018	\$ 984,598
Coverage of Maximum Requirements by 9/30/08 Net Revenues	3.71 Times
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/08	\$ 10,695,000
Interest and Sinking Fund, 9/30/08	\$ 579,534
Debt Service Reserve Fund, 9/30/08	\$ 855,227

(1) Preliminary, provided by City officials.

**TABLE 3 - REVENUE BONDS AUTHORIZED BUT UNISSUED**

As of September 30, 2008, the City has no authorized but unissued revenue bonds.

**TABLE 4 - HISTORICAL WATER USAGE**

Fiscal Year Ended 9/30	Daily Average (MGD)	Peak Day (MGD)	Peak Month (MGD)	Total Usage (MGD)	Water Revenue
2004	5.92	9.9	247.4	2,165.3	\$ 7,383,346
2005	6.53	11.9	320.4	2,384.0	8,530,907
2006	8.29	19.7	384.4	3,026.0	9,660,693
2007	6.94	12.9	264.8	2,528.0	7,752,744
2008	8.31	13.1	337.5	3,031.5	9,166,124

**TABLE 5 - MONTHLY WATER RATES (EFFECTIVE AS OF OCTOBER 1, 2008)**

	New Rates	
	Inside City	Outside City
First 1,000 Gallons	\$ 7.00	\$ 7.00
Next 49,000 Gallons	4.81	4.81
Over 50,000 Gallons	4.76	4.76
	Old Rates	
	Inside City	Outside City
First 1,000 Gallons	\$ 7.00	\$ 7.00
Next 49,000 Gallons	4.84	4.84
Over 50,000 Gallons	4.79	4.79

**TABLE 6 – MONTHLY SEWER RATES (EFFECTIVE AS OF OCTOBER 1, 2008)**

	Residential			
	New Rates		Old Rates	
	Inside City	Outside City	Inside City	Outside City
First 1,000 Gallons	\$ 7.25	\$ 7.25	\$ 7.25	\$ 7.25
Over 1,000 Gallons	5.25	5.25	4.75	4.75
Residential charges capped at \$55.00				
	Commercial			
	New Rates		Old Rates	
	Inside City	Outside City	Inside City	Outside City
First 1,000 Gallons	\$ 7.25	\$ 7.25	\$ 7.25	\$ 7.25
Over 1,000 Gallons	5.25	5.25	4.75	4.75

**TABLE 7 - CAPITAL RECOVERY FEES**

As of September 30, 2008, the capital recovery fee funds may be used for capital projects and to pay debt service on projects for which the fee was levied and to date has produced approximately \$14,425,639 for the City:

Water Sources	\$ 8,196,745.00
Sewer Sources	3,511,659.00
Investment Earnings	2,717,235.00

To date, the City has used approximately \$11,604,072.00 of the funds for water and wastewater projects and has remaining funds of \$2,821,567.00.

## CITY OF DESOTO, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Year Ended September 30,				
	2008 <sup>(1)</sup>	2007	2006	2005	2004
<u>Operating Revenues:</u>					
Charges for Services	\$ 13,808,696	\$ 12,579,614	\$ 16,350,648	\$ 12,269,753	\$ 12,033,005
Interest Income	-	173,603	175,584	96,804	54,928
Other	-	-	-	40,290	-
<b>Total Operating Revenues</b>	<b>\$ 13,808,696</b>	<b>\$ 12,753,217</b>	<b>\$ 16,526,232</b>	<b>\$ 12,406,847</b>	<b>\$ 12,087,933</b>
<u>Operating Expenses:</u>					
Financial Services	\$ 1,151,309	\$ 690,847	\$ 682,857	\$ 582,415	\$ 625,098
Development Services	7,253,019	7,179,997	7,130,179	6,255,162	6,076,784
Nondepartmental Management Services	2,362,241	2,322,128	2,248,302	2,245,519	2,196,818
<b>Total</b>	<b>\$ 10,766,569</b>	<b>\$ 10,192,972</b>	<b>\$ 10,061,338</b>	<b>\$ 9,083,096</b>	<b>\$ 8,898,700</b>
<b>Net Available for Debt Service</b>	<b>\$ 3,042,127</b>	<b>\$ 2,560,245</b>	<b>\$ 6,464,894</b>	<b>\$ 3,323,751</b>	<b>\$ 3,189,233</b>
Water Customers	12,489	15,211	15,019	14,707	14,198
Sewer Customers	14,553	14,365	14,133	13,756	13,310

(1) Preliminary, provided by City officials.

**TABLE 2 - HISTORICAL WATER CONSUMPTION**

Fiscal Year	Total Number of Pumped Gallons	Average Daily Pumpage	Peak Daily Pumpage
2004	2,463,040,000	6,718,000	8,465,250
2005	2,636,568,000	7,223,474	14,006,000
2006	2,986,463,000	9,706,961	13,917,500
2007	2,286,115,000	6,263,329	15,384,000
2008	2,535,513,000	7,055,000	10,726,000

**TABLE 3 - TEN LARGEST WATER CUSTOMERS**

Customer	Fiscal 2008 Water Usage Gallons	Percent of Gallons	Fiscal 2007 Water Revenues	Percent of Water Revenue
DeSoto Independent School District	30,148,000	1.36%	\$ 141,722	1.5%
City of DeSoto	29,468,000	1.33%	139,437	1.5%
Mt. Vernon Apartments	20,627,000	0.93%	107,136	1.2%
Dynamic Mobile Home Park	20,098,000	0.91%	96,693	1.0%
Wintergreen Place Apartments	19,353,000	0.88%	90,330	1.0%
Creekwood Apts	15,687,000	0.71%	73,189	0.8%
TX Kirnwood Apartments, LP	14,789,000	0.67%	68,820	0.7%
Windsong Place Apt	14,481,000	0.65%	68,483	0.7%
DeSoto Apartments, LTD	14,290,000	0.65%	66,716	0.7%
Williamsburg Village Healthcare	13,883,000	0.63%	59,180	0.6%
	<u>192,824,000</u>	<u>8.72%</u>	<u>\$ 911,706</u>	<u>9.83%</u>

**TABLE 4 - MONTHLY WATER RATES**

Meter Size	Base Rate (First 1,000 Gallons)
	Minimum Charge
	Rates
	Effective October 1, 2005
3/4"	\$7.93
1	15.07
1 1/2	26.95
2	41.21
3	74.51
4	122.07
6	383.62
8	668.52
10	1,049.41
12	1,287.20

Volume Charge: 2.76/1,000 for 0 to 15,000 gallons  
 Volume Charge: 3.51/1,000 for 15,001 to 30,000 gallons  
 Volume Charge: 4.26/1,000 for 30,001 and above gallons  
 (gallons over base rate usage)

**TABLE 5 - MONTHLY SEWER RATES**

Residential	Effective October 1, 2005
First 1,000 gallons	\$6.51 (Minimum)
Over 1,000 gallons	4.10/1,000 gallons 3 months winter average

(3 months winter average is calculated as the average of the lowest 3 months out of the 4 months of December, January, February, and March)

Multi-family	
First 1,000 gallons	\$6.51 (Minimum)
Over 1,000 gallons	4.10/1,000 gallons 3 months winter average

(3 months winter average is calculated as the average of the lowest 3 months out of the 4 months of December, January, February, and March)

Commercial/Industrial	
First 1,000 gallons	\$6.51 (Minimum)
Over 1,000 gallons	4.10/1,000 gallons

## CITY OF GLENN HEIGHTS, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Year Ended September 30,				
	2008	2007	2006	2005	2004
<b>Revenues:</b>					
Water System	\$ 2,007,200	\$ 1,781,166	\$ 1,996,097	\$ 1,966,858	\$ 1,729,785
Sewer System	1,414,516	1,148,762	1,163,402	1,109,462	1,036,706
Tap Fees	62,823	101,356	163,250	71,497	292,270
Late Penalties and Surcharges	119,995	159,325	142,458	119,057	116,502
Interest Revenue	-	-	33,508	17,076	7,418
Other	10,866	8,836	34,119	187,091	40,440
<b>Total Operating Revenue</b>	<b>\$ 3,615,400</b>	<b>\$ 3,199,445</b>	<b>\$ 3,532,834</b>	<b>\$ 3,471,041</b>	<b>\$ 3,223,121</b>
<b>Expenses:</b>					
Payroll Expense	\$ 730,967	\$ 639,612	\$ 639,989	\$ 568,335	\$ 493,118
Sewage Treatment	-	-	-	-	-
Purchased and Contracted Services	2,478,557	1,938,693	2,254,104	1,776,974	1,689,271
Supplies and Materials	97,652	91,450	90,014	63,689	54,353
Utilities	-	-	-	-	-
Provision For Uncollectible Accounts	-	175,688	109,052	123,824	83,345
<b>Total Operating Expenses</b>	<b>\$ 3,307,176</b>	<b>\$ 2,845,443</b>	<b>\$ 3,093,159</b>	<b>\$ 2,532,822</b>	<b>\$ 2,320,087</b>
<b>Net Available for Debt Service</b>	<b>\$ 308,224</b>	<b>\$ 354,002</b>	<b>\$ 439,675</b>	<b>\$ 938,219</b>	<b>\$ 903,034</b>
Water Customers	5,540	5,825	4,972	4,432	3,981
Sewer Customers	3,328	3,189	3,003	2,707	2,485

**TABLE 2 - COVERAGE AND FUND BALANCES**

As of September 30, 2008, the City has no outstanding revenue debt.

**TABLE 3 - REVENUE BONDS AUTHORIZED BUT UNISSUED**

As of September 30, 2008, the City has no authorized but unissued revenue debt outstanding.

**TABLE 4 - HISTORICAL WATER USAGE**

Fiscal Year Ended	Total Usage	Average Daily Usage
2004	39,407,480	1,079,657
2005	40,639,200	3,386,600
2006	63,133,100	4,036,400
2007	43,048,000	1,104,000
2008	48,109,900	1,457,800

**TABLE 5 - TOP TEN CUSTOMERS**

<u>Customer</u>	<u>Fiscal 2008 Water Usage In Gallons</u>	<u>Estimated Percent of Total Water Usage</u>
City of Red Oak	4,955	10.30%
Kingston Meadow HOA	414	0.86%
HI HO R.V. Park	281	0.58%
De Soto ISD	190	0.39%
Texaco, Bear Creek	166	0.35%
Sallie Howze	151	0.31%
Sagebrush Greenhouse/Nursery	148	0.31%
Jani Collins	123	0.26%
Kingston Meadow HOA	101	0.21%
Clint Carol	88	0.18%

**TABLE 6 - MONTHLY WATER RATES (EFFECTIVE NOVEMBER 1, 2005)**

<b>Water Rates</b>			<b>Irrigation Rates</b>	
<u>Meter Charge</u>	<u>Within City Limits</u>	<u>Outside City Limits</u>	<u>Meter Charge</u>	
3/4 Inch	\$12.61	\$17.19	3/4 Inch	\$6.31
1 Inch	31.53	42.97	1 Inch	15.76
1 1/2 Inch	63.06	85.94	1 1/2 Inch	31.53
2 Inch	100.89	137.50	2 Inch	50.44
3 Inch	189.17	257.81	3 Inch	94.58
<b>Volumetric Charge (per 1,000 gallons)</b>			<b>Volumetric Charge (per 1,000 gallons)</b>	
	<u>Within City Limits</u>	<u>Outside City Limits</u>		
0 - 6,000	\$2.24	\$3.15	0 - 6,000	\$3.67
6,001 - 12,000	2.80	3.94	6,001 - 12,000	4.59
12,001 - 18,000	3.51	4.93	12,001 - 18,000	5.74
18,001 and Over	4.38	6.16	18,001 and Over	7.17

**TABLE 7 - MONTHLY SEWER RATES (EFFECTIVE NOVEMBER 1, 2005)**

<b>Wastewater Rates</b>		
<u>Meter Charge</u>	<u>Within City Limits</u>	<u>Outside City Limits</u>
3/4 Inch	\$19.44	\$22.36
1 Inch	48.60	55.89
1 1/2 Inch	97.20	111.78
2 Inch	155.52	178.85
3 Inch	291.60	335.34

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## CITY OF LANCASTER, TEXAS

**TABLE 1- WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Year Ended September 30,				
	2008 <sup>(3)</sup>	2007	2006	2005	2004
Operating Revenues	\$ 9,493,720	\$ 9,109,409	\$ 9,078,975	\$ 7,703,293	\$ 7,531,932
Direct Operating Expenses <sup>(1)</sup>	<u>\$ 7,951,781</u>	<u>\$ 7,779,519</u>	<u>\$ 6,435,150</u>	<u>\$ 5,729,519</u>	<u>\$ 5,982,760</u>
Net Available for Debt Service	<u>\$ 1,541,939</u>	<u>\$ 1,329,890</u> <sup>(2)</sup>	<u>\$ 2,643,825</u>	<u>\$ 1,973,774</u>	<u>\$ 1,549,172</u>
Water Customers	10,718	9,547	9,118	9,118	8,844
Sewer Customers	9,401	9,213	8,983	8,754	8,484

- (1) Direct Operating Expenses include all water and sewer operating expenses, less depreciation and bad debt expense.  
 (2) Due to excessively wet weather in Texas during fiscal year 2007, the City's water and sewer fund did not generate sufficient revenues to offset debt service expenditures. The City raised water and sewer rates effective February 2008 and also plans to utilize available net working capital to cover revenue bond debt service as well as general obligation bond debt service supported by water and sewer revenues.  
 (3) Preliminary, provided by City Officials.

**TABLE 2 - COVERAGE AND FUND BALANCES <sup>(1)</sup>**

Average Annual Principal and Interest Requirements, 2009-2015	\$ 105,599
Coverage of Average Requirements by 09/30/08 Net Income	14.60x
Maximum Principal and Interest Requirements, 2010	\$ 109,015
Coverage of Maximum Requirements by 09/30/08 Net Income	14.14x
Waterworks and Sewer System Revenue Bonds Outstanding, 09/30/08	\$ 600,000
Interest and Sinking Fund, 9/30/08	\$ -
Reserve Fund, 9/30/08	\$ 600,000

- (1) Preliminary, subject to change.

**TABLE 3 - WATER USAGE**

Fiscal Year 9/30	Total Water Consumption	Average Daily Pumpage	Peak Day Capacity
2004	1,257,956,850	3,534,655	6,681,100
2005	1,480,485,350	4,278,272	6,874,650
2006	1,733,770,000	4,750,055	8,990,000
2007	1,525,000,000	4,178,000	7,050,000
2008	1,659,380,000	4,546,250	7,195,000

*(Remainder of page intentionally left blank.)*

**TABLE 4 - TEN LARGEST WATER CUSTOMERS**

<u>Customer</u>	<u>Fiscal 2008 Water Usage in Gallons</u>	<u>Estimated % of Total Water Usage</u>	<u>Revenues Received</u>
Lancaster Independent School District	33,875,700	2.04%	\$ 116,613
Lancaster MUD #1	32,525,700	1.96%	73,364
Hunter's Creek /River Bend Apartments	29,923,500	1.80%	132,316
MEA Texas Lancaster, LTD (Rolling Hills Apts )	25,010,700	1.51%	103,309
Portofino Apartments	24,404,200	1.47%	91,807
Rosemont of Lancaster	19,074,600	1.15%	77,797
Pleasant Run Apartments, LLC	15,671,000	0.94%	60,006
Bel-Air Place Apartments	14,123,300	0.85%	44,331
Pleasant Creek Corner Apartments	12,356,300	0.74%	45,628
Creekwood Place LP II	12,093,200	0.73%	51,083
	<u>219,058,200</u>	<u>13.20%</u>	<u>\$ 796,253</u>

**TABLE 5 - MONTHLY WATER RATES (EFFECTIVE FEBRUARY 2, 2008)**

<u>Meter Size:</u>	<u>Minimum Monthly Meter Charge:</u>
3/4 or 5/8" Meter	\$ 12.32
1" Meter	\$ 29.52
1 1/2" Meter	\$ 57.21
2" Meter	\$ 91.10
3" Meter	\$ 179.06
4" Meter	\$ 278.75
6" Meter	\$ 555.68
8" Meter	\$ 987.68
10" Meter	\$ 1,541.53

**TABLE 6 - WASTEWATER TREATED**

<u>Fiscal Year 9/30</u>	<u>Total Usage (1,000 Gallons)</u>	<u>Daily Average Gallons</u>	<u>Monthly Average</u>
2004	1,629,863	4,527,397	135,821,916
2005	1,545,766	4,234,975	128,813,833
2006	1,812,830	4,966,657	151,069,159
2007	1,733,000	4,750,000	144,500,000
2008	1,821,000	4,989,000	151,750,000

**TABLE 7 - TEN LARGEST WASTEWATER CUSTOMERS**

<u>Customer</u>	<u>Fiscal 2008 Consumption</u>
Hunters Creek/River Bend Apartments	18,543,467
Pleasant Run Apartments, LLC	14,312,465
Rosemont of Lancaster	12,568,820
Portofino Apartments	11,092,995
Creekwood Place LP II	12,048,774
LISD High School	13,304,260
Lancaster MUD #1 (SW)	9,037,300
CJ Meadows LLC	8,074,310
Bel-Air Place Apartments	8,337,899
Brass Craft - Lancaster	7,718,870
	<u>115,039,160</u>

**TABLE 8 - MONTHLY SEWER RATES (EFFECTIVE FEBRUARY 1, 2009)**

Residential Rates

\$10.38 (Minimum Charge)  
Plus \$5.23 per 1,000 gallons

Multi-Family

\$6.93 (Minimum Charge)  
Plus \$5.23 per 1,000 gallons

Commercial Rates

\$10.38 (Minimum Charge)  
Plus \$5.23 per 1,000 gallons

Industrial Rate

\$10.38 (Minimum Charge)  
Plus \$5.23 per 1,000 gallons

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## CITY OF OVILLA, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Years Ended September 30,				
	2008	2007	2006	2005	2004
<b>Revenues:</b>					
Water Sales	\$ 824,824	\$ 685,526	\$ 1,085,265	\$ 833,381	\$ 745,657
Reconnection Fees	2,295	1,286	2,876	2,025	3,402
Meter Fees	10,105	1,125	2,110	4,300	8,500
Sewer Lines	153,506	135,544	124,292	134,416	144,446
Miscellaneous	93,587	215,555	200,422	31,391	7,430
<b>Total</b>	<b>\$ 1,084,317</b>	<b>\$ 1,039,036</b>	<b>\$ 1,414,965</b>	<b>\$ 1,005,513</b>	<b>\$ 909,435</b>
<b>Expenditures:</b>					
Water Expenses	\$ 570,372	\$ -	\$ 660,691	\$ 536,494	\$ 433,634
Sewer Expenses	53,769	-	-	-	-
Water Administration	136,901	-	-	-	-
Utilities-Water Tower	-	458,707	-	-	-
Maintenance and Supplies	-	18,056	41,514	22,148	20,492
Insurance	-	22,271	17,983	30,204	26,017
Salaries	-	181,163	142,440	151,825	153,859
Postage	-	4,550	5,485	3,605	3,818
Outside Services	-	212,353	172,580	3,208	1,155
Utilities	-	7,786	44,436	25,328	1,414
Miscellaneous	-	25,699	14,106	900	3,412
<b>Total</b>	<b>\$ 761,042</b>	<b>\$ 930,585</b>	<b>\$ 1,099,235</b>	<b>\$ 773,712</b>	<b>\$ 643,801</b>

**TABLE 2 - COVERAGE AND FUND BALANCES**

The City has water revenue bonds in the amount of \$735,000.

**TABLE 3 - MONTHLY WATER RATES (EFFECTIVE NOVEMBER 1, 2007)**

Water Service Rates		
0 to 1,000 gallons	\$ 9.50	first 1,000 gallons
1,001 to 2,000 gallons	10.15	per 1,000 gallons
2,001 to 20,000 gallons	3.65	per 1,000 gallons
20,001 to 40,000 gallons	4.75	per 1,000 gallons
40,001 to 60,000 gallons	5.85	per 1,000 gallons
60,001 to 80,000 gallons	6.95	per 1,000 gallons
80,001 to 100,000 gallons	8.05	per 1,000 gallons
100,001 and up	9.15	per 1,000 gallons

**TABLE 4 - MONTHLY SEWER RATES (EFFECTIVE AUGUST 1, 2002)**

First 1,000 gallons	\$7.50
Over 1,000 gallons	\$5.00

## CITY OF RED OAK, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Years Ended September 30,				
	2008 <sup>(1)</sup>	2007	2006	2005	2004
<b>Revenues:</b>					
Water	\$ 1,026,795	\$ 949,261	\$ 1,069,540	\$ 825,924	\$ 672,153
Sewer	1,059,699	1,114,593	994,396	926,219	868,869
Tap Fees and Reconnects	179,818	326,306	427,013	280,735	215,599
Interest Income	62,354	279,226	189,149	107,265	31,192
Penalties	74,063	-	-	-	-
Other	57,797	11,178	57,340	58,044	114,254
<b>Total</b>	<b>\$ 2,460,526</b>	<b>\$ 2,680,564</b>	<b>\$ 2,737,438</b>	<b>\$ 2,198,187</b>	<b>\$ 1,902,067</b>
<b>Expenditures:</b>					
Personnel	\$ 217,762	\$ -	\$ -	\$ -	\$ -
Contractual Services	1,596,217	1,249,325	1,188,363	971,093	977,311
Maintenance	88,843	75,052	74,990	79,923	78,069
Other	169,718	125,379	156,538	101,600	94,010
<b>Total</b>	<b>\$ 2,072,540</b>	<b>\$ 1,449,756</b>	<b>\$ 1,419,891</b>	<b>\$ 1,152,616</b>	<b>\$ 1,149,390</b>
<b>Net Available for Debt Service</b>	<b>\$ 387,986</b>	<b>\$ 1,230,808</b>	<b>\$ 1,317,547</b>	<b>\$ 1,045,571</b>	<b>\$ 752,677</b>
Water Customers	3,081	2,759	2,490	1,692	1,444
Sewer Customers	2,569	2,163	2,035	1,792	1,645

(1) Preliminary, provided by City Officials.

**TABLE 2 - COVERAGE AND FUND BALANCES**

As of September 30, 2008, the City has no outstanding revenue debt.

**TABLE 3 - AUTHORIZED REVENUE BONDS**

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Unissued</u>
5/12/1962	Water	\$ 100,000	\$ 50,000	\$ 50,000

**TABLE 4 - MONTHLY WATER RATES (EFFECTIVE FEBRUARY 1, 2009)**

Residential:	Base (includes first 1,000 gallons)	\$ 14.66
	1,000 - 7,000 gallons	3.40
	8,000 - 14,999	4.32
	15,000 - 999,999	5.13
Commerical:	Base (includes first 1,000 gallons)	\$ 21.56
	1,000 - 23,999	4.08
	24,000 - 34,999	5.11
	35,000 - 999,999	6.13

**TABLE 5 - HISTORICAL WATER USAGE**

<u>Fiscal Year</u>	<u>Total Usage</u>
2004	185,119,570
2005	211,985,650
2006	318,760,830
2007	230,562,490
2008	171,447,000

**TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE FEBRUARY 1, 2009)**

Residential:	Base (includes first 1,000 gallons)	\$ 19.21
	1,000 - 999,999	\$ 4.83
Commerical:	Base (includes first 1,000 gallons)	\$ 28.46
	1,000 - 999,999	\$ 4.66

**D**

RESOLUTION NO. R-1237

CERTIFICATE FOR  
A RESOLUTION BY THE BOARD OF DIRECTORS OF TRINITY RIVER AUTHORITY  
OF TEXAS REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER  
DEVELOPMENT BOARD; AUTHORIZING THE FILING OF AN APPLICATION FOR  
ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

THE STATE OF TEXAS :  
TRINITY RIVER AUTHORITY OF TEXAS :

I, the undersigned, Assistant Secretary of the Board of Directors of Trinity River Authority of Texas, being the official keeper of the minutes and records of said Authority, hereby certify as follows:

1. The Board of Directors of said Authority convened in REGULAR MEETING ON THE 27TH DAY OF FEBRUARY, 2008, at the designated meeting place, and the roll was called of the duly constituted officers and members of said Board, to-wit:

Michael Cronin, President	John W. Jenkins
Linda D. Timmerman, Ed.D., Vice President	Katrina Keyes
Sam Scott, Assistant Secretary	Nancy E. Lavinski
Connie H. Arnold	Andrew Martinez
Harold L. Barnard	Kevin Maxwell
Herschel S. Brannen III	Lynn H. Neely
Leslie C. Browne	Manny Rachal
Karl R. Butler	AnaLaura Saucedo
Pat Carlson	Shirley K. Seale
Patricia T. Clapp	Kim C. Wyatt
Steve Cronin	Vacancy
Hector Escamilla, Jr.	Vacancy
Jerry F. House, D.Min.	

and, at the time of adoption of the resolution hereinafter described, all of said persons were present and voted, except the following absentees: Steve Cronin & Keyes. Whereupon, a quorum being present, the following was transacted at said Meeting: a written

A RESOLUTION BY THE BOARD OF DIRECTORS OF TRINITY RIVER AUTHORITY OF TEXAS REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD; AUTHORIZING THE FILING OF AN APPLICATION FOR ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

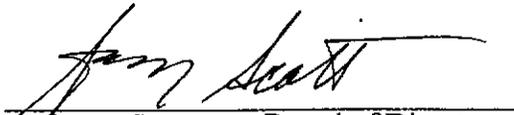
was duly introduced for the consideration of said Board and duly read. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of said resolution, prevailed and carried with all members present voting "AYE" except the following:

NAY: None.

ABSTAIN: None.

2. That a true, full, and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Resolution has been duly recorded in said Board's minutes of said Meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said Meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of said Board as indicated therein; and that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for adoption at said Meeting; and that said Meeting was open to the public, and public notice of the time, place, and purpose of said Meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 27th day of February, 2008.

  
Assistant Secretary, Board of Directors,  
Trinity River Authority of Texas

(AUTHORITY SEAL)

RESOLUTION NO. R-1237

A RESOLUTION BY THE BOARD OF DIRECTORS OF TRINITY RIVER AUTHORITY OF TEXAS REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD; AUTHORIZING THE FILING OF AN APPLICATION FOR ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

THE STATE OF TEXAS  
TRINITY RIVER AUTHORITY OF TEXAS

WHEREAS, the Board of Directors of Trinity River Authority of Texas (the "Authority") hereby finds and determines that there is an urgent need for the Authority to acquire and construct improvements and extensions to the Authority's Red Oak Creek Regional Wastewater System (the "Project"); and

WHEREAS, such capital improvements cannot be reasonably financed unless financial assistance is obtained from the Texas Water Development Board.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TRINITY RIVER AUTHORITY OF TEXAS:

1. That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not exceed \$25,000,000 to provide for the costs of acquiring and constructing the Project.

2. That the General Manager of said Authority be and hereby is designated the authorized representative of the Authority for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and with complying with the rules of the Texas Water Development Board.

3. That the following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the Authority before any hearing held by the Texas Water Development Board on such application, to wit:

Financial Advisor:

W. Boyd London, Jr.  
Mary Williams  
First Southwest Company  
1700 Pacific Avenue  
Suite 500  
Dallas, Texas 75201  
(214) 953-4013

Engineer:

Dawn Anderson, P.E.  
Chiang, Patel & Yerby, Inc.  
1820 Regal Row, Suite 200  
Dallas, Texas 75235  
(214) 638-1726

Bond Counsel:

G. Charles Kobdich  
McCall, Parkhurst & Horton L.L.P.  
717 N. Harwood St.  
Suite 900  
Dallas, Texas 75201  
(214) 754-9236

**E**

APPLICATION AFFIDAVIT

THE STATE OF TEXAS :  
TRINITY RIVER AUTHORITY OF TEXAS :

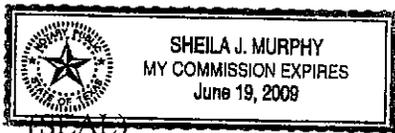
BEFORE ME, the undersigned, a Notary Public, in and for the State of Texas, on this day personally appeared the General Manager, who being by me duly sworn, upon oath says that (i) to the best of his knowledge and belief, the facts and information contained in the Application to the Texas Water Development Board for financial assistance are true and correct, (ii) the Authority will comply with all representations in the Application to the Texas Water Development Board for financial assistance, all laws of the State of Texas, and all rules and published policies of the Texas Water Development Board, (iii) to the best of his knowledge, there is no litigation or other proceeding pending or threatened against the Authority before any court, agency, or administrative body wherein an adverse decision would materially adversely affect the financial condition of the Authority or the ability of the Authority to issue debt and (iv) the Application to the Texas Water Development Board for financial assistance was approved by the Board of Directors in an open meeting.

TRINITY RIVER AUTHORITY OF TEXAS

By: *Danny F. Vance*  
General Manager

SUBSCRIBED AND SWORN TO BEFORE ME, by Danny F. Vance, General Manager, this 27<sup>th</sup> day of Feb, 2008.

*Sheila J. Murphy*  
Notary Public in and for the  
State of Texas



My commission expires:

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TRINITY RIVER AUTHORITY OF TEXAS -  
RED OAK CREEK REGIONAL WASTEWATER SYSTEM CONTRACT

THE STATE OF TEXAS :

TRINITY RIVER AUTHORITY OF TEXAS :

THIS TRINITY RIVER AUTHORITY OF TEXAS - RED OAK CREEK REGIONAL WASTEWATER SYSTEM CONTRACT (the "Contract") made and entered into as of the 1st day of JUNE, 1986 (the "Contract Date"), by and among TRINITY RIVER AUTHORITY OF TEXAS (the "Authority"), an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 518, Acts of the 54th Legislature of the State of Texas, Regular Session, 1955, as amended (the "Authority Act"), and the following:

CITY OF CEDAR HILL, IN DALLAS AND ELLIS COUNTIES, TEXAS,  
CITY OF DE SOTO, IN DALLAS COUNTY, TEXAS,  
CITY OF GLENN HEIGHTS, IN DALLAS AND ELLIS COUNTIES, TEXAS,  
CITY OF LANCASTER, IN DALLAS COUNTY, TEXAS  
CITY OF OVILLA, IN ELLIS AND DALLAS COUNTIES, TEXAS, and  
CITY OF RED OAK IN ELLIS COUNTY, TEXAS

(collectively the "Initial Contracting Parties").

W I T N E S S E T H:

WHEREAS, each of the Initial Contracting Parties is a duly created city and political subdivision of the State of Texas operating under the Constitution and laws of the State of Texas; and

WHEREAS, the Authority and the Initial Contracting Parties are authorized to enter into this Contract pursuant to the Authority Act, Chapter 30, Texas Water Code, Vernon's Ann. Tex. Civ. St. Article 4413(32c) (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the Authority proposes to acquire and construct a regional Wastewater treatment system to serve the Initial Contracting Parties in the area of the watershed or drainage basin of Red Oak Creek, being a tributary of the Trinity River, and being located in Ellis and Dallas Counties, Texas (the "System" or "Red Oak Creek System"); and

of any such contract such party shall become one of the Contracting Parties for all purposes of this Contract, unless otherwise specifically provided herein.

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

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

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

(e) "Annual Payment Period" means the Authority's Fiscal Year, which currently begins on December 1 of each calendar year and ends on the last day of November of the next calendar year, and the first Annual Payment Period under this Contract is estimated to be the period of December 1, 1988, through November 30, 1989.

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

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

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

personnel, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, supplies, services, administration of the System, including the Authority's general overhead expenses attributable to the System, insurance premiums, equipment necessary for proper operation and maintenance of the System, and payments made by the Authority in satisfaction of judgments resulting from claims not covered by the Authority's insurance arising in connection with the operation and maintenance of the System. The term also includes the charges of the bank or banks and other entities acting as paying agents and/or registrars for any Bonds. The term does not include depreciation.

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

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

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

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

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

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

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

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

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

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

receiving, transporting, treating, and disposing of all eligible Wastewater generated within the boundaries of each Contracting Party which are within the watershed or drainage basin of Red Oak Creek and which such Contracting Party delivers to its Point or Points of Entry, and that the Authority will from time to time issue its Bonds in such amounts as are, within its judgment and discretion, sufficient to achieve such results.

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

General Objectives of Quality Requirements.

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

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

(b) Wastes Not Admissible. Gasoline; cleaning solvents; oils, greases; mineral oils; ashes; cinders; sand; gravel; tar; asphalt; ceramic wastes; plastics; other viscous substances; feathers; hair; rags; metal; metal filings; glass; wood shavings; sawdust; unshredded garbage; toxic, corrosive, explosive or malodorous gases; acetylene generation sludge; cyanides or cyanides or cyanogen compounds capable of liberating hydrocyanic gas on acidification in excess of 2 mg/l by weight as CN; radioactive materials which will permit a transient concentration higher than 100 microcuries per liter; emulsified oil

discharges; therefore, revisions to, additions to, or deletions from the items listed in this Section may become necessary in the future to comply with these latest standards. It is the intention of this Contract that prohibited discharge requirements be reviewed periodically by the Authority and revised in accordance with the latest standards of any Federal or State Agency having regulatory powers. Any required revisions shall be made and written notice thereof given to each Contracting Party. Each Contracting Party shall be responsible for integrating such changes into the local industrial waste ordinance and notifying all affected users of the change within ninety days following written notice to the Contracting Party of such changes.

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

Normal Wastewater Concentration

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

Should the analysis disclose concentrations higher than those listed, the Authority immediately will inform the Contracting Party which made the discharges resulting in the violation of this Section, and such discharges shall cease immediately. However, with the approval of the Authority, Wastewater with concentrations of BOD and TSS greater than specified above may be discharged by a Contracting Party into

not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months. Any Contracting Party may, at its option and its own expense, install and operate a check meter to check each meter installed by the Authority, but the measurement for the purpose of this agreement shall be solely by the Authority's meters, except as in this Section specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the Authority, but the reading, calibration, and adjustment thereof shall be made only by the Contracting Party or Parties, except during any period when a check meter may be used under specific written consent by the Authority for measuring the amount of Wastewater delivered into the Red Oak Creek System, in which case the reading, calibration, and adjustment thereof shall be made by the Authority with like effect as if such check meter or meters had been furnished or installed by the Authority.

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

Section 7. LIABILITY FOR DAMAGES AND RESPONSIBILITY FOR TREATMENT AND DISPOSAL OF WASTEWATER. Liability for damages arising from the transportation, delivery, reception, treatment, and/or disposal of all Wastewater discharged into the System hereunder shall remain in each Contracting Party to its Point or Points of Entry, respectively, and title to such Wastewater shall be in such Contracting Party to such Point or Points, and upon passing through Points of Entry liability for such damages shall pass to the Authority. As between the Authority and each Contracting Party, each party agrees to indemnify and to save and hold the other party harmless from any and all claims, demands, causes of action, damages, losses,

that no harm will result from such discharge and subject to the filing by applicant industry of a statement, copy of which shall be forwarded to the Authority, containing the following information:

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) The issuance of Bonds;
- (ii) The operation and maintenance of the System;
- (iii) Additional Contracting Parties and the terms and conditions of the contracts with such parties, consistent with the provisions of this Contract;
- (iv) Contracts for services to entities which are not Additional Contracting Parties, and the prices, terms, and conditions of such contracts consistent with the provisions of this Contract;

allocated among the Contracting Parties as hereinafter provided, and that the Annual Requirement for each Annual Payment Period shall be provided for in each Annual Budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of:

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

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

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

Section 12. ANNUAL BUDGET. Each Annual Budget for the System shall always provide for amounts sufficient to pay the Annual Requirement. The Annual Budget for the System for all or any part of the Annual Payment Period during which the System is first placed into operation shall be prepared by the Authority based on estimates made by the Authority after consultation with the Advisory Committee. On or before August 1 of each year after the System is first placed in operation, the Authority shall furnish to each Contracting Party a preliminary estimate of the Annual Payment required from each

to another funds which will not be needed by such division. The amount for any division, or the amount for any purpose, in the Annual Budget may be increased through formal action by the Board of Directors of the Authority even though such action might cause the total amount of the Annual Budget to be exceeded; provided that such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in a resolution at the time such action is taken by the Board of Directors. Certified copies of the amended Annual Budget and resolution shall be filed immediately by the Authority with each Contracting Party.

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

(b) For each Annual Payment Period each Contracting Party's proportionate share of the Annual Requirement shall be a percentage obtained by dividing the number of gallons of contributing flow of Wastewater estimated to be discharged into the System by such Contracting Party during such Annual Payment Period, as determined by the Authority after consultation with such Contracting Party, by the aggregate total number of gallons of contributing flow of Wastewater estimated to be discharged into the System by all Contracting Parties during such period, as determined by the Authority after consultation with all of the Contracting Parties. It is provided, however,

be made in accordance with a written schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Contracting Parties by the Authority. Such schedule of payments may be revised by the Authority periodically based on any changes in its estimates of contributing flow as provided above, and each revised schedule of payments shall be supplied to each Contracting Party before the beginning of the period to which it is applicable. At the close of each Annual Payment Period the Authority shall determine the actual metered number of gallons of contributing flow of Wastewater discharged into the System by each Contracting Party during said period and determine each Contracting Party's actual percentage of the Annual Requirement by dividing such Contracting Party's actual metered contributing flow by the actual metered contributing flow of all Contracting Parties. Each Contracting Party's Adjusted Annual Payment shall be calculated by multiplying each such Contracting Party's redetermined percentage times the actual Annual Requirement. The difference between the amounts which actually have been paid by each Contracting Party and the amounts actually due from such Contracting Party hereunder shall be applied as a credit or a debit to such Contracting Party's account with the Authority and shall be credited or debited to such Contracting Party's next monthly payment, or as otherwise agreed between the Authority and the affected Contracting Party, provided that all such credits and debits shall be made in a timely manner not later than the end of the next following Annual Payment Period.

(c) Notwithstanding the provisions of (b), above, and as an exception thereto, it is agreed that if, during any Annual Payment Period, the estimated and/or actual metered contributing flow of Wastewater into the System of any Contracting Party is, for any reason whatsoever, less than the minimum amount hereinafter prescribed and provided for it, such Contracting Party shall pay its share of each Annual Requirement as if its

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

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

(f) Each Contracting Party hereby agrees that it will make payments to the Authority required by this Section on or before the 10th day of each month of each Annual Payment Period. If any Contracting Party at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or

preceding sentence. It is understood that the foregoing provisions are for the benefit of the holders of the Bonds so as to insure that all of the Annual Requirement will be paid by the non-delinquent Contracting Parties during each Annual Payment Period regardless of the delinquency of a Contracting Party. If any amount due and owing by any Contracting Party to the Authority is placed with an attorney for collection, such Contracting Party shall pay to the Authority all attorneys fees, in addition to all other payments provided for herein, including interest.

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

(h) As additional consideration for the services to be provided to them, respectively, under this Contract, and in order to equalize fairly and proportionately the burden of costs among them, the Initial Contracting Parties (excepting the City of De Soto, from which no payment is required or necessary) agree to pay to the Authority (to be applied to the cost of acquisition and construction of the System and thus reduce the amount of Bonds which otherwise would be required) the following amounts, respectively:

City of Cedar Hill:           \$50,000

City of Glenn Heights:    Either \$615,000 or the amount that the Authority and the City of Glenn Heights mutually agree and estimate to be the cost of that part of the System described in the Engineering Report consisting of approximately 12,500 linear feet of the Bear Creek Interceptor along Bear Creek from the Glenn Heights - De Soto boundary line to the Glenn Heights - Lancaster boundary line.

City of Lancaster:           Either \$615,000 or the amount that the Authority and the City of Lancaster mutually

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

(c) It is estimated that the System will be placed in operation in 1988. It is expressly understood and agreed, however, that any obligations on the part of the Authority to acquire, construct, and complete the System and to provide the services of the System to the Contracting Parties shall be conditioned (i) upon the receipt by the Authority of the amounts specified in Section 13(h) of this Contract, (ii) upon the Authority's ability to obtain all necessary permits, material, labor, and equipment, (iii) upon the ability of the Authority to finance the cost of the System through the actual sale of the Authority's Bonds, and (iv) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

(d) The Authority shall never have the right to demand payment by any Contracting Party of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of

specifically its payments under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

(g) The City of Ovilla specifically covenants and agrees that it will provide, improve, and expand its sewer system to furnish adequate sewer services to its inhabitants and to produce adequate revenues as required above.

(h) As permitted and authorized by Section 30.04, Texas Water Code, the Authority Act, and other provisions of law, this subsection shall constitute an operating agreement between the Authority and the City of Red Oak with respect to the existing City of Red Oak Wastewater Treatment Plant (the "Red Oak Plant"), which is capable of serving the Red Oak Creek drainage area within the boundaries of the City of Red Oak. During the term of this Contract the Authority will manage, administer, operate, maintain, and use the Red Oak Plant as part of the System, as and when required, as determined by the Authority, for the proper operation of the System. In consideration for the right to use the Red Oak Plant during the term of this Contract it is agreed that the Authority shall pay to the City of Red Oak, as an Operation and Maintenance Expense of the System, semiannual amounts, commencing during the first Annual Payment Period in which the System first begins operation, equal to the respective amounts of principal and interest, when due, on that issue of Trinity River Authority of Texas-City of Red Oak Waste Disposal Contract Revenue Bonds, Series 1973, until such bonds have been paid and retired.

Section 15. FORCE MAJEURE. If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Contracting Party to make the payments required under Section 13 of this Contract, then if such party shall give notice and full particulars of such force majeure in

uses the services of the System whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Contracting Parties shall be for the benefit of and enforceable by the holders of the Bonds and/or the Authority.

Section 17. TERM OF CONTRACT; MODIFICATION; NOTICES; STATE OR FEDERAL LAWS, RULES, ORDERS, OR REGULATIONS. (a) This Contract shall be effective on and from the Contract Date, subject to its execution by all of the Initial Contracting Parties and the Authority, and this Contract shall continue in force and effect until the principal of and interest on all Bonds shall have been paid, and thereafter shall continue in force and effect during the entire useful life of the System. This Contract constitutes the sole agreement between the parties hereto with respect to the System.

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

(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 any 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

question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 18. SEVERABILITY. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 19. REMEDIES UPON DEFAULT. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that the Authority's undertaking to provide and maintain the services of the System is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Contracting Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination)

Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the date of this Contract.

TRINITY RIVER AUTHORITY OF TEXAS

BY

Wm. H. Hance  
General Manager

ATTEST:

Joe G. Hester  
Secretary, Board of Directors

(AUTHORITY SEAL)

CITY OF CEDAR HILL, TEXAS

BY

Kenneth Rader  
Mayor

ATTEST:

Frankie Lee  
City Secretary

(CITY SEAL)

CITY OF DE SOTO, TEXAS

BY

[Signature]  
Mayor

ATTEST:

Jean Haines  
City Secretary

(CITY SEAL)

CITY OF GLENN HEIGHTS, TEXAS

BY

[Signature]  
Mayor

ATTEST:

Rose Kendrick  
City Secretary

(CITY SEAL)

CITY OF LANCASTER, TEXAS

BY

[Signature]  
Mayor

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# Trinity River Authority of Texas



Northern Region Office

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**DATE:** January 31, 2008

**FILE:** 3110.701/3210.701/3828.701/3826.701/3510.701

**TO:** BOARD OF DIRECTORS

**VIA:** (3) RESOURCES DEVELOPMENT COMMITTEE  
(2) DANNY F. VANCE, General Manager  
(1) WARREN N. BREWER, Regional Manager, Northern Region

Handwritten signatures in black ink. One signature is written over the name 'DANNY F. VANCE' and another is written over the name 'WARREN N. BREWER'.

**RE:** Northern Region Projects  
Contract Revenue Bonds  
Texas Water Development Board  
State Revolving Fund Loan Applications

**BACKGROUND:** Over the course of the past few years, the Authority has actively pursued Master Planning efforts for each of its regional wastewater systems. The Systems that have been involved include: Central Regional Wastewater System (CRWS), Ten Mile Creek Regional Wastewater System (TMCRWS), Denton Creek Regional Wastewater System (DCRWS), Red Oak Regional Wastewater System (ROCRWS), and Mountain Creek Regional Wastewater System (MCRWS). The reasons for these concerted efforts have been driven mainly by a combination of increasing wastewater flow due to population growth, and to address aging infrastructure that requires major rehabilitation or total replacement. Furthermore, these planning activities have resulted in a number of associated engineering Capital Improvement Plans (CIPs) that describe priority improvement projects and their costs as part of the process of issuing new revenue bonds to pay for the improvements.

To acquire the funding for improvements and to issue bonds, the Authority has primarily utilized one or both of the following financing mechanisms: Texas Water Development Board (TWDB) State Revolving Fund (SRF) loans and competitively bid open market bonds. In most recent times, open market bonds have been used mainly whenever there has been strict scheduling factors or whenever there is item funding eligibility issue, such as in the case of funding easement and acquisition costs. Land rights costs are not eligible for funding by TWDB SRF funds.

In order for a potential loan applicant to become eligible for a TWDB SRF loan, entities such as the Authority are required to submit an initial informational form to be considered for placement on the TWDB SRF Intended Use Plan (IUP) for the State's upcoming fiscal year. The information includes an estimate of the amount of funding the entity anticipates it will need, if later invited to submit a formal loan application. After evaluation, TWDB administrators provide notice that the applicant has fulfilled SRF pre-loan requirements, and the entity will be listed in the IUP. Furthermore, once listed on the IUP, the entity must wait to be invited to submit a

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loan application. Following an invitation, a loan application may be submitted, and if approved, the applicant has up to 2 years to close on the SRF loan. In order to preserve its financial options for the SRF 2009 IUP period, the Authority has initiated the pre-loan process by submitting FY 2009 IUP information to the TWDB for CRWS, TMCrWS, DCRWS, ROCrWS, and MCRWS.

**STAFF ANALYSIS:** Based upon various engineering report recommendations and support of its financial advisor, First Southwest Company (FSC), the Authority has determined that it is prudent to preserve the funding options for TWDB SRF loans that normally have a 95 basis point lower interest rate than would be obtained with an open market bond issue. To continue to preserve the SRF funding option, Authority management is seeking the approval of five respective resolutions that authorize the General Manager to submit applications to the TWDB. These resolutions have been prepared by the Authority's Bond Counsel, McCall, Parkhurst & Horton, L.L.P., for each of the System's for amounts not to exceed the following:

CRWS	\$465,000,000
TMCrWS	\$ 64,000,000
DCrWS	\$ 30,000,000
ROCrWS	\$ 25,000,000
MCRWS	\$ 10,000,000

Prior to issuing new revenue bonds, the Authority will perform additional financial evaluations of all of various funding scenarios and will more closely analyze them prior to making final funding recommendations to the Board of Directors. If it is determined that SRF loans are cost effective, the Authority will then proceed to complete and submit the SRF loan applications. Resolution No. R-1234 (Exhibit A), Resolution No. R-1235 (Exhibit B), Resolution No. R-1236 (Exhibit C), Resolution No. R-1237 (Exhibit D), and Resolution No. R-1238 (Exhibit E) authorize the General Manager to submit applications for financial assistance to the TWDB for CRWS, TMCrWS, DCRWS, ROCrWS, and MCRWS, respectively.

**RECOMMENDATION:** Management recommends that the Resources Development Committee approve the following motion for submittal to the Board of Directors:

Motion that the Board of Directors:

- (a) Adopt Resolution No. R-1234 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Central Regional Wastewater System;
- (b) Adopt Resolution No. R-1235 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Ten Mile Creek Regional Wastewater System;

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- (c) Adopt Resolution No. R-1236 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Denton Creek Regional Wastewater System;
- (d) Adopt Resolution No. R-1237 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Red Oak Creek Regional Wastewater System; and
- (e) Adopt Resolution No. R-1238 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Mountain Creek Regional Wastewater System.

Respectfully submitted,



B. RANDY BROOKS, P.E.  
Manager of Engineering Services  
Northern Region

BRB/vaw

Exhibit A - Resolution No. R-1234

Exhibit B - Resolution No. R-1235

Exhibit C - Resolution No. R-1236

Exhibit D - Resolution No. R-1237

Exhibit E - Resolution No. R-1238

MINUTES  
OF THE  
TRINITY RIVER AUTHORITY OF TEXAS  
REGULAR MEETING OF THE BOARD OF DIRECTORS

Trinity River Authority of Texas  
Board Room  
5300 South Collins Street  
Arlington, Tarrant County, Texas  
February 27, 2008  
10:30 a.m.

Pursuant to Article III, Section 2 of the Revised Bylaws of the Trinity River Authority of Texas, and as directed by the General Manager pursuant to instruction from the President, the Regular Meeting of the Board of Directors of the Trinity River Authority of Texas was called to order at 10:30 a.m. on Wednesday, February 27, 2008, at the Trinity River Authority of Texas' General Office, Board Room, 5300 South Collins Street, Arlington, Tarrant County, Texas, by the President, Michael Cronin.

The invocation was given by Director Jerry F. House.

Director Harold L. Barnard led the meeting in the Pledges of Allegiance.

The Assistant Secretary, Sam Scott, then called roll. In calling roll, the Assistant Secretary announced that when the Directors acknowledged their presence, they would be considered to be in compliance with V.T.C.A., Water Code § 49.060 (Vernon 2007). The following members of the Board of Directors were present:

Director Connie H. Arnold  
Director Harold L. Barnard  
Director Herschel S. Brannen III  
Director Leslie C. Browne  
Director Karl R. Butler  
Director Patricia Carlson  
Director Patricia T. Clapp  
Director Michael Cronin  
Director Hector Escamilla, Jr.  
Director Jerry F. House, D.Min.  
Director John W. Jenkins  
Director Nancy E. Lavinski  
Director Andrew Martinez  
Director Kevin Maxwell  
Director Lynn H. Neely  
Director Manny Rachal  
Director AnaLaura Saucedo  
Director Shirley K. Seale  
Director Linda D. Timmerman, Ed.D.  
Director Kim C. Wyatt

The following members of the Board of Directors were absent:

Director Steve Cronin  
Director Katrina M. Keyes

Members of the Staff present were:

Danny F. Vance, General Manager  
Warren N. Brewer, Regional Manager, Northern Region  
Jim R. Sims, Regional Manager, Southern Region  
Sam Scott, Manager, Executive Services, and Assistant Secretary  
Thomas D. Sanders, Construction Services Manager  
Don A. Tucker, Manager, General Services  
Robert E. Moore, Manager, Financial Services  
Glenn C. Clingenpeel, Executive Assistant to the General Manager  
Alison A. Mackey, Executive Assistant to the General Manager  
Ann S. Carver, Internal Auditor  
John F. Jadrosich, Public Information Officer  
Carol Claybrook, Administrative Secretary to the General Manager

Consultants present were:

Michael J. Booth, General Counsel  
Mark Malveaux, McCall, Parkhurst & Horton  
Mary Williams, First Southwest Company  
Julia Petty, Deloitte & Touche  
Betty Jordan, Alan Plummer Associates, Inc.  
Mark Perkins, Perkins Engineering Consultants, Inc.  
Layne Parsons, Black & Veatch Corporation  
Bob Pence, Freese and Nichols, Inc.  
David Jackson, Freese and Nichols, Inc.  
Dawn Anderson, Chiang, Patel & Yerby, Inc.  
Bob Terrell, CH2M Hill, Inc.  
Joe King, TCB Inc.  
Jeff Ground, Lockwood, Andrews & Newnam, Inc.  
James Glegg, Westin Engineering, Inc.  
Ron Dye, Westin Engineering, Inc.  
Mike Tidwell, Mike Tidwell & Associates  
Kathy Berek, Kellogg, Brown & Root Services, Inc.

Technical Assistants present were:

Wayne Chen, D/FW Technology, Inc.  
Chris Tutor, D/FW Technology, Inc.  
Ted Turner, D/FW Technology, Inc.

CERTIFICATION BY THE SECRETARY OF COMPLIANCE WITH THE OPEN MEETINGS REQUIREMENT.

The Secretary certified that the Authority was in compliance with the open meeting requirements contained in the Government Code. TEX. GOVT CODE ANN. § 551.001 et seq. (Vernon 2007). The "Open Meeting Submission" for the Board of Directors of the Trinity River Authority of Texas with notation of confirmation of receipt by the Secretary of State's office, and a copy of the "Notice of Open Meeting" with the County Clerk's notation of receipt are attached to the original Minutes.

APPROVAL OF THE MINUTES OF THE LAST BOARD MEETING.

Upon the motion of Director Browne, seconded by Director Clapp, the Board of Directors unanimously approved the Minutes of the last meeting of the Board of Directors of the Trinity River Authority of Texas held December 5, 2007.

APPROVAL OF THE ACTION OF THE EXECUTIVE COMMITTEE.

Upon the motion of Director Jenkins, seconded by Director Timmerman, the Board of Directors unanimously approved and ratified the Report of Action of the Executive Committee subsequent to the December 5, 2007 Board of Directors meeting.

New Business:

A. DENTON CREEK REGIONAL WASTEWATER SYSTEM — EXPANSION TO 11.5 MILLION GALLONS PER DAY AND OTHER CAPITAL IMPROVEMENTS — ISSUANCE OF SERIES 2008 REVENUE BONDS.

Upon the motion of Director Barnard, seconded by Director Lavinski, the Board of Directors unanimously:

- (a) Adopted Resolution No. R-1233 authorizing the issuance, sale, and delivery of Trinity River Authority of Texas - Denton Creek Regional Wastewater System Series 2008 Revenue Bonds; and
- (b) Approved the Construction Budget governing and controlling the expenditures of bond proceeds from the Denton Creek Regional Wastewater System Series 2008 Revenue Bond issue.

B. CENTRAL REGIONAL WASTEWATER SYSTEM — APPROVAL OF 2008 CONSTRUCTION BUDGET.

Upon the motion of Director Barnard, seconded by Director Clapp, the Board of Directors unanimously approved the Construction Budget for the Central Regional Wastewater System Series 2008 Revenue Bonds for the second drawdown of \$90 million.

C. CENTRAL REGIONAL WASTEWATER SYSTEM — ELM FORK RELIEF INTERCEPTOR, SEGMENT EF-1 — INTERLOCAL AGREEMENT.

Upon the motion of Director Barnard, seconded by Director Timmerman, the Board of Directors unanimously authorized the General Manager to execute the Interlocal Agreement between the Trinity River Authority of Texas and the City of Irving for mitigation maintenance services related to Segment EF-1 of the Central Regional Wastewater System's Elm Fork Interceptor Subsystem.

D. NORTHERN REGION OPERATING PROJECTS — INVENTORY MANAGEMENT SYSTEMS — PROCESS DATA COLLECTION AND REPORTING SYSTEMS — PROFESSIONAL SERVICES AGREEMENT.

Upon the motion of Director Barnard, seconded by Director Neely, the Board of Directors unanimously authorized the General Manager to execute the Professional Services Agreement between Trinity River Authority of Texas and Mike Tidwell & Associates for enhancements of the inventory management system, process data collection and reporting systems for all of the Northern Region operating projects.

E. CENTRAL REGIONAL WASTEWATER SYSTEM — TEN MILE CREEK REGIONAL WASTEWATER SYSTEM — CRWS INTERCEPTOR INFILTRATION AND INFLOW PRORATION FOR FY 2008 UPDATE — TMCRRWS INVENTORY/POE FY 2008 UPDATE — SSO CORRECTIVE ACTION PLANS PROGRESS REPORTS FOR FY 2008 UPDATE — ENGINEERING SERVICES AGREEMENT.

Upon the motion of Director Barnard, seconded by Director House, the Board of Directors unanimously authorized the General Manager to execute the Engineering Services Agreement between the Trinity River Authority of Texas and Black & Veatch Corporation for the FY 2008 Annual Updating and SSO Corrective Action Plans Annual Progress Reports for the Central Regional Wastewater System and Ten Mile Creek Regional Wastewater System.

F. CENTRAL REGIONAL WASTEWATER SYSTEM — ON-SITE STORAGE SYSTEM — ENGINEERING SERVICES AGREEMENT.

Upon the motion of Director Barnard, seconded by Director Wyatt, the Board of Directors unanimously authorized the General Manager to execute the Engineering Services Agreement between the Trinity River Authority of Texas and Freese & Nichols, Inc., for engineering services related to the On-Site Storage System for the Central Regional Wastewater System.

G. TEN MILE CREEK REGIONAL WASTEWATER SYSTEM — PROCESS CONTROL SYSTEM — HUMAN MACHINE INTERFACE PROGRAMMING, PHASE I AND PHASE IA — ENGINEERING SERVICES AGREEMENT.

Upon the motion of Director Barnard, seconded by Director Timmerman, the Board of Directors unanimously authorized the General Manager to execute the Engineering Services Agreement between the Trinity River Authority of Texas and Alan Plummer Associates, Inc., for the Process Control System, Human Machine Interface Programming, Phase I and Phase IA for the Ten Mile Creek Regional Wastewater System.

H. RED OAK CREEK REGIONAL WASTEWATER SYSTEM — BEAR CREEK LIFT STATION REHABILITATION PROJECT — ENGINEERING SERVICES AGREEMENT.

Upon the motion of Director Barnard, seconded by Director Wyatt, the Board of Directors unanimously authorized the General Manager to execute the Engineering Services Agreement between the Trinity River Authority of Texas and Chiang, Patel & Yerby, Inc., for engineering services related to the Bear Creek Lift Station Rehabilitation Project for the Red Oak Creek Regional Wastewater System.

I. CENTRAL REGIONAL WASTEWATER SYSTEM — ELM FORK RELIEF INTERCEPTOR, SEGMENT EF-7 — ENGINEERING SERVICES AGREEMENT — FIRST AMENDMENT.

Upon the motion of Director Barnard, seconded by Director Clapp, the Board of Directors unanimously authorized the General Manager to execute the Engineering Services Agreement – First Amendment between the Trinity River Authority of Texas and Kellogg Brown & Root Services, Inc., for engineering services related to the Elm Fork Relief Interceptor, Segment EF-7 Project for the Central Regional Wastewater System.

J. CENTRAL REGIONAL WASTEWATER SYSTEM — MOUNTAIN CREEK INTERCEPTOR SUBSYSTEM - MC-7 AND MC-8 RELIEF INTERCEPTOR — ENGINEERING SERVICES AGREEMENT — FIRST AMENDMENT.

Upon the motion of Director Barnard, seconded by Director Arnold, the Board of Directors unanimously authorized the General Manager to execute the Engineering Services Agreement – First Amendment between the Trinity River Authority of Texas and Lockwood, Andrews & Newnam, Inc., for engineering services related to the Mountain Creek Interceptor Subsystem, MC-7 and MC-8 Relief Interceptor.

K. CENTRAL REGIONAL WASTEWATER SYSTEM — PROCESS CONTROL SYSTEM DESIGN AND PROGRAMMING — ENGINEERING SERVICES AGREEMENT — FIRST AMENDMENT.

Upon the motion of Director Barnard, seconded by Director Clapp, the Board of Directors unanimously authorized the General Manager to execute the Engineering Services Agreement – First Amendment between the Trinity River Authority of Texas and Westin Engineering, Inc., for engineering services related to the Human Machine Interface (HMI) Software modification and additions to the CRWS Process Control System.

L. CENTRAL REGIONAL WASTEWATER SYSTEM — PROCESS CONTROL SYSTEM PHASE I UPGRADE — ENGINEERING SERVICES AGREEMENT — SECOND AMENDMENT.

Upon the motion of Director Barnard, seconded by Director Arnold, the Board of Directors unanimously authorized the General Manager to execute the Engineering Services Agreement – Second Amendment between the Trinity River Authority of Texas and Westin Engineering, Inc., for engineering services related to the Process Control System Phase I Upgrade for the Central Regional Wastewater System.

M. SUMMARY REPORT OF CHANGE ORDERS.

This item was presented as a status report only; no action was necessary.

N. LAWSON SOFTWARE UPGRADE.

Upon the motion of Director Jenkins, seconded by Director Arnold, the Board of Directors unanimously authorized the General Manager to execute the Agreement for Services between the Trinity River Authority of Texas and Paradigm Business Solutions, Inc., to upgrade the Authority's Lawson software from version 8.03 to version 9.0 for a total cost not to exceed \$184,725.00.

O. INVESTMENT OFFICERS' REPORT.

Upon the motion of Director Jenkins, seconded by Director Rachal, the Board of Directors unanimously approved the Investment Officers' Report of the Trinity River Authority of Texas for the Fourth Quarter of Fiscal Year 2007.

P. SUMMARY REPORT OF BUDGET AMENDMENTS.

This item was presented as a status report only; no action was necessary.

Q. NORTHERN REGION PROJECTS — CONTRACT REVENUE BONDS — TEXAS WATER DEVELOPMENT BOARD — STATE REVOLVING FUND LOAN APPLICATIONS.

Upon the motion of Director Butler, seconded by Director Neely, the Board of Directors unanimously:

- (a) Adopted Resolution No. R-1234 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Central Regional Wastewater System;
- (b) Adopted Resolution No. R-1235 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Ten Mile Creek Regional Wastewater System;
- (c) Adopted Resolution No. R-1236 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Denton Creek Regional Wastewater System;
- (d) Adopted Resolution No. R-1237 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Red Oak Creek Regional Wastewater System; and
- (e) Adopted Resolution No. R-1238 authorizing the General Manager to file an application for financial assistance from the Texas Water Development Board for capital improvements for the Mountain Creek Regional Wastewater System.

R. SOUTHEAST WISE COUNTY — REGIONAL WASTEWATER FACILITIES PLANNING GRANT — TEXAS WATER DEVELOPMENT BOARD APPLICATION.

Upon the motion of Director Butler, seconded by Director Neely, the Board of Directors unanimously adopted Resolution No. R-1232 authorizing the General Manager, or his designated representative, to submit an application to the Texas Water Development Board for a regional wastewater facilities planning grant for the southeast Wise County area.

S. MASTER PLAN REVIEW.

Upon the motion of Director Butler, seconded by Director Jenkins, the Board of Directors unanimously adopted the annual report on the status of the Master Plan.

[ITEMS I THROUGH W INVOLVED LITIGATION, POTENTIAL LITIGATION, OR ACQUISITION OF REAL PROPERTY AND WERE EXEMPT FROM THE OPEN MEETING REQUIREMENTS CONTAINED IN CHAPTER 551 OF THE GOVERNMENT CODE. TEX. GOV'T CODE ANN. § 551.071 - 551.072 (Vernon 2007). THE TRINITY RIVER AUTHORITY OF TEXAS CONVOKED AN EXECUTIVE, OR CLOSED, SESSION ON THE FOREGOING ITEMS SUBJECT TO THE REQUIREMENTS OF TEX. GOV'T CODE ANN. § 551.071 et seq. (Vernon 2007) ANY FINAL DECISION, ACTION OR VOTE WAS DONE IN OPEN SESSION.]

T. CENTRAL REGIONAL WASTEWATER SYSTEM — WEST FORK RELIEF INTERCEPTOR PROJECT, SEGMENT WF-1 — PARCEL # 13, SOUTH I.H. 30, LTD. — SETTLEMENT AGREEMENT.

Upon the motion of Director Wyatt, seconded by Director Browne, the Board of Directors unanimously approved the proposed settlement agreement in the amount of \$1,200,000 and authorized the General Manager, or his designated representative, to execute the documents required to acquire the easements from South I.H. 30, Ltd., necessary for construction, operation and maintenance of the Central Regional Wastewater System's West Fork Relief Interceptor Project, Segment WF-1.

U. STATUS REPORT ON CONDEMNATIONS.

This item was presented as a status report only; no action was necessary.

V. SELECTED MATTERS PENDING BEFORE THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY — STATUS REPORT.

This item was presented as a status report only; no action was necessary.

W. LITIGATION STATUS REPORT.

This item was presented as a status report only; no action was necessary.

X. BID AWARDS.

**Northern Region Projects — Bids For Process Chemicals.**

Upon the motion of Director M. Cronin, seconded by Director Clapp, the Board of Directors unanimously accepted the following vendors for process chemical annual supply bids with a one-year renewal option for Northern Region Projects:

<u>CHEMICAL</u>	<u>VENDOR</u>
Liquid Sulfur Dioxide - Rail	Calabrian Corporation
Powdered Activated Carbon	F2 Industries, LLC.

**Central Regional Wastewater System — Bid For Analytical Lab Testing Service.**

Upon the motion of Director M. Cronin, seconded by Director Clapp, the Board of Directors unanimously accepted the following vendor for analytical lab testing services as an annual bid with a one-year renewal option for Northern Region Projects:

<u>BID ITEM</u>	<u>VENDOR</u>
Analytical Lab Testing	ERMI Environmental Laboratories

**Central Regional Wastewater System — Renewal Option For Filter Press Belts.**

Upon the motion of Director M. Cronin, seconded by Director Clapp, the Board of Directors unanimously accepted the following bid vendor for filter press belts for the Central Regional Wastewater System:

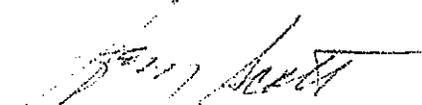
<u>BID ITEM</u>	<u>VENDOR</u>
Filter Press Belts	Filter Belts Division of National Filter Media Corp.

Other Business:

Adjournment:

There being no further business, the Board of Directors adjourned upon unanimous vote.

THE ABOVE AND FOREGOING ARE CERTIFIED TO BE TRUE AND CORRECT MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE TRINITY RIVER AUTHORITY OF TEXAS HELD FEBRUARY 27, 2008.

  
\_\_\_\_\_  
SAM SCOTT, Assistant Secretary  
Board of Directors  
Trinity River Authority of Texas

3/3/08  
\_\_\_\_\_  
Date

**II**

## Aggregate Red Oak Creek System Revenue Bonds

### Sources & Uses

#### Sources of Funds

Par Amount of Bonds	\$	<u>19,990,000.00</u>
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<b>Total Sources</b>	<b>\$</b>	<b>19,990,000.00</b>
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#### Uses of Funds

Total Underwriter's Discount (1.918%)	\$	383,408.20
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Costs of Issuance		440,000.00
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Deposit to Debt Service Reserve Fund (DSRF)		1,999,000.00
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Deposit to Capitalized Interest (CIF) Fund		1,317,851.66
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Deposit to Project Construction Fund		15,845,000.00
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Rounding Amount		<u>4,740.14</u>
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<b>Total Uses</b>	<b>\$</b>	<b>19,990,000.00</b>
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**Aggregate Red Oak Creek System Revenue Bonds**

	<b>Outstanding Debt Service</b>	<b>Series 2009 SRF Bonds*</b>			<b>Total Outstanding Debt Service</b>
		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
11/30/2010	\$ 2,895,983	\$ -	\$ 198,448	\$ 198,448	\$ 3,094,431
11/30/2011	2,898,255	-	626,365	626,365	3,524,620
11/30/2012	2,903,656	215,000	789,002	1,004,002	3,907,658
11/30/2013	2,903,089	700,000	780,678	1,480,678	4,383,766
11/30/2014	2,898,875	720,000	766,611	1,486,611	4,385,486
11/30/2015	2,807,886	835,000	748,679	1,583,679	4,391,566
11/30/2016	2,809,528	850,000	726,555	1,576,555	4,386,083
11/30/2017	2,807,625	875,000	701,873	1,576,873	4,384,498
11/30/2018	2,801,665	915,000	674,378	1,589,378	4,391,043
11/30/2019	2,801,025	940,000	644,082	1,584,082	4,385,107
11/30/2020	2,801,098	975,000	609,767	1,584,767	4,385,864
11/30/2021	2,797,075	1,020,000	570,891	1,590,891	4,387,966
11/30/2022	2,793,771	1,065,000	528,552	1,593,552	4,387,323
11/30/2023	2,796,253	1,110,000	482,914	1,592,914	4,389,167
11/30/2024	2,793,765	1,160,000	434,044	1,594,044	4,387,809
11/30/2025	2,791,100	1,215,000	381,291	1,596,291	4,387,391
11/30/2026	2,788,860	1,275,000	324,067	1,599,067	4,387,927
11/30/2027	2,788,995	1,335,000	262,850	1,597,850	4,386,845
11/30/2028	2,786,965	1,405,000	197,628	1,602,628	4,389,593
11/30/2029	-	1,880,000	118,214	1,998,214	1,998,214
11/30/2030	-	1,500,000	36,225	1,536,225	1,536,225
	<b>\$ 53,665,468</b>	<b>\$ 19,990,000</b>	<b>\$ 10,603,111</b>	<b>\$ 30,593,111</b>	<b>\$ 84,258,578</b>

\*\$1,317,851.66 of Capitalized Interest is available to make debt service payments towards the 2009 SRF Bonds

**III**

**RED OAK CREEK  
REGIONAL WASTEWATER  
SYSTEM  
ENTERPRISE FUND**

TRINITY RIVER AUTHORITY OF TEXAS  
RED OAK CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

STATEMENT OF NET ASSETS  
 NOVEMBER 30, 2008

ASSETS

CURRENT ASSETS:

Cash (Note 1)		\$	150
Equity in Pooled Cash and Investments (Note 1)			396,014
Accounts Receivable - Contracting Parties			21,481
Due from Other Authority Funds (Note 6)			7,000
Due from Interest and Sinking Fund			251,650
Prepays and Other Assets			<u>12,509</u>
Total Current Assets			688,804

RESTRICTED ASSETS (Note 1 and 2):

Interest and Sinking Funds:			
Equity in Pooled Cash and Investments	\$ 2,415,408		
Due to Current Assets	<u>(251,650)</u>	\$ 2,163,758	
Reserve Fund -			
Equity in Pooled Cash and Investments		1,879,400	
Contingency Fund -			
Equity in Pooled Cash and Investments		25,000	
Construction Funds -			
Equity in Pooled Cash and Investments		<u>19,403,796</u>	
Total Restricted Assets			23,471,954

CAPITAL ASSETS (Note 3):

Land and Easements		1,693,472	
Sewage System and Extensions	19,822,146		
Accumulated Depreciation	<u>(7,404,435)</u>	12,417,711	
Machinery and Equipment	334,174		
Accumulated Depreciation	<u>(215,419)</u>	118,755	
Construction-in-Progress		<u>5,924,407</u>	
Total Capital Assets - Net			20,154,345

DEFERRED CHARGES -

Unamortized Bond Expense		<u>1,281,985</u>
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TOTAL ASSETS

45,597,088

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

Accounts Payable and Accrued Expenses	\$	65,752	
Accounts Payable - Contracting Parties		304,980	
Due to Other Authority Funds (Note 6)		<u>3,015</u>	\$ 373,747

**Payable from Restricted Assets:**

Accounts and Retainage Payable		1,278,637	
Revenue Bonds - Current Maturities (Note 4)		1,430,000	
Accrued Interest on Bonds Payable		<u>497,642</u>	<u>3,206,279</u>
<b>Total Current Liabilities</b>			<b>\$ 3,580,026</b>

**LONG-TERM LIABILITIES (Note 4):**

Revenue Bonds, Less Current Maturities		38,655,000	
Unamortized Bond Premium (Discount)		166,867	
Deferred Amount on Refunding		(383,511)	
Accounts Payable and Accrued Expenses		<u>64,896</u>	
<b>Total Long-Term Liabilities - Net</b>			<b><u>38,503,252</u></b>

**TOTAL LIABILITIES****42,083,278****NET ASSETS (LIABILITIES)**

Invested in Capital Assets, Net of Related Debt			(343,334)
Restricted for:			
Debt Service	3,545,516		
Other Purposes	<u>25,000</u>	3,570,516	
Unrestricted		<u>286,628</u>	

**TOTAL NET ASSETS****\$ 3,513,810**

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

TRINITY RIVER AUTHORITY OF TEXAS  
RED OAK CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

EXHIBIT 10-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED NOVEMBER 30, 2008

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OPERATING REVENUE (Note 2):

Sewage Service Contract Charges:

Cedar Hill	\$	919,053
DeSoto		228,374
Glenn Heights		1,042,536
Lancaster		70,031
Ovilla		28,012
Red Oak		924,642
Other		73,309
Total Operating Revenue		<u>3,285,957</u>

OPERATING EXPENSES:

Personal Services	\$	489,933
Supplies		124,935
Other Services and Charges		671,525
Depreciation		451,118
Total Operating Expenses		<u>1,737,511</u>

OPERATING INCOME 1,548,446

NON-OPERATING REVENUE (EXPENSE):

Investment Income	588,830
Interest Expense	(914,395)
Paying Agent Fees	(728)
Amortization of Bond Sale Expense	(70,399)
SEC Disclosure Fees	(17,500)
Other	(21,581)
Total Non-Operating Revenue (Expense) - Net	<u>(435,773)</u>

INCOME BEFORE TRANSFERS 1,112,673

TRANSFER IN (Note 5) 7,350

INCOME BEFORE SPECIAL ITEM 1,120,023

SPECIAL ITEM - Loss on Impairment of Capital Asset (Note 3) (14,007)

CHANGE IN NET ASSETS 1,106,016

NET ASSETS - DECEMBER 1, 2007 2,407,794

NET ASSETS - NOVEMBER 30, 2008 \$ 3,513,810

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

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TRINITY RIVER AUTHORITY OF TEXAS  
RED OAK CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

STATEMENT OF CASH FLOWS  
YEAR ENDED NOVEMBER 30, 2008

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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 3,332,693	
Cash Received from Other Funds for Services	92,932	
Cash Payments to Suppliers for Goods and Services	(612,648)	
Cash Payments to Employees for Services	(509,978)	
Cash Payments to Other Funds for Services	<u>(158,664)</u>	
Net Cash Provided by Operating Activities		\$ 2,144,335

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES -

Transfer from Other Authority Funds		7,350
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets, Exclusive of Capitalized Interest	(6,834,916)	
Principal Paid on Revenue Bonds	(1,375,000)	
Interest Paid on Revenue Bonds	(810,395)	
Proceeds from the Issuance of Bonds	24,800,000	
Bond Sale Expenses Paid	(940,733)	
Paying Agent Fees	(728)	
SEC Disclosure Fees	<u>(17,500)</u>	
Net Cash Provided by Capital and Related Financing Activities		14,820,728

CASH FLOWS FROM INVESTING ACTIVITIES -

Cash Received for Investment Income		<u>588,830</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 17,561,243

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 6,558,525

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 24,119,768

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<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income		\$ 1,548,446
<b>Adjustments to Reconcile Operating Income to Net</b>		
<b>Cash Provided by Operating Activities:</b>		
Depreciation	\$ 451,118	
<b>Change in Assets and Liabilities:</b>		
Accounts Receivable - Contracting Parties	96,158	
Prepays and Other Assets	336	
Due from Other Authority Funds	19,195	
Accounts Payable - Contracting Parties	24,035	
Accounts Payable and Accrued Expenses	4,619	
Due to Other Authority Funds	428	
Total Adjustments		<u>595,889</u>
<b>Net Cash Provided by Operating Activities</b>		<b>\$ <u>2,144,335</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:</b>		
Amortization of Bond Premium/Discount		\$ 41,976
Amortization of Deferred Amount on Refunding		(74,228)
Change in Estimated Arbitrage Liability		(3,272)
Loss on Disposal of Capital Assets		21,581

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2008**

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1. See Exhibit 1-10, Note 1 for summary of significant accounting and reporting policies.
2. The Authority entered into contracts with the Cities of Cedar Hill, DeSoto, Lancaster, Ovilla, Glenn Heights and Red Oak, Texas ("Contracting Parties") whereby the Authority agreed to sell its bonds for the purpose of constructing facilities to provide for transportation, treatment and disposal services for sewage within the Red Oak Creek watershed. The Contracting Parties have agreed to pay the Authority for operation and maintenance of the facilities and the debt service for its outstanding bonds - See Note 4.

Bonded debt for which the Contracting Parties have agreed to pay consists of revenue bonds that are secured by and payable from net revenues of the fund. Specifically, net revenues from contracts between the Authority and the Contracting Parties have been pledged for repayment of the bonds, and the amount of the pledge is equal to the remaining outstanding debt service requirements. For the year ended November 30, 2008, debt service of \$2,493,170 was secured by pledged revenues of \$1,943,518, escrowed cash of \$454,120, and interest income earned on accounts restricted for debt service of \$95,532. The pledge continues for the life of the bonds.

3. Capital Asset activity and the related changes in accumulated depreciation for the year ended November 30, 2008 are as follows:

	Balance December 1, 2007	<u>Additions</u>	<u>Deletions</u>	Balance November 30, 2008
Land and Easements	\$ 1,693,472			\$ 1,693,472
Sewage System and Extensions	16,576,362	\$ 3,245,784		19,822,146
Accumulated Depreciation	(6,996,842)	(407,593)		(7,404,435)
Machinery and Equipment	419,153	59,101	\$ (144,080)	334,174
Accumulated Depreciation	(280,384)	(43,525)	108,490	(215,419)
Construction-in-Progress	<u>1,626,463</u>	<u>7,547,000</u>	<u>(3,249,056)</u>	<u>5,924,407</u>
Total	<u>\$ 13,038,224</u>	<u>\$10,400,767</u>	<u>\$ (3,284,646)</u>	<u>\$ 20,154,345</u>

In May of fiscal year 2008, the Authority changed the fixed asset capitalization threshold from \$1,000 to \$5,000. Due to this change in policy, assets with a cost basis less than \$5,000 were removed from the books. Assets written off in Red Oak Creek Regional Wastewater System Enterprise Fund had a combined cost basis of \$88,449 and total accumulated depreciation of \$66,867.

For the year ended November 30, 2008, the Authority recognized a loss on impairment of capital assets of \$14,007. The loss relates to equipment at the Red Oak Creek Regional Wastewater System treatment plant that became impaired during the year due to unexpected obsolescence.

4. The outstanding bonds of the Red Oak Creek Regional Wastewater System Enterprise Fund as of November 30, 2008 are comprised of the following:

<u>Series</u>	<u>Outstanding Principal Amount</u>	<u>Interest Rates</u>
Series 2003	\$9,545,000	4.00% - 5.50%
Series 2006	5,740,000	3.90% - 4.58%
Series 2008	<u>24,800,000</u>	3.90% - 4.58%
Total	<u>\$ 40,085,000</u>	

Changes in the long-term debt during the year ended November 30, 2008 were as follows:

<u>Series</u>	<u>Balance December 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance November 30, 2008</u>	<u>Current Portion</u>
2003	\$ 10,920,000		\$ 1,375,000	\$ 9,545,000	\$ 1,430,000
2006	5,740,000			5,740,000	NIL
2008	<u>NIL</u>	<u>\$ 24,800,000</u>		<u>24,800,000</u>	<u>NIL</u>
Total	16,660,000	24,800,000	1,375,000	40,085,000	1,430,000
Compensated Absences	<u>51,126</u>	<u>2,343</u>	<u>22,724</u>	<u>30,745</u>	<u>2,313</u>
Total	<u>\$ 16,711,126</u>	<u>\$ 24,802,343</u>	<u>\$ 1,397,724</u>	<u>\$ 40,115,745</u>	<u>\$ 1,432,313</u>

In June 2008, the Authority issued \$24,800,000 of Red Oak Creek Regional Wastewater System Revenue Bonds, Series 2008, for the purpose of funding capital improvements and to pay costs of issuance. The bonds bear interest at a rate of 3.90% to 4.58% per annum and mature serially on February 1 of each year.

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

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

<u>Year Ending November 30</u>	<u>Interest</u>	<u>Principal</u>
2009	\$ 1,464,325	\$ 1,430,000
2010	1,405,983	1,490,000
2011	1,343,255	1,555,000
2012	1,273,656	1,630,000
2013	1,203,089	1,700,000
2014-2018	5,090,579	9,035,000
2019-2023	3,439,221	10,550,000
2024-2028	1,254,685	12,695,000
Total	<u>\$16,474,793</u>	<u>\$40,085,000</u>

The Authority has defeased certain other outstanding revenue bonds in prior years by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the Red Oak Creek Regional Wastewater System Enterprise Fund's financial statements. Prior to November 30, 2008, all such old bonds have been called and no bonds are considered defeased as of year-end.

5. In 2008, Red Oak Creek Regional Wastewater System received a transfer of \$7,350 from Risk Retention Fund as a rebate of insurance premiums.
6. As of November 30, 2008, Red Oak Creek Regional Wastewater System was owed \$7,000 from Ten Mile Creek Regional Wastewater System for expenses paid on their behalf. In addition, Red Oak Creek Regional Wastewater System owed the General Fund \$1,765 for salaries and overhead, and owed Central Regional Wastewater System \$1,250 for pretreatment services.
7. The Red Oak Creek Regional Wastewater System construction program includes various projects for plant improvements. At November 30, 2008, the Authority was committed under construction contracts for \$19,902,764 of which \$5,741,153 has been incurred.
8. The Authority capitalized interest in 2008 in connection with construction in the Red Oak Creek Regional Wastewater System. The net interest capitalized for the year in connection with this project was \$190,194.
9. The deficit net assets reported in invested in capital assets, net of related debt, is a result of the Series 2008 Bond issuance and an increase in construction payables.

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TRINITY RIVER AUTHORITY OF TEXAS  
RED OAK CREEK REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND

SCHEDULE OF EXPENSES - BUDGETED AND ACTUAL  
 YEAR ENDED NOVEMBER 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>SEWAGE TREATMENT:</b>			
<b>Personal Services:</b>			
Salaries	\$ 366,310	\$ 371,310	\$ 370,216
Payroll Taxes - FICA	28,020	28,020	27,998
Employee Benefit - Health/Life Insurance	52,190	52,190	52,181
Employee Benefit - Pension	40,360	40,360	38,798
Unemployment Compensation	1,620	1,620	
Employee Recognition Program	880	880	740
<b>Total</b>	<b>489,380</b>	<b>494,380</b>	<b>489,933</b>
<b>Supplies:</b>			
Office Supplies	1,800	2,110	2,107
Dues and Subscriptions	2,700	2,700	2,028
Fees Other Than Dues and Subscriptions	16,780	16,780	16,699
Maintenance and Operating Supplies	3,890	16,430	15,776
Laboratory Supplies	3,310	4,210	4,149
Process Chemicals and Supplies	123,610	87,610	73,132
Fuel, Oil and Lubricants	7,490	7,490	5,025
Computer Software, Lic. & Instr. Supplies	4,830	6,330	6,019
<b>Total</b>	<b>164,410</b>	<b>143,660</b>	<b>124,935</b>
<b>Other Services and Charges:</b>			
Auditing	6,750	6,975	6,975
Engineering	28,000	28,000	10,165
Legal	1,000	1,000	
Outside Services	25,520	25,520	11,779
Other Professional Services	7,500	7,500	283
IT Support Services	28,930	28,930	28,930
Telephone and Telemetering	27,500	30,000	29,203
Postage	200	200	100
Printing and Binding	200	230	224
Insurance	7,250	7,250	7,250
Travel	1,400	1,650	1,628
Laundry, Uniforms and Ind. Equipment	2,080	2,080	1,834
Training	2,000	2,000	261
Utilities	920	2,420	1,854
Power	395,750	329,735	289,856
Repairs and Maintenance - Collection	21,830	26,830	10,687
Repairs and Maintenance - Equipment	2,700	2,700	2,317
Repairs and Maintenance - Plant & Bldgs.	16,100	36,100	33,529
Repairs and Maintenance - Vehicles	2,000	2,000	1,050
<b>Total Forward</b>	<b>577,630</b>	<b>541,120</b>	<b>437,925</b>

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Forward	\$ 577,630	\$ 541,120	\$ 437,925
Repairs and Maintenance - Electrical	7,900	7,900	1,921
Off-site Sludge Disposal	57,440	73,440	73,015
Interfund Service Charges	41,610	53,610	52,094
Administrative Overhead	106,570	106,570	106,570
Total	791,150	782,640	671,525
<b>TOTAL OPERATING EXPENSES EXCLUSIVE OF DEPRECIATION AND AMORTIZATION</b>	<b>1,444,940</b>	<b>1,420,680</b>	<b>1,286,393</b>
<b>CAPITAL OUTLAYS - Machinery &amp; Equipment*</b>	<b>42,100</b>	<b>66,360</b>	<b>59,101</b>
<b>DEBT SERVICE:</b>			
Bond Principal Payments	1,375,000	1,375,000	1,375,000
Interest on Long-Term Debt**	618,220	618,220	618,217
Paying Agent Fees	1,030	1,030	728
SEC Disclosure Fees	17,500	17,500	17,500
<b>TOTAL DEBT SERVICE</b>	<b>2,011,750</b>	<b>2,011,750</b>	<b>2,011,445</b>
<b>TOTAL</b>	<b>\$ 3,498,790</b>	<b>\$ 3,498,790</b>	<b>\$ 3,356,939</b>

\* Capital outlays for construction and certain other financing costs are excluded. Those budgets are adopted on a project basis.

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

**IV**

## Wastewater Project Information (WRD-253a)

A. Project Name Trinity River Authority Red Oak Creek Regional Wastewater System		B. Project No. CWSRF Tier II No. 72321		C. County Ellis 7			
D. Program(s) CWSRF		E. Loan Amount \$19,990,000		F. Loan Term 20 years			
G. Wastewater Project Description: (Multiphase project, new or expansion, expansion of collection system, etc.) <b>Attach map of service area affected by Project or other documentation.</b>							
<p>The proposed collection system improvements include the final design and construction of one segment of the Red Oak Creek Interceptor that is approximately 8,800 feet of 33- to 36-inch relief pipeline. In addition, funding is needed for the preliminary and final engineering for three other segments of the Red Oak Creek Interceptor totaling approximately 18,700 feet of 27- to 36-inch diameter pipeline. One lift station needs to be improved with the replacement of one pump and installation of an additional pump in an open slot to provide increased flow capacity. Electrical and instrumentation modifications are also planned for this lift station.</p>							
H. Wastewater Receiving Stream Trinity River		I. TNRC Permit No. WQ0013415-001	J. Segment No. 0805	K. Long. & Lat. of Discharge Location			
L. Projected Wastewater Flows							
1. Design Flow MGD 6.0		2. 2-Hour Peak MGD 15.0					
M. Proposed Permit Parameters							
1. CBOD5 mg/l		4. NH3-N mg/l 2.0 (May-Sep.) 4.0 (Oct.-Apr.)					
2. BOD5 mg/l 10		5. DO mg/l 6.0					
3. TSS mg/l 15							
N. Other Pertinent Planning Information (Describe)							
O. Projected Population from application for 20 year period preferably in 5 year increments.  Attach justification and list service area populations if different from Planning Area.	Year	Reference Year 2000	2005	2010	2015	2020	2025
	Population		2007 31,700				131,610
Project Design Year		2040		Design Population		184,797	
P. Current Water Supply Information							
Surface Water Supply Name		Certificate No.		Annual Amount Used and Unit			
Ground Water Supply Aquifer				County			
Well Field Location				Annual Amount Used and Unit			
Q. Proposed Water Supply Information (over loan repayment period)							
Surface Water Supply Name		Certificate No.		Annual Amount Used and Unit			
Ground Water Supply Aquifer				County			
Well Field Location				Annual Amount Used and Unit			
R. Consulting Engineer Name  Dawn Anderson, P.E.		S. Telephone No.  214-640-1726		T. E-mail address  danderson@cpyi.com			
U. Applicant Contact Name, Title  Warren Brewer, Regional Manager		V. Telephone No.  817-493-5100		W. E-mail address  brewerw@trinityra.org			



**V**

# ESTIMATED PROJECT BUDGET

Clean Water (CW) State Revolving Fund (SRF) Tier III  
(Costs of Proposed Project and Sources of Funds)

ITEM	SRF FUNDS	OTHER FUNDS	TOTAL FUNDS
<b>Construction Costs</b>			
WWTP Improvements			
Other (describe) Interceptor	\$12,000,000.00		
<b>Subtotal Construction Costs</b>	<b>\$12,000,000.00</b>		
<b>Basic Engineering Fees</b>			
Planning Phase	\$700,000.00		
Design Phase	\$1,000,000.00		
Construction Phase	\$500,000.00		
<b>Subtotal Basic Fees</b>	<b>\$2,200,000.00</b>		
<b>Special Engineering Fees</b>			
Environmental Assessment			
Water Conservation Plan <sup>1</sup>			
Inspection <sup>2</sup>	\$500,000.00		
Surveying			
Testing			
Geotechnical			
O & M Manual			
TNRCC/EPA Permitting			
<b>Subtotal Special Fees</b>	<b>\$500,000.00</b>		
<b>Bond Issuance Costs</b>			
Financial Advisor	\$77,220.00		
Bond Counsel	\$91,475.00		
Bond Insurance			
Attorney General	\$9,500.00		
Paying Agent & Miscellaneous	\$23,516.00		
<b>Subtotal Issuance Costs</b>	<b>\$201,711.00</b>		
<b>Land, Easements or ROW <sup>3</sup></b>	<b>\$0.00</b>		
<b>Administration</b>	<b>\$162,250.00</b>		
<b>Contingency <sup>4</sup></b>	<b>\$1,324,500.00</b>		
<b>Loan Origination Fees <sup>5</sup></b>	<b>\$361,000.00</b>		
<b>TOTAL PROJECT COSTS</b>	<b>\$16,749,461.00</b>		

1 Not required if loan amount is less than \$500,000.

2 Required on all projects.

3 No eligible for SRF funding unless integral to the treatment process.

4 15% or more is recommended.

5 A TWDB origination charge of 1.85%.

**TAB 2**

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE FROM THE CLEAN  
WATER STATE REVOLVING FUND THROUGH THE PROPOSED PURCHASE OF  
\$19,990,000 TRINITY RIVER AUTHORITY RED OAK CREEK REGIONAL WASTEWATER  
SYSTEM REVENUE BONDS, PROPOSED SERIES 2009

(09-168)

WHEREAS, Trinity River Authority, on behalf of its Red Oak Creek Regional Wastewater System, (the "TRA") has filed an application for financial assistance in the amount of \$19,990,000 from the Clean Water State Revolving Fund to finance certain wastewater system improvements; and

WHEREAS, TRA seeks financial assistance from the Texas Water Development Board (the "Board") through the Board's proposed purchase of \$19,990,000 Trinity River Authority Red Oak Creek Regional Wastewater System Revenue Bonds, Proposed Series 2009, (the "Obligations"), all as is more specifically set forth in the application and in recommendations of the Board's Project Finance and Construction Assistance staff, to which documents express reference is made; and

WHEREAS, in accordance with §15.607, Water Code, the Board hereby finds:

1. that in its opinion the revenues pledged by TRA will be sufficient to meet all the obligations assumed by the TRA;
2. that the application and financial assistance requested meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§1251 *et seq.* (1972), as amended, as well as state law;
3. that the TRA will consider cost-effective, innovative methods of treatment; and
4. that the TRA has adopted and is implementing a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and the Board's rules.

NOW THEREFORE, based on these considerations and findings, the Texas Water Development Board resolves as follows:

A commitment is made by the Board to Trinity River Authority's Red Oak Creek Regional Wastewater System for financial assistance in the amount of \$19,990,000 from the Clean Water State Revolving Fund, to be evidenced by the Board's proposed purchase of \$19,990,000 Trinity River Authority Red Oak Creek Regional Wastewater System Revenue Bonds, Proposed Series 2009. This commitment will expire on November 30, 2011.

Such commitment is conditioned as follows:

1. this commitment is contingent on a future sale of bonds by the Board or on the availability of funds on hand;
2. this commitment is contingent upon issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said obligations were issued have been complied with; that said obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said obligations are valid and binding obligations of TRA;
3. this commitment is contingent upon TRA's compliance with all applicable requirements contained in the rules and regulations of the Board;
4. TRA's bond counsel must prepare a written opinion that states that the interest on the obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the District when rendering this opinion;
5. TRA's bond counsel must also state in the written opinion that the obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion;
6. the ordinance/resolution authorizing the issuance of these obligations, (hereinafter referred to as the "Authorizing Document"), must include a provision prohibiting TRA from using the proceeds of this loan in a manner that would cause the obligations to become "private activity bonds";
7. the Authorizing Document must include a provision requiring TRA to comply with the provisions of §148 of the Internal Revenue Code of 1986 (relating to arbitrage);
8. the Authorizing Document must include a provision requiring TRA to make any required rebate to the United States of arbitrage earnings;
9. the Authorizing Document must include a provision prohibiting TRA from taking any action which would cause the interest on the obligations to be includable in gross income for federal income tax purposes;
10. the Authorizing Document must provide that TRA will not cause or permit the obligations to be treated as "federally guaranteed" obligations within the meaning of §149(b) of the Internal Revenue Code;
11. the bond transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth TRA's reasonable expectations regarding the use, expenditure and investment of the proceeds of the obligations;
12. the bond transcript must include evidence that the information reporting requirements of §149(e) of the Internal Revenue Code of 1986 will be satisfied. This requirement is currently satisfied by filing IRS Form 8038 with the Internal Revenue Service. A

completed copy of IRS Form 8038 must be provided to the Executive Administrator of the Board prior to the release of funds;

13. the Authorizing Document must provide that the obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
14. TRA, or an obligated person for whom financial or operating data is presented to the Board in the application for financial assistance either individually or in combination with other issuers of TRA's obligations or obligated persons, will, at a minimum, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission ("SEC") rule 15c2-12 and determined as if the Board were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the Board and the beneficial owner of TRA's obligations, if the Board sells or otherwise transfers such obligations, and the beneficial owners of the Board's bonds if TRA is an obligated person with respect to such bonds under SEC rule 15c2-12;
15. prior to closing, TRA shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
16. prior to or at closing, TRA shall pay a 1.85% origination fee to the Board calculated pursuant to Board rules;
17. prior to closing, TRA shall adopt and provide an executed copy of a escrow agreement or a trust agreement, the form and substance of which is acceptable to the Executive Administrator, addressing the deposit of bond proceeds into an escrow account or a trust fund;
18. if a bond insurance policy or a surety policy in lieu of a cash reserve are utilized:
  - (a) thirty (30) days before closing, TRA shall submit a draft of the policy to the Board's Executive Administrator for a determination on whether the policy provides appropriate security in accordance with Board policies;
  - (b) prior to closing, TRA shall provide the executed underlying documents of the policy (e.g. commitment letter, specimen policy) in a form and substance that is satisfactory to the Board's Executive Administrator; and
  - (c) prior to closing, the Attorney General of the State of Texas must have considered the use of said policy as a part of its approval of the proposed bond issue.

19. subject to the availability of funds, TRA's debt structure or the timing of its funding needs, the Board's Executive Administrator may request that TRA execute a separate financing agreement in a form and substance acceptable to the Board;
20. loan proceeds shall not be used by TRA when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Authorizing Document shall include an environmental indemnification provision wherein TRA agrees to indemnify, hold harmless and protect the Board from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by TRA, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
21. TRA may be required to submit outlay reports with sufficient supporting documentation (e.g; invoices, receipts) on a quarterly basis. The Board shall retain the right to request project progress reports and outlay reports monthly as the project proceeds through each project phase;
22. at the Board's option, the Board may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the Board reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution; and
23. should one or more of the provisions in this resolution be held to be null, void, voidable or, for any reason whatsoever, of no force and effect, such provision(s) shall be construed as severable from the remainder of this resolution and shall not affect the validity of all other provisions of this resolution which shall remain in full force and effect.

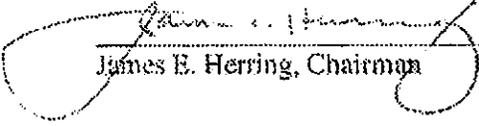
PROVIDED, however, the Authorizing Document is subject to the following special conditions:

24. the loan is approved for funding under the Board's pre-design funding option as specified in 31 TAC §375.39, and initial and future releases of funds are subject to all rules of the Board relating to such funding option;
25. the Authorizing Document contain a provision that stating that the Authority will maintain rates and charges to the Contracting Parties sufficient to meet the debt service requirements on the outstanding obligations of the Authority that are supported by such revenues, and that the Authority will require in its contracts with the Contracting Parties that the Contracting Parties maintain rates and charges for its water and sewer systems sufficient to pay the Contracting Parties obligations secured by and made payable from the revenues derived from the operation of its water and sewer systems;
26. upon request by the Executive Administrator, the Authority shall submit annual audits of Contracting Parties for the Executive Administrator's review; and

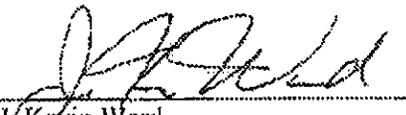
27. if a reserve fund is funded with proceeds from this loan, then that reserve fund shall be used solely for the purpose of retiring the last bond payment, paying principal and interest when and to the extent the amounts in the interest and sinking fund are insufficient to satisfy the debt service requirements, or for purposes otherwise authorized by the Board's Executive Administrator.

APPROVED and ordered of record this, the 19<sup>th</sup> day of November, 2009.

TEXAS WATER DEVELOPMENT BOARD

  
James E. Herring, Chairman

ATTEST:

  
Kevin Ward  
Executive Administrator

**TAB 3**

RESOLUTION NO. R-1290

CERTIFICATE FOR  
RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF TRINITY RIVER  
AUTHORITY OF TEXAS RED OAK CREEK SYSTEM REVENUE BONDS AND APPROVING  
AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

THE STATE OF TEXAS :  
TRINITY RIVER AUTHORITY OF TEXAS :

I, the undersigned, Secretary of the Board of Directors of Trinity River Authority of Texas, being the official keeper of the minutes and records of said Authority, hereby certify as follows:

1. The Board of Directors of said Authority convened in REGULAR MEETING ON THE 2ND DAY OF DECEMBER, 2009, at the designated meeting place, and the roll was called of the duly constituted officers and members of said Board, to-wit:

- |                                      |                   |
|--------------------------------------|-------------------|
| Linda D. Timmerman, Ed.D., President | Nancy E. Lavinski |
| Harold L. Barnard, Vice President    | David Leonard     |
| Howard S. Slobodin, Secretary        | Andrew Martinez   |
| Herschel S. Brannen III              | Kevin Maxwell     |
| Karl R. Butler                       | Barbara Nash      |
| Patricia Carlson                     | James W. Neale    |
| Michael Cronin                       | Shanda S. Perkins |
| Steve Cronin                         | Manny Rachal      |
| Ronald Goldman                       | AnaLaura Saucedo  |
| Amanda Davis                         | Shirley K. Seale  |
| John W. Jenkins                      | J. Carol Spillars |
| Katrina M. Keyes                     | Kim C. Wyatt      |
| Jess A. Laird                        | Amir Rupani       |

and, at the time of adoption of the resolution hereinafter described, all of said persons were present and voted, except the following absentees: Davis, Nash, Neale and Rupani. Whereupon, a quorum being present, the following was transacted at said Meeting: a written

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF TRINITY RIVER  
AUTHORITY OF TEXAS RED OAK CREEK SYSTEM REVENUE BONDS AND APPROVING  
AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

was duly introduced for the consideration of said Board and duly read. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of said resolution, prevailed and carried by the following vote:

AYES: All members of said Board shown present above voted "Aye".

NOES: None.

2. That a true, full, and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Resolution has been duly recorded in said Board's minutes of said Meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said Meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of said Board as indicated therein; and that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for adoption at said Meeting; and that said Meeting was open to the public, and public notice of the time, place, and purpose of said Meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 2nd day of December, 2009.

A handwritten signature in black ink, appearing to read "A. S. R.", written over a horizontal line.

Secretary, Board of Directors,  
Trinity River Authority of Texas

(AUTHORITY SEAL)

RESOLUTION NO. R-1290

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF TRINITY RIVER AUTHORITY OF TEXAS RED OAK CREEK SYSTEM REVENUE BONDS AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

THE STATE OF TEXAS  
TRINITY RIVER AUTHORITY OF TEXAS

WHEREAS, Trinity River Authority of Texas, is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to the provisions of Chapter 518, Acts of the 54th Legislature, Regular Session, 1955, as amended (the "Authority Act"); and

WHEREAS, a "Trinity River Authority of Texas - Red Oak Creek Regional Wastewater System Contract" (the "Initial Contract") has been duly executed among Trinity River Authority of Texas (hereinafter called the "Issuer" or the "Authority") and the Cities of Cedar Hill, De Soto, Glenn Heights, Lancaster, Ovilla, and Red Oak, Texas (the "Cities"), with respect to the acquisition and construction by the Issuer, for the benefit of the Cities, of a wastewater treatment "System" as described in the Initial Contract; and

WHEREAS, the date of the Initial Contract is JUNE 1, 1986; and

WHEREAS, the Initial Contract is hereby referred to and adopted for all purposes, the same as if it had been set forth in its entirety in this Resolution; and

WHEREAS, pursuant to the Initial Contract the Issuer has issued and delivered, and there are outstanding the following described bonds: Trinity River Authority of Texas Red Oak Creek System Revenue Refunding Bonds, Series 2003, dated January 1, 2003 (the "Series 2003 Bonds"), authorized by a resolution adopted by the Board of Directors of the Issuer on December 4, 2002, as amended (the "Series 2003 Bond Resolution"), Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2006, dated October 1, 2006 (the "Series 2006 Bonds"), authorized by a resolution adopted by the Board of Directors of the Issuer on October 25, 2006, as amended (the "Series 2006 Bond Resolution") and Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2008, dated May 1, 2008 (the "Series 2008 Bonds"), authorized by a resolution adopted by the Board of Directors of the Issuer on April 23, 2008, as amended (the "Series 2008 Bond Resolution"); and

WHEREAS, the Initial Contract and the Series 2003 Bond Resolution, Series 2006 Bond Resolution and Series 2008 Bond Resolution provide that the Bonds, hereinafter defined, may be issued by the Issuer as Additional Bonds under the Series 2003 Bond Resolution, the Series 2006 Bond Resolution and the Series 2008 Bond Resolution, such Bonds to be on a parity with the above described bonds which are presently unpaid, unrefunded, and outstanding; and

WHEREAS, the Authority has determined to issue and sell the hereinafter authorized Additional Bonds to obtain funds to acquire and construct improvements to the System, hereinafter defined; and

WHEREAS, the bonds authorized to be issued by this Resolution (the "Bonds") shall be issued and delivered pursuant to Chapter 518, Acts of the 54th Legislature of the State of Texas, Regular Session, 1955, as amended (the "Authority Act" creating the Issuer), Chapter 1371, Texas Government Code, as amended, and other applicable laws.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TRINITY RIVER AUTHORITY OF TEXAS, THAT:

Section 1. RECITALS, AMOUNT AND PURPOSE OF THE BONDS. The Board of Directors hereby incorporates the recitals set forth in the preamble hereto as if set forth in full at this place and further finds and determines that said recitals are true and correct. In order to obtain funds to pay the costs of the acquisition and construction of improvements and extensions to the Trinity River Authority of Texas Red Oak Creek Regional Wastewater System, the Board of Directors hereby authorizes and directs the issuance of revenue bonds of the Issuer in the aggregate principal amount of not to exceed \$19,990,000.

Section 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, MATURITIES AND SALE OF BONDS. (a) Each Bond issued pursuant to this Resolution shall be designated: "TRINITY RIVER AUTHORITY OF TEXAS RED OAK CREEK SYSTEM REVENUE BOND, SERIES \_\_\_\_" subject to paragraph (b) of this section.

(b) As authorized by Chapter 1371, Texas Government Code, as amended, the General Manager of the Issuer is hereby designated as the "Authorized Officer" of the Issuer, and is hereby authorized, appointed, and designated as the officer or employee of the Issuer authorized to act on behalf of the Issuer in the selling and delivering of the Bonds and carrying out the other procedures specified in this Resolution, including the use of a book-entry-only system with respect to the Bonds and the execution of an appropriate letter of representations if deemed appropriate, the determining and fixing of the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the aggregate principal amount of the Bonds and the amount of each maturity of principal thereof, the due date of each such maturity (not exceeding forty years from the date of the Bonds), the rate of interest to be borne by each such maturity, the interest payment dates and periods, the dates, price and terms upon and at which the Bonds shall be subject to redemption prior to due date or maturity at the option of the Issuer, any mandatory sinking fund redemption provisions, procuring municipal bond insurance, and approving modifications to this Resolution and executing such instruments, documents and agreements as may be necessary with respect thereto, if it is determined that such insurance would be financially desirable and advantageous, and all other matters relating to the issuance, sale and delivery of the Bonds. The Authorized Officer, acting for and on behalf of the Issuer, is authorized to arrange for the Bonds to be sold, in one or more issues, at negotiated sale to the Texas Water Development Board, at such price, in an amount not to exceed the aggregate principal amount set forth above, with such maturities of principal, with such interest rates, and with such optional and mandatory sinking fund redemption provisions, if any, and other matters, as shall be mutually acceptable. The price to be paid for the Bonds shall be not less than 95% of the initial aggregate principal amount thereof, plus accrued interest thereon from their date to their delivery, if any, and no Bond shall bear interest at a rate greater than 10% per annum. It is further provided, however, that, notwithstanding the foregoing provisions, the Bonds shall not be delivered unless, prior to their delivery, the Bonds have been rated by a nationally recognized rating agency for municipal long term obligations, as required by said Chapter 1371, Texas Government Code, as amended.

Section 3. CHARACTERISTICS OF THE BONDS. Registration, Transfer, Conversion and Exchange; Authentication. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar") books or records for the registration of the transfer, conversion and exchange of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds

shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds. Registration of assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Resolution. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

Except as provided in Section 3(c) hereof, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign said Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Resolution. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may and shall be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 50 days prior to any such redemption date), (iii) transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Resolution.

The Bonds initially issued and delivered pursuant to this Resolution are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Resolution the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(d) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

(e) Book-Entry Only System. At the discretion of the Authorized Officer, Bonds may be issued in exchange for the Bonds initially issued to the purchaser specified herein pursuant to a book-entry only system, and if so issued, such Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsection (f) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of registering transfers with respect to such

Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks being mailed to the registered owner at the close of business on the Record date, the words "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(f) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC or that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(g) Payments to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Issuer to DTC.

(h) Notice of Redemption. (i) In addition to the notice of redemption set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of the Bonds by first class mail, postage prepaid at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the Registered Owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

(ii) Each notice of redemption given by the Paying Agent/Registrar, whether required in the FORM OF BOND or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publications and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying



THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of The Bank of New York Mellon Trust Company, National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the Resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the fifteenth calendar day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described; provided, however, that for so long as the Texas Water Development Board ("TWDB") is the registered owner of the Bonds, all payments of principal and interest will be made in wire transfer form at no cost to the TWDB. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. 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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (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 owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Redemption Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a Series of Bonds dated \_\_\_\_\_, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$ \_\_\_\_\_, IN ORDER TO OBTAIN FUNDS TO PAY THE COSTS OF THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE TRINITY RIVER AUTHORITY OF TEXAS RED OAK CREEK REGIONAL WASTEWATER SYSTEM.

ON \_\_\_\_\_, or on any date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, in inverse order of maturity, at the option of the Issuer, with funds

derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds to be redeemed shall be selected and designated by the Issuer, at the redemption price of the principal amount, plus accrued interest to the date fixed for redemption.

The Bonds maturing in the year \_\_\_\_\_ are subject to mandatory redemption prior to maturity in part, at random, by lot or other customary method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, in amounts sufficient to redeem said Bonds on \_\_\_\_\_ in the years and principal amounts shown on the following schedule:

<u>Year</u>	<u>Maturity</u>	<u>Principal Amount (\$)</u>
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The principal amount of said Bonds required to be redeemed pursuant to the operation of such mandatory redemption provision shall be reduced, at the option of the Issuer, by the principal amount of said Bonds of the respective maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice of redemption and to major securities depositories, national bond rating agencies and bond information services; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. 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 written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so 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. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

IF AT THE TIME OF MAILING of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately

available funds sufficient to redeem all the Bonds called for redemption, such notice must state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited on or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within 5 days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered Bonds, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other outstanding parity bonds, is secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined in the Bond Resolution, which include the "Net Revenues of the Red Oak Creek System", as defined in the Bond Resolution, and include payments and amounts received by the Issuer pursuant to the "Trinity River Authority of Texas-Red Oak Creek Regional Wastewater System Contract" dated as of June 1, 1986, among the Issuer and the Cities of Cedar Hill, De Soto, Glenn Heights, Lancaster, Ovilla, and Red Oak, Texas.

THE ISSUER has reserved the right, subject to the restriction stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond and series of which it is a part.

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

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon from taxes or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and countersigned with the manual or facsimile signature of the Assistant Secretary of the Board of Directors of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

\_\_\_\_\_  
Assistant Secretary, Board of Directors  
Trinity River Authority of Texas

\_\_\_\_\_  
President, Board of Directors  
Trinity River Authority of Texas

(SEAL)

FORM OF  
PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Bond is not accompanied by an  
executed Registration Certificate of the Comptroller  
of Public Accounts of the State of Texas)

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a bond, bonds, or a portion of a bond or bonds of a Series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

THE BANK OF NEW YORK MELLON TRUST COMPANY,  
NATIONAL ASSOCIATION  
Paying Agent/Registrar

By \_\_\_\_\_  
Authorized Representative

FORM OF ASSIGNMENT

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
Please insert Social Security or Taxpayer  
Identification Number of Transferee

\_\_\_\_\_  
(Please print or typewrite name and address,  
including zip code of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

FORM OF REGISTRATION CERTIFICATE OF

THE COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(COMPTROLLER'S SEAL)

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

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

The term "Authority" or "Issuer" means Trinity River Authority of Texas.

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

The terms "Bond Resolution" or "Resolution" mean this resolution adopted by the Board of Directors of the Issuer on December 2, 2009, authorizing the issuance of the Bonds.

The term "Bonds" means collectively the initial Bonds as described and defined in Section 2 of this Bond Resolution, and all substitute bonds exchanged therefor and other substitute bonds as provided for in this Bond Resolution.

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

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

The terms "Gross Revenues of the System" and "Gross Revenues" mean all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Issuer from the operation and/or ownership of the System, including specifically all payments and amounts received by the Issuer from Contracts, and any income from the investment of money in any Funds maintained or created by this Bond Resolution, excepting any amounts required to be rebated to the Internal Revenue Service as described in Section 24.

The term "Initial Contract" means the Trinity River Authority of Texas-Red Oak Creek Regional Wastewater System Contract, dated June 1, 1986, among the Issuer and the Initial Contracting Parties.

The term "Initial Contracting Parties" means the Cities of Cedar Hill, De Soto, Glenn Heights, Lancaster, Ovilla, and Red Oak, Texas.

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

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

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

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

The terms "Red Oak Creek System" and "System" mean all of the Issuer's wastewater reception, transportation, treatment, and disposal facilities, as described and defined in the Contract, serving the Contracting Parties in the area of the watershed or drainage basin of Red Oak Creek (a tributary of the

Trinity River) in Dallas and Ellis Counties, Texas, together with all improvements and additions to and extensions, enlargements, and replacements of such facilities. However, said terms do not include any facilities acquired or constructed by the Issuer with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being revenue obligations of the Issuer which are not issued as Additional Bonds, and which are payable from any source, contract, or revenues whatsoever other than the Pledged Revenues; and Special Facilities Bonds may be issued for any lawful purpose and made payable from any source, contract, or revenues whatsoever other than the Pledged Revenues.

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

Section 6. PLEDGE. The Parity Bonds and any Additional Bonds, and the interest thereon, are and shall be secured equally and ratably on a parity by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Interest and Redemption Fund, the Reserve Fund, and the Contingency Fund as provided in this Bond Resolution.

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

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

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

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

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

(b) Money in any Fund maintained pursuant to this Resolution may, at the option of the Issuer, be invested as permitted by sections 8(n) and 8-B, Article 8280-188, V.A.T.C.S., as amended, and in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, and the investment policy of the Issuer. Such deposits and investments shall be made consistent with the estimated requirements of such Funds, and any obligation in which money is so invested shall be kept and held for the benefit of the owners of the Parity Bonds and Additional Bonds, and shall be promptly sold and the proceeds of sale applied to the making of all payments required to be made from the Fund from which the investment was made. All earnings from the deposit or investment of any such Fund shall be credited to such Fund. All investment earnings on deposit in the Interest and Redemption Fund shall reduce the amounts which otherwise would be required to be deposited therein, with the result that the requirements of the Contracting Parities to pay principal and/or interest payments under the Contracts shall be reduced accordingly.

(c) Notwithstanding the foregoing provisions of this Section and of Sections 14 and 15, all investment income, if any, required by the United States Internal Revenue Code to be rebated by the Issuer to the Internal Revenue Service in order to prevent the Bonds from being or becoming taxable "arbitrage bonds" under said Code shall be withdrawn from each Fund created by this Bond Resolution and so rebated to the extent so required.

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

Section 13. DEBT SERVICE REQUIREMENTS. (a) Promptly after the delivery of the Bonds the Issuer shall cause to be deposited to the credit of the Interest and Redemption Fund, from the proceeds received from the sale and delivery of the Bonds, all accrued interest received from such sale.

(b) The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Redemption Fund the amounts, at the times, as follows:

on or before the first interest payment date on the Bonds, and semiannually thereafter, on or before each interest payment date, an amount sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest and/or principal and interest scheduled to accrue and come due on the Bonds on each interest payment date.

Section 14. RESERVE FUND. (a) In addition to words and terms otherwise defined in this Resolution, the following definitions shall apply to words and terms used in this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) 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 or 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 or Additional Bonds; and (ii) the required additional amount, if any, shall be so accumulated by the deposit in the Reserve Fund of all of said required additional amount in cash or a Reserve Fund Obligation immediately after the delivery of the then proposed additional Bonds or Additional Bonds.

(e) Notwithstanding any other provisions of this Resolution, an equivalent Reserve Fund Obligation may be substituted by the Issuer at any time and from time to time for all or any part of the money and/or investments held for the credit of the Reserve Fund, and such money and/or investments may be withdrawn and used for any lawful purpose, provided, however, that to the extent such funds were derived from the proceeds of 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.

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

(1) A surety bond or insurance policy issued to the Issuer or other party, as agent of the registered owners, by a company licensed to issue an insurance policy guaranteeing the

timely payment of debt service on the Bonds (a "municipal bond insurer") if the claims paying ability of the issuer thereof shall, at the time of issuance, be rated by at least two of the following rating agencies in the indicated rating categories, to-wit, "AAA" by S&P or Fitch or "Aaa" by Moody's.

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

(3) An unconditional irrevocable letter of credit issued to the Issuer or other party, as agent of the registered owners, by a bank if the issuer thereof, at the time of issuance, is rated by at least two of the following rating agencies in the indicated rating categories, to-wit, at least "AA" by S&P or Fitch or "Aa" by Moody's. The letter of credit shall be payable in one or more draws upon presentation by the Issuer or other party of a sight draft accompanied by its certificate (which must be satisfactory in form and substance to the Issuer or other party and the issuer of the letter of credit) that the Issuer then holds insufficient funds to make a required payment of principal or interest on the Bonds or Additional Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years and shall be subject to an "evergreening" feature so as to provide the Issuer with at least 30 months notice of termination. The issuer of the letter of credit shall be required to notify the Issuer not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the 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 rating of the claims paying ability of the issuer of the surety bond or insurance policy is no longer rated at least in the "AA" category by S&P or Fitch or the "Aa" category by Moody's, or a higher category, or (b) 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, or (c) the issuer of the Reserve Fund Obligation defaults in its payment obligations hereunder, or (d) the issuer of the Reserve Fund Obligation becomes insolvent, the Issuer shall either (i) deposit into the Reserve Fund, in accordance with this section, amounts sufficient to cause the money or investments on deposit in the Reserve Fund to accumulate to the Required Reserve within twelve months of such occurrence, or (ii) replace such instrument with a surety bond, insurance policy, or letter of credit meeting the requirements in any of 1 through 3 above within twelve months of such occurrence.

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

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

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

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

Section 15. CONTINGENCY REQUIREMENTS. There is currently on deposit in the Contingency Fund the sum of at least \$25,000. No additional deposits are required to be made to the credit of the Contingency Fund unless and until such amount therein is reduced or depleted or unless the Issuer, upon the advice and recommendation of an independent engineer or firm of engineers, determines it necessary to increase such amount in order adequately to provide for contingencies related to the System, or unless the Issuer provides for an increase in such amount in any resolution authorizing Additional Bonds. If and when such amount in the Contingency Fund is reduced or depleted, or an increase in such amount has been provided for, then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund and the Reserve Fund, such reduction or depletion shall be restored, and/or such amount shall be increased, to the extent not otherwise funded, from amounts which shall be provided for such purpose in the Issuer's Annual Budget for the next ensuing fiscal year or years, provided that the Issuer is not required to budget more than one third of the amount to be accumulated for such purpose during any one fiscal year. So long as the Contingency Fund contains money and investments not less than the amount specified above (or the amount to which the Contingency Fund may be increased as aforesaid) in market value, any surplus in the Contingency Fund over said amount shall promptly after October 1 of each year, be deposited to the credit of the Interest and Redemption Fund.

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

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

Section 17. PAYMENT OF PARITY BONDS AND ADDITIONAL BONDS. On or before the first interest payment date on the Bonds, and semiannually on or before each interest payment date thereafter while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the Paying Agent/Registrar, out of the Interest and Redemption Fund, or the Reserve Fund or the Contingency Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on each interest payment date.

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

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

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

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on February 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on February 1 and August 1, and such interest must be fixed at a predetermined rate or rates in

the authorizing bond proceedings; and for the purposes of this and all other Sections of this Resolution, principal amounts of any Parity Bonds or Additional Bonds or portions thereof which are required to be prepaid or redeemed on any date prior to scheduled due date or maturity pursuant to any mandatory redemption requirements shall be deemed to be due and maturing amounts of principal on the date required to be prepaid or redeemed.

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

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

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

(b) **ISSUER'S LEGAL AUTHORITY.** It is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59, of the Texas Constitution, and Chapter 518, Acts of the 54th Legislature, Regular Session, 1955, as amended, and is duly authorized under the laws of the State of Texas to create and issue the 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) **TITLE.** It has or will obtain lawful title to, or the lawful right to use and operate, the lands, buildings, and facilities constituting the System and will use its best efforts to acquire and construct the System as provided in the Contracts, that it warrants that it will defend the title to or lawful right to use and operate, all of the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the owners of the Parity Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(n) **ANNUAL BUDGET.** The Issuer shall prepare and adopt an Annual Budget for the System for each fiscal year as required by the Contracts, and shall, promptly after its adoption, mail a copy thereof to each Bond Insurer of record.

**Section 21. AMENDMENT OF RESOLUTION.** (a) The owners of Parity Bonds and Additional Bonds aggregating a majority in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds (for purposes of this sentence only, 100% of the aggregate principal amount of Parity 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 Parity Bonds or Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

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

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment

and shall state that a copy thereof is on file at the principal office of each Paying Agent/Registrar for the Parity Bonds and Additional Bonds, for inspection by all owners of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to the owner of each of the Parity Bonds and Additional Bonds.

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

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

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

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

(g) Notwithstanding the foregoing provisions of this Section 21, if there has been filed with the Paying Agent/Registrar a Bond Insurance Policy, or a certified copy thereof, with respect to any Parity Bond or Additional Bond, no consent by the registered owner of such Parity 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 22. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United

States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Net Revenues as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection 22(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

(c) The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America., (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Resolution.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

**Section 23. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.** (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or

destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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

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

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

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

**Section 24. COVENANTS REGARDING TAX-EXEMPTION.** The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

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

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

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

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

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

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

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

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

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

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

(i) to assure that the proceeds of the Bonds will be used solely for new money projects or to refund refunded bonds that were issued after December 31, 2003 and prior to January 1, 2009.

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.

Section 25. 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 26. DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 27. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be used along with other bond proceeds for the purpose for which the Bonds are issued set forth in Section 1 hereof; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Redemption Fund.

Section 28. CONSTRUCTION FUND. The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 2009 Red Oak Creek System Construction 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 Redemption Fund. To the extent deemed necessary or advisable by the Authorized Officer, moneys may be transferred from the Construction Fund into the Reserve Fund to meet a deficiency therein.

Section 29. 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 30. FURTHER PROCEDURES. The President, Vice President and Secretary of the Board of Directors of the Issuer, the General Manager (as the "Authorized Officer" of the Issuer) and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Letter of Representation with DTC regarding the Book-Entry Only System, the Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Letter of Representation, the Bonds, the sale of the Bonds and the Official Statement. Notwithstanding anything to the contrary contained herein, while the Bonds are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representation is hereby incorporated herein and its provisions shall prevail over any other provisions of this Resolution in the event of conflict. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 31. 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) The Issuer shall, for the benefit of the beneficial owners of the Bonds, undertake to notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds; and
- K. Rating changes.

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

Section 32. TEXAS WATER DEVELOPMENT BOARD PROVISIONS. (a) Final Accounting. The Issuer shall render a final accounting to the TWDB in reference to the total cost incurred by the Issuer for improvements and extensions to the System, together with a copy of "as built" plans of the project upon completion.

(b) Surplus Bond Proceeds. The Issuer shall use any surplus proceeds from the Bonds remaining after completion of the improvements, to ratably redeem, in inverse order of maturity, the Bonds owned by the TWDB.

(c) Annual Reports. Annual audits of the Issuer shall be delivered to the TWDB as long as the State of Texas owns any of the Bonds.

(d) Compliance with the TWDB's Rules and Regulations. The Issuer covenants to comply with the rules and regulations of the TWDB, and to maintain insurance on the Issuer's System in an amount sufficient to protect the interests of the TWDB in the project. The Issuer covenants to maintain rates and charges for the System sufficient to meet the debt service requirements on the Bonds and the other Parity Bonds.

(e) Escrow Agreement. The General Manager, acting as the "Authorized Officer" shall approve, execute and deliver an appropriate escrow agreement with a qualified and properly chartered trust institution. Proceeds of the Bonds required to be deposited under an escrow agreement shall be disposed of and released in accordance with TWDB Rules Relating to Financial Programs or as otherwise authorized and directed by the TWDB.

(f) Environmental Indemnification. The Issuer agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport and/or removal and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Issuer, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law.

(g) Special Covenants. Until the Bonds have been redeemed, paid or defeased, the Issuer will (i) implement any water conservation program required by the Board of the TWDB, (ii) comply with any special conditions specified by the Board of the TWDB in an environmental determination and (iii) maintain current, accurate and complete records and accounts necessary to demonstrate compliance with generally accepted government accounting standards and other financial assistance related legal and contractual provisions.

(h) Collateral Requirements. The Issuer agrees that all uninvested and uninsured funds held pursuant to this Resolution shall be managed and collateralized as required by the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended.

Section 33. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under Section 6 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Issuer under Section 6 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 34. 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.

Section 35. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

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**TAB 4**

## CERTIFICATE OF GENERAL MANAGER

I, the undersigned General Manager of the Trinity River Authority of Texas (the "Issuer"), acting pursuant to the authority granted to me by resolution of the Board of Directors of the Issuer adopted on December 2, 2009 (the "Resolution") relating to the issuance of Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009 (the "Bonds") hereby find, determine and commit on behalf of the Issuer to sell and deliver the Bonds to the Texas Water Development Board ("TWDB") on the following terms:

1. The Bonds are hereby sold and shall be delivered to, and shall be initially registered in the name of, the TEXAS WATER DEVELOPMENT BOARD, for cash at a price of par.

2. The principal amount of the Bonds shall be \$8,280,000.

3. The Bonds shall be dated December 1, 2009, shall be numbered from R-1 upwards and shall mature and bear interest from their date of delivery to TWDB (i.e., the Date of Issuance) as follows:

<u>MATURITY DATE</u> <u>(February 1)</u>	<u>PRINCIPAL</u> <u>AMOUNT(\$)</u>	<u>INTEREST</u> <u>RATE(%)</u>
2012	110,000	0.650
2013	120,000	1.000
2014	130,000	1.150
2015	225,000	1.500
2016	225,000	1.750
2017	235,000	2.000
2018	245,000	2.200
2019	250,000	2.400
2020	260,000	2.750
2021	270,000	2.950
2022	280,000	3.100
2023	280,000	3.250
2024	290,000	3.350
2025	300,000	3.700
2026	315,000	3.850
2027	325,000	3.900
2028	340,000	3.950
2029	1,305,000	4.000
2030	1,360,000	4.050
2031	1,415,000	4.150

4. Interest on the Bonds shall be payable February 1 and August 1 of each year, commencing February 1, 2010.

5. The Bonds scheduled to mature on and after February 1, 2021, shall be redeemable prior to their scheduled maturities, in whole or in part, and, if in part, in inverse order of maturity, at the option of the Issuer, on February 1, 2020 or on any date thereafter, for the principal amount thereof plus accrued interest to the date fixed for redemption, and without premium.

6. The Issuer will maintain rates and charges to the "Contracting Parties" (as defined in the Resolution) in amounts sufficient to meet the debt service requirements on the Bonds and other obligations of

the Issuer that are supported by the contract payments of the Contracting Parties. The Issuer will, upon request by the Executive Administrator of the TWDB, submit annual audits of Contracting Parties for the Executive Administrator's review.

7. Immediately upon closing and delivery of the Bonds, the Issuer shall pay to the TWDB a 1.85% origination charge with respect to the Bonds calculated pursuant to the rules of the TWDB.

8. The Issuer will not discontinue the use of DTC without giving prior written notice to TWDB.

9. The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 2009 Red Oak Creek System Construction Fund" for use by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Project as hereinbefore provided. Upon payment of all such costs, any moneys remaining on deposit in said Fund shall be transferred to the Interest and Redemption Fund. Amounts so deposited to the Interest and Redemption Fund shall be used in the manner described in Section 32(a) of the Resolution.

10. The Bonds shall be substantially in the form attached hereto as Exhibit A.

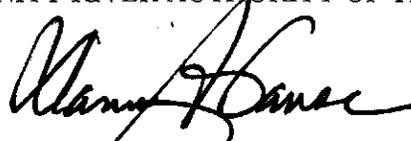
11. Proceeds from the sale of the Bonds shall come from and be used and deposited as follows:

<b>Sources of Funds:</b>	<b>Total (\$)</b>
Principal Amount of Bonds	8,280,000.00
<b>TOTAL SOURCES</b>	<b>8,280,000.00</b>
<b>Uses of Funds:</b>	
TWDB origination fee	150,390.00
Costs of Issuance	195,454.03
Construction Fund	6,648,162.99
Capitalized interest	457,984.98
Reserve Fund	828,000.00
<b>TOTAL USES</b>	<b>8,280,000.00</b>

DEC 09 2009

Witness my hand this \_\_\_\_\_

TRINITY RIVER AUTHORITY OF TEXAS

A handwritten signature in black ink, appearing to read "Danny F. Vance", written over a horizontal line.

Danny F. Vance  
General Manager

EXHIBIT A

NO. R-

PRINCIPAL  
AMOUNT  
\$

UNITED STATES OF AMERICA  
STATE OF TEXAS  
TRINITY RIVER AUTHORITY OF TEXAS  
RED OAK CREEK SYSTEM REVENUE BONDS  
SERIES 2009

INTEREST RATE      DATE OF ISSUANCE      MATURITY DATE      CUSIP NO.

December 22, 2009

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

ON THE MATURITY DATE specified above, the TRINITY RIVER AUTHORITY OF TEXAS (the "Issuer"), being a governmental agency, and body corporate and politic of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "registered owner") the principal amount set forth above, and to pay interest thereon from the Date of Issuance as set forth above, on February 1, 2010 and semiannually thereafter on each August 1 and February 1 to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above, calculated on the basis of a 360-day year composed of twelve 30-day months; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of The Bank of New York Mellon Trust Company, National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the Resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at

its address as it appeared on the fifteenth calendar day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described; provided, however, that for so long as the Texas Water Development Board ("TWDB") is the registered owner of the Bonds, all payments of principal and interest will be made in wire transfer form at no cost to the TWDB. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. 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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (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 owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Redemption Fund" created by the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a Series of Bonds dated December 1, 2009, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$8,280,000, IN ORDER TO OBTAIN FUNDS TO PAY THE COSTS OF THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE TRINITY RIVER AUTHORITY OF TEXAS RED OAK CREEK REGIONAL WASTEWATER SYSTEM.

ON FEBRUARY 1, 2020, or on any date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, in inverse order of maturity, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds to be redeemed shall be selected and designated by the Issuer, at the redemption price of the principal amount, plus accrued interest to the date fixed for redemption.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice of redemption and to major securities depositories, national bond rating agencies and bond information services; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or

effectiveness of the proceedings for the redemption of any Bond. 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 written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so 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. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

IF AT THE TIME OF MAILING of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Bonds called for redemption, such notice must state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited on or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within 5 days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered Bonds, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer which, together with other outstanding parity bonds, is secured by and payable from a first lien on and pledge of the "Pledged Revenues", as defined in the Bond Resolution, which include the "Net Revenues of the Red Oak Creek System", as defined in the Bond Resolution, and include payments and amounts received by the Issuer pursuant to the "Trinity River Authority of Texas-Red Oak Creek Regional Wastewater System Contract" dated as of June 1, 1986, among the Issuer and the Cities of Cedar Hill, De Soto, Glenn Heights, Lancaster, Ovilla, and Red Oak, Texas.

THE ISSUER has reserved the right, subject to the restriction stated in the Bond Resolution, to issue Additional Bonds payable from and secured by a first lien on and pledge of the "Pledged Revenues" on a parity with this Bond and series of which it is a part.

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

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon from taxes or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Directors of the Issuer and countersigned with the manual or facsimile signature of the Secretary of the Board of Directors of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

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Secretary, Board of Directors  
Trinity River Authority of Texas

---

President, Board of Directors  
Trinity River Authority of Texas

(SEAL)



Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

\_\_\_\_\_  
NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

FORM OF REGISTRATION CERTIFICATE OF

THE COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(COMPTROLLER'S SEAL)

**TAB 5**

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE  
SUITE 1800

AUSTIN, TEXAS 78701-3248

TELEPHONE: 512 478-3805

FACSIMILE: 512 472-0871

717 NORTH HARWOOD

SUITE 900

DALLAS, TEXAS 75201-6587

TELEPHONE: 214 754-9200

FACSIMILE: 214 754-9250

700 N. ST. MARY'S STREET

SUITE 1525

SAN ANTONIO, TEXAS 78205-3503

TELEPHONE: 210 225-2800

FACSIMILE: 210 225-2984

December 9, 2009

The President and the Secretary,  
Board of Directors  
Trinity River Authority of Texas  
5300 S. Collins  
Arlington, Texas 76010

Re: Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009, dated December 1, 2009 (the "Bonds")

Ladies and Gentlemen:

This opinion from us, as legal counsel to Trinity River Authority of Texas, is given in connection with the above referenced Bonds, authorized by resolution No. R-1290 (the "Bond Resolution"), adopted by the Board of Directors of Trinity River Authority of Texas (the "Authority") on December 2, 2009.

It is our opinion that the Contract, as defined in the Bond Resolution, is now in effect pursuant to which the Contracting Parties, as defined in the Contract and in the Bond Resolution, are obligated to make payments to the Authority during each fiscal year (including during periods when service of the System, as defined in the Contract and in the Bond Resolution, may not be available to such Contracting Parties) in such amounts as shall be necessary to provide to the Authority Pledged Revenues, as defined in the Bond Resolution, sufficient to pay when due all principal of and interest on the Bonds, the Trinity River Authority of Texas Red Oak Creek System Revenue Refunding Bonds, Series 2003, the Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2006 and the Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2008 to be outstanding after the issuance of the Bonds, and to make the deposits into the Reserve Fund as required under the Bond Resolution.

Respectfully submitted,

McCALL, PARKHURST & HORTON L.L.P.

by   
G. Charles Kobdich

**TAB 6**

GENERAL CERTIFICATE

THE STATE OF TEXAS :  
TRINITY RIVER AUTHORITY OF TEXAS :

We, the undersigned, hereby officially certify that we are the President and Secretary, respectively, of the Board of Directors and the General Manager of the Trinity River Authority of Texas (the "Authority"), and we further certify as follows:

1. That this certificate is executed for the benefit of the Attorney General of the State of Texas and the prospective owners of the proposed Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009, dated December 1, 2009, authorized by Resolution No. R-1290, adopted on December 2, 2009, by the Board of Directors of the Authority (the "Bond Resolution")(the "Bonds").

2. That Trinity River Authority of Texas is a conservation and reclamation district and political subdivision of the State of Texas, created pursuant to Chapter 518, Acts of the Regular Session of the 54th Legislature, 1955, as amended (the "Authority Act"), pursuant to Article 16, Section 59 of the Texas Constitution.

3. That, other than for the payment of the Trinity River Authority of Texas Red Oak Creek System Revenue Refunding Bonds, Series 2003, the Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2006 and the Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2008 (the "Outstanding Bonds") and the Bonds, the "Pledged Revenues", as defined in the Bond Resolution, are not in any manner pledged to the payment of any debt or obligation.

4. That no litigation of any nature has ever been filed pertaining to, affecting, or contesting: (a) the issuance, delivery, payment, security, or validity of the Bonds, (b) the validity of the Trinity River Authority of Texas - Red Oak Creek Regional Wastewater System Contract, dated as of June 1, 1986, which has been duly executed between the Authority and the Cities of Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak, Texas (the "Contract"), (c) the title of the present members and officers of the Board of Directors of the Authority to their respective offices, or (d) the organization or corporate existence of the Authority or the boundaries thereof.

5. That the Contract (a copy of which is attached hereto as Exhibit A) is in full force and effect, and has never been revoked, rescinded, or amended, and no default exists in connection therewith.

6. That the Authority is not in default as to any covenant, condition, or obligation in connection with the Outstanding Bonds, and the resolution authorizing the same, and the Interest and Redemption Fund and the Reserve Fund each contains the amount now required to be on deposit therein.

7. That, based upon an opinion of legal counsel to the Authority, the Contract now in effect, pursuant to which the Contracting Parties, as defined in the Contract, are obligated to make payments to the Authority during each fiscal year (including during periods when services of the System may not be available to such Contracting Parties) in such amounts as shall be necessary to provide to the Authority Pledged Revenues sufficient to pay when due all principal of and interest on the Bonds, and the Outstanding Bonds to be outstanding after the issuance of the Bonds, and to make the deposits into the Reserve Fund as required under the resolutions authorizing said bonds.

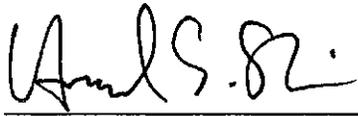
8. That the statements and information set forth in the Application to the Texas Water Development Board, pertaining to the Authority, the Contracting Parties, and the Bonds, and

particularly the operating statements, debt service requirements, revenues, rates for water and sewer services (which rates, respectively, have been set by pertinent and applicable ordinances or resolutions now in effect), and other information set forth therein, are true and correct in all material respects, and the above statements and information concerning the Contracting Parties have been verified by the Authority from official documents and information furnished to the Authority by the Contracting Parties, respectively, specifically for inclusion in the aforesaid Application.

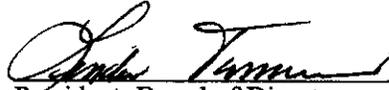
9. That the Bond Resolution is in full force and effect and has not been amended or rescinded.

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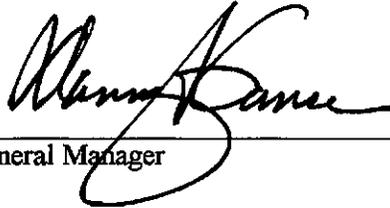
SIGNED \_\_\_\_\_.



Secretary, Board of Directors



President, Board of Directors



General Manager

**TAB 7**

## ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the "Agreement"), dated as of December 1, 2009, made by and between the Trinity River Authority of Texas (the "Authority"), a political subdivision of the State of Texas, acting by and through its General Manager, and Wells Fargo Bank, N.A., as Escrow Agent (the "Escrow Agent") together with any successor in such capacity;

### WITNESSETH:

WHEREAS, pursuant to a resolution finally adopted on December 2, 2009 (the "Resolution"), the Board of Directors of the Authority authorized the issuance of \$8,280,000 Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009, dated December 1, 2009 (the "Bonds"), for the purpose of the acquisition and construction of improvements and extensions to the Authority's Red Oak Creek Regional Wastewater Treatment System (the "Project"); and

WHEREAS, such Resolution also confirmed the sale of the Bonds to the Texas Water Development Board (the "TWDB"); and

WHEREAS, the Escrow Agent is a national bank located in the State of Texas, an insured depository institution with the Federal Deposit Insurance Corporation, ("FDIC"), has been designated a state depository institution by the Texas Office of the Comptroller and is otherwise qualified and empowered to enter into this Agreement, and hereby acknowledges its acceptance of the terms and provisions hereof; and

WHEREAS, a condition to the purchase of the Bonds by the TWDB is the deposit of the proceeds of sale (less amounts to pay costs of issuance) in escrow subject to being withdrawn only with the approval of the Executive Administrator of the TWDB or an authorized representative; provided, however, the funds can be transferred to different investments so long as all parties hereto consent to such transfer;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and in consideration of the amount to be paid by the Authority to the Escrow Agent, as set forth on Exhibit A, the receipt of which is hereby acknowledged, and in order to secure the delivery of the Bonds, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives and successors, as follows:

**SECTION 1: ESCROW ACCOUNT.** Upon the delivery of the Bonds described above, proceeds of sale (less amounts to pay costs of issuance) shall be deposited to the credit of a special escrow account maintained at the Escrow Agent on behalf of the Authority and the TWDB and shall not be commingled with other accounts or funds. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Authority, and the Escrow Agent shall have no right to title with respect thereto except as a fiduciary and Escrow Agent under the terms of this Agreement.

These escrowed funds shall be kept in a separate account entitled "Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009 Escrow Account" and shall not be subject to warrants, drafts or checks drawn by the Authority but shall be disbursed or withdrawn to pay the costs of the project for which the Bonds were issued (the "Project Costs") in accordance with the Resolution and solely upon written authorization from the Executive Administrator, or his authorized representative. The Escrow Agent shall distribute to the Authority and to the Executive Administrator's staff of the TWDB the escrow account bank statements or trust account statements on a monthly basis.

**SECTION 2: COLLATERAL.** All cash deposited to the credit of such escrow account and any accrued interest in excess of the amounts insured by the Federal Deposit Insurance Corporation and remaining

uninvested under the terms of this Agreement shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended.

**SECTION 3: INVESTMENTS.** While funds are held in escrow, the Escrow Agent shall only invest escrowed funds in investments that are authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. It is the Authority's responsibility to direct the Escrow Agent to invest all public funds in a manner that is consistent not only with the Public Funds Investment Act but also with its own written investment policy.

**SECTION 4: DISBURSEMENTS.** The Escrow Agent shall not honor any disbursement from the escrow fund, or any portion thereof, unless and until it has been supplied with written approval and consent by the Executive Administrator of the TWDB or an authorized TWDB representative. However, no written approval and consent by the Executive Administrator shall be required if the disbursement involves transferring funds from one investment to another provided that all such investments are consistent with the requirements of the Public Funds Investment Act.

**SECTION 5: UNEXPENDED FUNDS.** Any sums remaining unexpended in the escrow account after completion of the Project, after the final accounting has been submitted to and approved by the TWDB, shall be disposed of pursuant to the provisions of the Resolution.

**SECTION 6: CERTIFICATIONS.** The Escrow Agent shall be authorized to accept and rely upon the certifications and documents furnished to the Escrow Agent by the Authority and shall not be liable for the payment of any funds made in reliance in good faith upon such certifications or other documents or approvals, as herein recited.

**SECTION 7: LIABILITY OF ESCROW AGENT.** To the extent permitted by law, the Escrow Agent shall not be liable for any act done or step taken or omitted by it or any mistake of fact or law, except for its negligence or default or failure in the performance of any obligation imposed upon it hereunder. The Escrow Agent shall not be responsible in any manner for any proceedings in connection with the Bonds or any recitation contained in the Bonds.

**SECTION 8: RECORDS.** The Escrow Agent will keep complete and correct books of record and account relating to the receipts, disbursements, allocations and application of the money deposited to the Escrow Fund, and investments of the Escrow Fund and all proceeds thereof. The records shall be available for inspection at reasonable hours and under reasonable conditions by the Authority and the TWDB.

**SECTION 9: MERGER/CONSOLIDATION.** In the event that the Escrow Agent merges or consolidates with another bank or sells or transfers substantially all of its assets or corporate trust business, then the successor bank shall be the successor Escrow Agent without the necessity of further action as long as the successor bank is a state or national bank as well as an FDIC-insured depository institution. The Escrow Agent must provide the TWDB with written notification within 30 days of acceptance of the merger, consolidation, or transfer. If the merger, consolidation or other transfer has occurred between state banks, the newly-created entity shall forward the certificate of merger or exchange issued by the Texas Department of Banking as well as the statement filed with the pertinent chartering authority, if applicable, to the TWDB within a reasonable time of such merger, consolidation or exchange.

**SECTION 10: AMENDMENTS.** This Agreement may be modified or amended from time to time as necessary with the written consent of the Authority, the Escrow Agent and the TWDB, but no such amendments shall increase the liabilities or responsibilities or diminish the rights of the Escrow Agent without its consent.

**SECTION 11: TERMINATION.** In the event that this Agreement is terminated by either the Authority or by the Escrow Agent, the Escrow Agent must report said termination in writing to the TWDB within 5 business days of such termination. The Authority is responsible for ensuring that the following criteria are satisfied in selecting the successor escrow agent and notifying the TWDB of the change in escrow agents: (a) the successor escrow agent must be an FDIC-insured state or national bank designated by the Texas Comptroller as a state depository; (b) the successor escrow agent must be retained prior to or at the time of the termination; (c) an escrow agreement must be executed by and between the Authority and the successor escrow agent and must contain the same or substantially similar terms and conditions as are present in this Agreement; and (d) the Authority must forward a copy of the executed escrow agreement with the successor escrow agent within 5 business days of said termination. No funds shall be released by the TWDB until it has received, reviewed and approved the escrow agreement with the successor escrow agent.

**SECTION 12: EXPIRATION.** This Agreement shall expire upon final transfer of the funds in the Escrow Account to the Authority.

**SECTION 13: POINT OF CONTACT.** The points of contact for the Escrow Agent and the TWDB are as follows:

Jose A. Gaytan, Jr.  
Wells Fargo Bank, N.A.  
Corporate, Municipal and Escrow Services  
MAC T5656-013  
PO Box 2019 (78768)  
400 West 15<sup>th</sup> St., Suite 150  
Austin, Texas 78701  
512-344-7306 (Office)  
512-355-8621 (Fax)  
[Jose.A.Gaytan@wellsfargo.com](mailto:Jose.A.Gaytan@wellsfargo.com)

Kevin J. Ward  
Executive Administrator  
Texas Water Development Board  
1700 North Congress Avenue  
Austin, Texas 78701

**SECTION 14: CHOICE OF LAW.** This Agreement shall be governed exclusively by the applicable laws of the State of Texas. Should a controversy arise, either party hereto may introduce the dispute into the Travis County District Court for adjudication thereof.

**SECTION 15: ASSIGNABILITY.** This Agreement shall not be assignable by the parties hereto, in whole or in part, and any attempted assignment shall be void and of no force and effect.

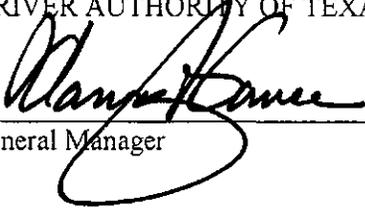
**SECTION 16: ENTIRE AGREEMENT.** This Agreement evidences the entire Escrow Agreement between the Escrow Agent and the Authority and supersedes any other agreements, whether oral or written, between the parties regarding the funds or the escrow account.

**SECTION 17: VALIDITY OF PROVISIONS.** If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TRINITY RIVER AUTHORITY OF TEXAS

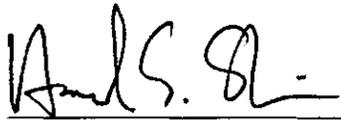
By:

  
General Manager

Address:  
5300 S. Collins  
Arlington, Texas 76018

ATTEST:

By:

  
Secretary, Board of Directors

WELLS FARGO BANK, N.A.  
as Escrow Agent

By:

Title:

  
Vice-President

(Escrow Agent Seal)

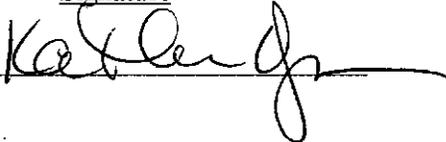
**TAB 8**

SIGNATURE IDENTIFICATION AND AUTHORITY CERTIFICATE OF  
WELLS FARGO BANK, N.A.

I, the undersigned, JOHN C. STOHLMANN, do hereby certify that:

1. I am a duly elected and acting VICE PRESIDENT of Wells Fargo Bank, N.A. (the "Bank"), and I am duly authorized to execute this certificate on its behalf.

2. That certain Escrow Agreement between the Trinity River Authority of Texas and the Bank, dated as of December 1, 2009 (the "Agreement") was duly executed on behalf of the Bank by Kathleen Wagner, who at the time of executing and attesting the same was and is now a duly elected and acting Vice-President of the Bank and authorized to execute, attest and deliver the Agreement as evidenced by the resolutions or Bylaws contained in Exhibit "A". The resolutions or Bylaws contained in Exhibit "A" were duly adopted and are in full force and effect as of this date. There follows the names, offices and true and correct signatures of the aforesaid officers:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
<u>Kathleen Wagner</u>	<u>Vice-President</u>	

WITNESS my hand this DEC 09 2009.

Name:   
**JOHN C. STOHLMANN**  
Title: VICE PRESIDENT



Wells Fargo Bank, N.A.  
Corporate Trust Services

Certified Copy of General Signature  
Resolution Relating to Execution  
of Written Instruments

I, Patricia Aston, an Assistant Secretary of Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States of America (the "Bank"), hereby certify that:

The following is a true and correct extract from resolutions duly adopted by the Board of Directors of the Bank on November 25, 2003, and that no modification, amendment, rescission or revocation of such resolutions has occurred affecting such extract as of the date of this certificate, and that the resolutions remain in full force and effect on the date hereof:

**RESOLVED**, that agreements, instruments, or other documents, including amendments and modifications thereto, relating to or affecting the property or business and affairs of the Bank, whether acting for its own account or in a fiduciary or other representative capacity, may be executed in its name by the persons hereinafter authorized:

**FURTHER RESOLVED**, that for the purposes of these resolutions, "Executive Officer" shall mean any person specifically designated as an Executive Officer of the Bank by resolution of the Board of Directors, and "Signing Officer" shall mean the Chairman of the Board, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, the Treasurer, any Vice President, any Assistant Vice President, any person whose title includes the word "Officer" (e.g., Commercial Banking Officer, Personal Banking Officer, Trust Officer), or any other person whose title has been or is hereafter designated by the Board of Directors as a title for an officer of the Bank, and such officers are hereby authorized to sign agreements, instruments and other documents on behalf of the Bank in accordance with the signing authorities conferred in Parts A, B and C of these resolutions:

A. Executive Officers

**FURTHER RESOLVED**, that the Chairman, the President, any Vice Chairman, any Executive Vice President and any Executive Officer of the Bank, acting alone, may execute agreements, guaranties, instruments or other documents which such officer may deem necessary, proper or expedient to the conduct of the business of the Bank;

B. Vice Presidents and Above

**FURTHER RESOLVED**, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President and any Vice President, acting alone, may execute on behalf of the Bank:

Deeds, leases, assignments, bills of sale, purchase agreements and other instruments of conveyance to purchase, sell, lease or sublease to or from a third party real property, or any interest therein, for the Bank's own account; provided, however, that such agreements, instruments and other documents may also be signed as hereinafter provided with respect to real property acquired by the Bank in connection with collateral for a loan.

Bonds of indemnity and powers of attorney; provided, however, that proxies to vote stock in a corporation or to vote other interests in other legal entities and stock and bond powers may also be signed as hereinafter provided.

### C. Signing Officers

**FURTHER RESOLVED**, that any Signing Officer, acting alone, may execute on behalf of the Bank, whether acting for its own account or in a fiduciary or other representative capacity:

\*\*\*

Receipts for any funds or other property paid or delivered to the Bank.

Guaranties of signatures, whether appearing as endorsements of bonds, certificates of stock, or other securities, including without limitation medallion guaranties provided in connection with a medallion stamp, or otherwise.

\*\*\*

Agreements and proposals to provide services to or receive services from third parties.

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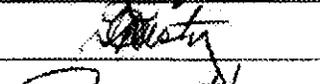
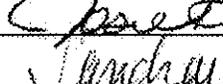
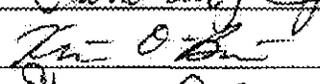
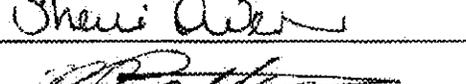
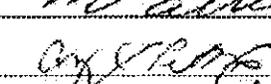
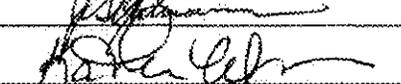
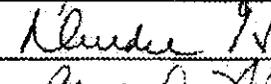
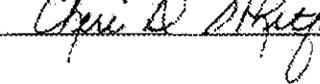
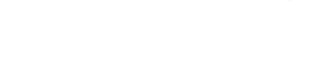
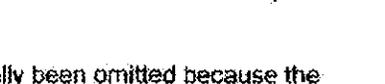
Trust indentures, declarations of trust, trust and agency agreements, pooling and servicing agreements, fiscal and paying agency agreements, acceptances thereof, consents thereto and any similar agreements, however denominated, to which the Bank is a party in a fiduciary or other representative capacity; certificates of authentication or other indicia of valid issuance with respect to bonds, notes, debentures and other securities or obligations issued under any indenture, mortgage, trust or other agreement; certificates for securities deposited, interim certificates and other certificates for and on behalf of the Bank as depository or agent; countersignatures of stocks, bonds, notes, debentures, voting trust certificates, participation certificates and other certificates, instruments, obligations or other securities on behalf of the Bank as trustee, fiscal and paying agent, transfer agent, registrar or in another similar capacity; and certificates of cancellation and cremation of stocks, bonds, debentures or other securities.

\*\*\*

**FURTHER RESOLVED**, that the signature of the Secretary or of any Assistant Secretary of the Bank shall be required to certify any resolution adopted by the Board of Directors of the Bank or any committee thereof, the incumbency, title or signature of any officer of the Bank and any designation of authority under these resolutions or otherwise, and the Secretary or any Assistant Secretary of the Bank may also certify any records or other documents created in the ordinary course of the business of the Bank.

I further certify that on 12/19/2009, the following named person is/was a duly appointed, qualified and acting Signing Officer of Wells Fargo Bank, N.A., that their correct title

and genuine signature appears beside their name, and that on said date they were duly authorized to act on behalf of the Bank as set forth in the foregoing resolution:

Name	Title	Signature
Pamela M. Black	Vice President	
Jose Gaytan	Vice President	
Patrick Giordano	Vice President	
Letha Glover	Vice President	
Greg Hasty	Vice President	
Josie Hixon	Vice President	
Sandra Y. Jones	Assistant Vice President	
Kevin O'Brien	Assistant Vice President	
Sherri Owen	Vice President	
Nancye C. Patterson	Vice President	
Amy C. Perkins	Vice President	
Greg L. Stites	Vice President	
John C. Stohlmann	Vice President	
Kathleen R. Wagner	Vice President	
Deirdre H. Ward	Vice President	
Cheri D. Whitford	Assistant Vice President	

IN WITNESS WHEREOF, I have hereunto signed my name this

12/4/2009

  
 \_\_\_\_\_  
 Assistant Secretary

\*\*\* Redacted [Indicates portions of the resolutions have intentionally been omitted because the sections are not relevant to the transaction for which this certification has been requested.]

**TAB 9**

SIGNATURE IDENTIFICATION AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS :  
TRINITY RIVER AUTHORITY OF TEXAS :

We, the undersigned, hereby certify as follows:

(a) That this certificate is executed and delivered with reference to that issue of Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009, dated December 1, 2009, in the principal amount of \$8,280,000.

(b) That we officially executed and signed said Bonds manually or by causing facsimiles of our manual signatures to be placed on each of said Bonds, and we hereby adopt said facsimile signatures as our own, respectively, and declare that said facsimile signatures constitute our signatures the same as if we had manually signed each of said Bonds.

(c) That said Bonds are substantially in the form, and have been duly executed and signed in the manner, prescribed in the resolution authorizing the issuance of said Bonds.

(d) That at the time we so executed and signed said Bonds we were, and at the time of executing this certificate we are, the duly chosen, qualified and acting officers indicated therein, and authorized to execute same.

(e) That no litigation of any nature has been filed or is now pending to restrain or enjoin the issuance or delivery of said Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the proceedings or authority concerning the issuance of said Bonds, and that so far as we know and believe no such litigation is threatened.

(f) That neither the corporate existence nor boundaries of said issuer is being contested, that no litigation has been filed or is now pending which would affect the authority of the officers of said issuer to issue, execute, and deliver said Bonds, and that no authority or proceedings for the issuance of said Bonds have been repealed, revoked or rescinded.

(g) That we have caused the official seal of said issuer to be impressed or placed in facsimile on each of said Bonds, and said seal on said Bonds has been duly adopted as, and is hereby declared to be, the official seal of said issuer.

(h) The Attorney General of Texas is hereby authorized and directed to date this certificate concurrently with the date of approval of the Bonds. If any litigation or contest should develop pertaining to the Bonds or any other matters covered by this certificate, the undersigned will notify you thereof immediately by telephone. With this assurance the Attorney General can rely on the absence of any such litigation or contest, and on the veracity and currency of this certificate, at the time he approves the Bonds, unless he is notified otherwise as aforesaid.

DEC 22 2009

EXECUTED and delivered this

MANUAL SIGNATURES

OFFICIAL TITLES

*Jonda Turman*

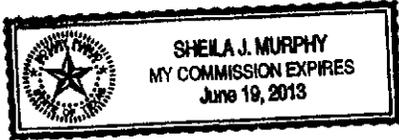
President, Board of Directors

*And S. 82*

Secretary, Board of Directors

Before me on this day personally appeared the foregoing individuals known to me to be the officers whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this 22nd of Dec., 2009.



*Sheila J. Murphy*  
Notary Public

Typed Name \_\_\_\_\_

(My Commission Expires \_\_\_\_\_)

(Notary Seal)

Law Offices  
McCall, Parkhurst & Horton L.L.P.  
717 North Harwood, Ninth Floor  
Dallas, Texas 75201

**TAB 10**

## PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of December 1, 2009 (this "Agreement"), by and between Trinity River Authority of Texas (the "Issuer"), and The Bank of New York Mellon Trust Company, National Association (the "Bank").

### RECITALS

WHEREAS, the Issuer has duly authorized and provided for the issuance of its Red Oak Creek System Revenue Bonds, Series 2009 (the "Securities") in the aggregate principal amount of \$8,280,000, such Securities to be issued in fully registered form only as to the payment of principal and interest thereon; and

WHEREAS, the Securities are scheduled to be delivered to the initial purchasers thereof on or about December 22, 2009; and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on said Securities and with respect to the registration, transfer, and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

### ARTICLE ONE

#### APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

##### **Section 1.01. Appointment.**

The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the "Order" (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the "Order."

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

##### **Section 1.02. Compensation.**

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto for the first year of this Agreement and

thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for municipalities, which shall be supplied to the Issuer on or before 90 days prior to the close of the Fiscal Year of the Issuer, and shall be effective upon the first day of the following Fiscal Year.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

## ARTICLE TWO DEFINITIONS

### Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Bank Office" means the principal corporate trust office of the Bank as indicated on the signature page hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Fiscal Year" means the fiscal year of the Issuer, ending August 31.

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register.

"Issuer Request" and "Issuer Order" means a written request or order signed in the name of the Issuer by the President of the Board of Trustees of the Issuer, any one or more of said officials, delivered to the Bank.

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

"Order" means the order, ordinance, or resolution of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary of the Board of Trustees or any other officer of the Issuer and delivered to the Bank.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, or government, or any agency or political subdivision of a government.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Order).

"Record Date" means the last business day of the month next preceding payment.

"Redemption Date" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms of the Order.

"Responsible Officer" when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security Register" means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

"Stated Maturity" means the date specified in the Order the principal of a Security is scheduled to be due and payable.

#### **Section 2.02. Other Definitions.**

The terms "Bank," "Issuer" and "Securities (Security)" have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

### **ARTICLE THREE PAYING AGENT**

#### **Section 3.01. Duties of Paying Agent.**

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States mail, first-class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

#### **Section 3.02. Payment Dates.**

The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Order.

#### **Section 3.03. Reporting Requirements.**

To the extent required by the Code or the Treasury Regulations, the Bank shall report to the Holders and the Internal Revenue Service the amount of interest paid or the amount treated as interest accrued on the Bonds which is required to be reported by the Holders on their returns of federal income tax.

## ARTICLE FOUR REGISTRAR

### **Section 4.01. Security Register - Transfers and Exchanges.**

The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") and, if the Bank Office is located outside the State of Texas, a copy of such books and records shall be kept in the State of Texas, for recording the names and addresses of the Holders of the Securities, the transfer, exchange, and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges, and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer, or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

### **Section 4.02. Certificates.**

The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

### **Section 4.03. Form of Security Register.**

The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

**Section 4.04. List of Security Holders.**

The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

**Section 4.05. Cancellation of Certificates.**

All certificates surrendered to the Bank, at the designated Payment/Transfer Office, for payment, redemption, transfer or replacement, shall be promptly cancelled by the Bank. The Bank will provide to the Issuer, at reasonable intervals determined by it, a certificate evidencing the destruction of cancelled certificates.

**Section 4.06. Mutilated, Destroyed, Lost, or Stolen Securities.**

The Issuer hereby instructs the Bank, subject to the applicable provisions of the Order, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, or destroyed, lost, or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

**Section 4.07. Transaction Information to Issuer.**

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

ARTICLE FIVE  
THE BANK

**Section 5.01. Duties of Bank.**

The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the securities in the manner disclosed in the closing memorandum approved by the Issuer as prepared by the Issuer's financial advisor or other agent. The Bank may act on a facsimile or e-mail transmission of the closing memorandum acknowledged by the financial advisor or the Issuer as the final closing memorandum. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions.

**Section 5.02. Reliance on Documents, Etc.**

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

© No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer executed in accordance with Section 4.01 hereof, which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

**Section 5.03. Recitals of Issuer.**

The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

**Section 5.04. May Hold Securities.**

The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

**Section 5.05. Moneys Held by Bank.**

The Bank shall deposit any moneys received from the Issuer into a trust account to be held in a fiduciary capacity for the payment of the Securities, with such moneys in the account that exceed the deposit insurance available to the Issuer by the Federal Deposit Insurance Corporation, to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts until the principal and interest on such securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

Subject to the Unclaimed Property Law of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after the final maturity of the Security has become due and payable will be paid by the Bank to the Issuer if the Issuer so elects, and the Holder of such Security shall hereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such monies shall thereupon cease. If the Issuer does not elect, the Bank is directed to report and dispose of the funds in compliance with Title Six of the Texas Property Code, as amended.

**Section 5.06. Indemnification.**

To the extent permitted by law, the Issuer agrees to indemnify the Bank, its directors, officers, and employees, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

**Section 5.07. Interpleader.**

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction within the State of Texas to determine the rights of any Person claiming any interest herein.

**Section 5.08. Depository Trust Company Services.**

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements," effective August 1, 1987, which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE SIX  
MISCELLANEOUS PROVISIONS

**Section 6.01. Amendment.**

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

**Section 6.02. Assignment.**

This Agreement may not be assigned by either party without the prior written consent of the other.

**Section 6.03. Notices.**

Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

**Section 6.04. Effect of Headings.**

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

**Section 6.05. Successors and Assigns.**

All covenants and agreements herein by the Issuer and the Bank shall bind their respective successors and assigns, whether so expressed or not.

**Section 6.06. Merger, Conversion, Consolidation, or Succession.**

Any corporation into which the Paying Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Bank shall be the successor of the Paying Agent hereunder without the execution or filing of any paper or any further act on the part of either of the parties hereto, provided that the successor or resulting corporation is a bank, trust company, financial institution or other agency competent and legally qualified to act as Paying Agent/Registrar under this Agreement and the Order. The Paying Agent shall provide immediate notice to the Issuer of any such pending merger, conversion, consolidation or of any such pending transfer to a successor corporation.

**Section 6.07. Severability.**

In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 6.08. Benefits of Agreement.**

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

**Section 6.09. Entire Agreement.**

This Agreement and the Order constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Order, the Order shall govern.

**Section 6.10. Counterparts.**

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

**Section 6.11. Termination.**

This Agreement will terminate (I) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. If the 60-day notice period expires and no successor has been appointed, the Bank, at the expense of the Issuer, has the right to petition a court of competent jurisdiction to appoint a successor under the Agreement. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

**Section 6.12. Governing Law.**

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY,  
NATIONAL ASSOCIATION

By Shannon Harty  
Title Senior Associate

2001 Bryan Street, 11th Floor, Dallas, Texas 75201

TRINITY RIVER AUTHORITY OF TEXAS

By Alana Jones  
General Manager

5300 S. Collins, Arlington, Texas 76018



BNY MELLON  
CORPORATE TRUST

## Fee Schedule

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*Trinity River Authority -  
Red Oak Regional Wastewater System Revenue Bonds, Series 2009*

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Acceptance Fee None

A one-time charge covering the Bank Officer's review of governing documents, communication with members of the closing party, including representatives of the issuer, investment banker(s) and attorney(s), establishment of procedures and controls, set-up of trust accounts and tickler suspense items and the receipt and disbursement/investment of bond proceeds. This fee is payable on the closing date.

Annual Paying Agent Administration Fee \$500

An annual charge covering the normal paying agent duties related to account administration and bondholder services. Our pricing is based on the assumption that the bonds are DTC-eligible/book-entry only. If the bonds are certificated or physical, then we will have to charge an additional \$1000 per year as a paying agent. This fee is payable annually, in advance.

OR

Normal Paying Agent Administration Fee \$4500

A one-time charge covering the normal duties and responsibilities related to account administration. This fee is payable on the closing date.

Extraordinary Services and Fees At Appraisal

The charges for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be commensurate with the service to be provided and may be charged in BNY Mellon's sole discretion. If it is contemplated that the Trustee hold and/or value collateral or enter into any investment contract, forward purchase or similar or other agreement, additional acceptance, administration and counsel review fees will be applicable to the agreement governing such services. If the bonds are converted to certificated form, additional annual fees will be charged for any applicable tender agent and/or registrar/paying agent services. Additional information will be provided at such time. Should this transaction terminate prior to closing, all out-of-pocket expenses incurred, including legal fees, will be billed at cost. If all outstanding bonds of a series are defeased or called in full prior to their maturity, a termination fee may be assessed at that time.

These extraordinary services may include, but are not limited to, supplemental agreements, consent operations, unusual releases, tender processing, sinking fund redemptions, failed remarketing processing, the preparation of special or interim reports, custody of collateral, a one-time fee to be charged upon termination of an engagement. Counsel, accountants, special agents and others will be charged at the actual amount of fees and expenses billed, UCC filing fees, money market sweep fees, auditor confirmation fees, wire transfer fees,



**BNY MELLON**  
CORPORATE TRUST

transaction fees to settle third-party trades and reconciliation fees to balance trust account balances to third-party investment provider statements

Annual fees include one standard audit confirmation per year without charge. Standard audit confirmations include the final maturity date, principal paid, principal outstanding, interest cycle, interest paid, cash and asset information, interest rate, and asset statement information. Non-standard audit confirmation requests may be assessed an additional fee. Periodic tenders, sinking fund, optional or extraordinary call redemptions will be assessed at \$300 per event.

**Other Miscellaneous Fees:**

FDIC or other governmental charges will be passed along to you as incurred.

**Terms and Disclosures**

**Terms of Proposal**

Final acceptance of the appointment under the Indenture is subject to approval of authorized officers of BNYM and full review and execution of all documentation related hereto. Please note that if this transaction does not close, you will be responsible for paying any expenses incurred, including Counsel Fees. We reserve the right to terminate this offer if we do not enter into final written documents within three months from the date this document is first transmitted to you. Fees may be subject to adjustment during the life of the engagement.

**Customer Notice Required by the USA Patriot Act**

To help the US government fight the funding of terrorism and money laundering activities, US Federal law requires all financial institutions to obtain, verify, and record information that identifies each person (whether an individual or organization) for which a relationship is established.

What this means to you: When you establish a relationship with BNYM, we will ask you to provide certain information (and documents) that will help us to identify you. We will ask for your organization's name, physical address, tax identification or other government registration number and other information that will help us to identify you. We may also ask for a Certificate of Incorporation or similar document or other pertinent identifying documentation for your type of organization.

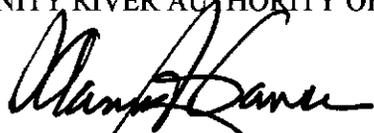
We thank you for your assistance.

**TAB 11**



SIGNED this DEC 22 2009.

TRINITY RIVER AUTHORITY OF TEXAS

A handwritten signature in black ink, appearing to read "Alan H. Bane". The signature is written in a cursive style with a large, looping initial "A".

General Manager

**TAB 12**

## FEDERAL TAX CERTIFICATE

### 1. In General.

1.1. The undersigned is the General Manager of the Trinity River Authority of Texas (the "Issuer").

1.2. This Federal Tax Certificate (this "Certificate") is executed for the purpose of establishing the reasonable expectations of the Issuer as to future events regarding the Issuer's Red Oak Creek System Revenue Bonds, Series 2009 (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Issuer (the "Resolution") adopted on December 2, 2009, and a Certificate of General Manager (the "Certificate") executed by the General Manager of the Issuer on the date of sale of the Bonds. The Resolution and the Certificate are incorporated herein by reference.

1.3. To the best of the undersigned's knowledge, information and belief, the expectations contained in this Certificate are reasonable.

1.4. The undersigned is an officer of the Issuer delegated with the responsibility of issuing and delivering the Bonds.

1.5. The undersigned is not aware of any facts or circumstances that would cause him to question the accuracy of the representations made by First Southwest Company (the "Financial Advisor") in Subsection 5.3 of this Certificate.

### 2. The Purpose of the Bonds and Useful Lives of Projects.

2.1. The Bonds are being issued pursuant to the Resolution (a) to provide for the payment of costs of issuing the Bonds; (b) to acquire and construct improvements and extensions to the Issuer's Red Oak Creek Regional Wastewater System (the "Projects"); (c) to pay certain capitalized interest on the Bonds; and (d) to deposit funds in the Reserve Fund.

2.2. The Issuer expects that the aggregate useful lives of the Projects exceed 28 years from the later of the date the Projects are placed in service or the date on which the Bonds are issued.

2.3. All earnings, such as interest and dividends, received from the investment of the proceeds of the Bonds during the period of acquisition and construction of the Projects and not used to pay interest on the Bonds, will be used to pay the costs of the Projects, unless required to be rebated and paid to the United States in accordance with section 148(f) of the Internal Revenue Code of 1986 (the "Code"). The proceeds of the Bonds, together with any investment earnings thereon, are expected not to exceed the amount necessary for the governmental purpose of the Bonds. The Issuer expects that no disposition proceeds will arise in connection with the Projects or the Bonds.

### 3. Expenditure of Bond Proceeds and Use of Projects.

3.1. The Issuer will incur, within six months after the date of issue of the Bonds, a binding obligation to commence the Projects, either by entering into contracts for the construction of the Projects or by entering into contracts for architectural or engineering services for such Projects, or contracts for the development, purchase of construction materials, or purchase of equipment, for the Projects, with the amount

to be paid under such contracts to be in excess of five percent of the proceeds which are estimated to be used for the cost of the Projects.

3.2. After entering into binding obligations, work on such Projects will proceed promptly with due diligence to completion.

3.3. All original proceeds derived from the sale of the Bonds to be applied to the Projects and all investment earnings thereon (other than any amounts required to be rebated to the United States pursuant to section 148(f) of the Code) will be expended for the Projects no later than a date which is three years after the date of issue of the Bonds.

3.4. The Resolution provides that allocations of proceeds to expenditures for the Projects are expected not to be later than 18 months after the later of the date of the expenditure or the date that the Projects are placed in service, but, in any event, not longer than 60 days after the earlier of five years of the date hereof or the date the Bonds are retired.

3.5. The Issuer will not invest the proceeds prior to such expenditure in any guaranteed investment contract or other non-purpose investment with a substantially guaranteed yield for a period equal to or greater than four years.

3.6. Other than Cedar Hill, De Soto, Glenn Heights, Lancaster, Ovilla and Red Oak, Texas (collectively, the "Contracting Governmental Units"), the Issuer expects that throughout the lesser of the term of the Bonds, or the useful lives of the Projects, the only user of the Projects will be the Issuer or the Issuer's employees and agents. The Issuer will be the manager of the Projects. The Issuer does not expect to enter into long-term sales of output from the Projects, except to the Contracting Governmental Units and other future contracting governmental units or on the basis of generally-applicable and uniformly applied rates. The Issuer may apply different rates for different classes of customers, including volume purchasers, which are reasonable and customary.

3.7. Except as stated below, the Issuer expects not to sell or otherwise dispose of property constituting the Projects prior to the earlier of the end of such property's useful life or the final maturity of the Bonds. The Resolution provides that the Issuer will not sell or otherwise dispose of the Projects unless the Issuer receives an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds.

3.8. For purposes of Subsection 3.7 hereof, the Issuer has not included the portion of the Projects comprised of personal property that is disposed in the ordinary course at a price that is expected to be less than 25 percent of the original purchase price. The Issuer, upon any disposition of such property, will transfer the receipts from the disposition of such property to the general operating fund and expend such receipts within six months for other governmental programs.

#### 4. Interest and Sinking Fund.

4.1. A separate and special Interest and Sinking Fund has been created and established, other than as described herein, solely to pay the principal of and interest on the Bonds (the "Bona Fide Debt Service Portion"). The Bona Fide Debt Service Portion constitutes a fund that is used primarily to achieve a proper matching of revenues and debt service within each bond year. Such portion will be completely depleted at least

once each year except for an amount not in excess of the greater of (a) one-twelfth of the debt service on the Bonds for the previous year, or (b) the previous year's earnings on such portion of the Interest and Sinking Fund. Amounts deposited in the Interest and Sinking Fund constituting the Bona Fide Debt Service Portion will be spent within a thirteen-month period beginning on the date of deposit, and any amount received from the investment of money held in the Interest and Sinking Fund will be spent within a one-year period beginning on the date of receipt.

4.2. Any money deposited in the Interest and Sinking Fund and any amounts received from the investment thereof that accumulate and remain on hand therein after thirteen months from the date of deposit of any such money or one year after the receipt of any such amounts from the investment thereof shall constitute a separate portion of the Interest and Sinking Fund. The yield on any investments allocable to the portion of the Interest and Sinking Fund exceeding the sum of (a) the Bona Fide Debt Service Portion and (b) an amount equal to the lesser of five percent of the sale and investment proceeds of the Bonds or \$100,000 will be restricted to a yield that does not exceed the yield on the Bonds.

5. Reserve Fund.

5.1. Funds on deposit in the Reserve Fund created by the Resolution are held in trust for the benefit of the holders of the Bonds. If on any interest payment or maturity date, the Interest and Sinking Fund does not contain an amount sufficient to make debt service payments on the Bonds, the Issuer is required to transfer money from the Reserve Fund to the Interest and Sinking Fund in an amount sufficient to make such payments.

5.2. The present value of the investments deposited to the Reserve Fund and allocable to the Bonds that will be invested at a yield higher than the yield on the Bonds will not, as of any date, exceed an aggregate amount which equals the lesser of (a) 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds, (b) 1.25 of the average annual debt service on the Bonds, or (c) maximum annual debt service on the Bonds.

5.3. Based on the recommendation of the Financial Advisor to the Issuer, the amount deposited to the Reserve Fund, if any, does not exceed that amount which is reasonably prudent to be maintained to secure the timely payment of debt service in the event of periodic fluctuations in revenues of the Issuer. Amounts deposited in the Reserve Fund from proceeds received from the sale of the Bonds do not exceed 10 percent of the issue price of the Bonds.

6. Revenue Fund.

6.1. The Resolution creates a Revenue Fund into which certain revenues of the Issuer are deposited. Amounts on deposit in the Revenue Fund are transferred and used in the manner required by the Resolution.

6.2. Other than moneys in the Revenue Fund that are transferred to the Interest and Sinking Fund and Reserve Fund, the moneys in the Revenue Fund are reasonably expected not to be used to pay the principal of and interest on the Bonds. There will be no assurance that such moneys will be available to meet debt service if the Issuer encounters financial difficulty. Amounts in the Revenue Fund will be invested without yield restriction.

7. Contingency Fund.

7.1. The Resolution creates a Contingency Fund which will be used solely for the purposes described in the Resolution.

7.2. Other than moneys in the Contingency Fund, if any, that are transferred to the Interest and Sinking Fund, the moneys in the Contingency Fund are reasonably expected not to be used to pay the principal of and interest on the Bonds. There will be no assurance that such amounts will be available to meet debt services if the Issuer encounters financial difficulty. Amounts in the Contingency Fund will be invested without yield restriction.

8. Invested Sinking Fund Proceeds, Replacement Proceeds.

8.1. The Issuer has, in addition to the moneys received from the sale of the Bonds, certain other moneys that are invested in various funds which are pledged for various purposes. These other funds are not available to accomplish the purposes described in Section 2 of this Certificate.

8.2. Other than the Interest and Sinking Fund and the Reserve Fund, there are, and will be, no other funds or accounts established, or to be established, by or on behalf of the Issuer (a) which are reasonably expected to be used, or to generate earnings to be used, to pay debt service on the Bonds, or (b) which are reserved or pledged as collateral for payment of debt service on the Bonds and for which there is reasonable assurance that amounts therein will be available to pay such debt service if the Issuer encounters financial difficulties. Accordingly, there are no other amounts constituting "gross proceeds" of the Bonds, within the meaning of section 148 of the Code.

9. Yield.

The Bonds are being purchased by the Texas Water Development Board at a purchase price of 98.15 percent of the stated principal amount thereof.

10. Other Obligations.

There are no other obligations of the Issuer that (a) are sold at substantially the same time as the Bonds, i.e., within 15 days of the date of sale of the Bonds, (b) are sold pursuant to a common plan of financing with the Bonds, and (c) will be payable from the same source of funds as the Bonds.

11. Federal Tax Audit Responsibilities.

The Issuer acknowledges that in the event of an examination by the Internal Revenue Service (the "Service") to determine compliance of the Bonds with the provisions of the Code as they relate to tax-exempt obligations, the Issuer will respond, and will direct its agents and assigns to respond, in a commercially reasonable manner to any inquiries from the Service in connection with such an examination. The Issuer understands and agrees that the examination may be subject to public disclosure under applicable Texas law.

12. Record Retention.

The Issuer has covenanted in the Resolution that it will comply with the requirements of the Code relating to the exclusion of the interest on the Bonds under section 103 of the Code. The Service has determined that certain materials, records and information should be retained by the issuers of tax-exempt obligations for the purpose of enabling the Service to confirm the exclusion of the interest on such obligations under section 103 of the Code. **ACCORDINGLY, THE ISSUER SHALL TAKE STEPS TO ENSURE THAT ALL MATERIALS, RECORDS AND INFORMATION NECESSARY TO CONFIRM THE EXCLUSION OF THE INTEREST ON THE BONDS UNDER SECTION 103 OF THE CODE ARE RETAINED FOR THE PERIOD BEGINNING ON THE ISSUE DATE OF THE BONDS AND ENDING THREE YEARS AFTER THE DATE THE BONDS ARE RETIRED.** The Issuer acknowledges receipt of the letter attached hereto as Exhibit "B" which, in part, discusses specific guidance by the Service with respect to the retention of records relating to tax-exempt bond transaction. The Issuer also acknowledges that the letter does not constitute an opinion of Bond Counsel as to the proper record retention policy applicable to any specific transaction.

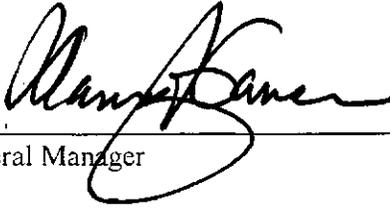
13. Rebate to United States.

The Issuer has covenanted in the Resolution that it will comply with the requirements of the Code, including section 148(f) of the Code, relating to the required rebate to the United States. Specifically, the Issuer will take steps to ensure that all earnings on gross proceeds of the Bonds in excess of the yield on the Bonds required to be rebated to the United States will be timely paid to the United States. The Issuer acknowledges receipt of the memorandum attached hereto as Exhibit "A" which discusses regulations promulgated pursuant to section 148(f) of the Code. This memorandum does not constitute an opinion of Bond Counsel as to the proper federal tax or accounting treatment of any specific transaction.

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DATED as of **DEC 22 2009**

TRINITY RIVER AUTHORITY OF TEXAS

By:   
General Manager

Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009

The undersigned represents that, to the best of the undersigned's knowledge, information and belief, the representations contained in Subsection 5.3 of this Federal Tax Certificate are accurate.

FIRST SOUTHWEST COMPANY

By: Mary White

Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009

Exhibit "A"

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January 1, 2006

**ARBITRAGE REBATE REGULATIONS**©

The arbitrage rebate requirements set forth in section 148(f) of the Internal Revenue Code of 1986 (the "Code") generally provide that in order for interest on any issue of bonds<sup>1</sup> to be excluded from gross income (i.e., tax-exempt) the issuer must rebate to the United States the sum of, (1) the excess of the amount earned on all "nonpurpose investments" acquired with "gross proceeds" of the issue over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue, and (2) the earnings on such excess earnings.

On June 18, 1993, the U.S. Treasury Department promulgated regulations relating to the computation of arbitrage rebate and the rebate exceptions. These regulations, which replace the previously-published regulations promulgated on May 15, 1989, and on May 18, 1992, are effective for bonds issued after June 30, 1993. This memorandum was prepared by McCall, Parkhurst & Horton L.L.P. and provides a general discussion of these arbitrage rebate regulations. This memorandum does not otherwise discuss the general arbitrage regulations, other than as they may incidentally relate to rebate. This memorandum also does not attempt to provide an exhaustive discussion of the arbitrage rebate regulations and should not be considered advice with respect to the arbitrage rebate requirements as applied to any individual or governmental unit or any specific transaction. Any tax advice contained in this memorandum is of a general nature and is not intended to be used, and should not be used, by any person to avoid penalties under the Code.

McCall, Parkhurst & Horton L.L.P. remains available to provide legal advice to issuers with respect to the provisions of these tax regulations but recommends that issuers seek competent financial and accounting assistance in calculating the amount of such issuer's rebate liability under section 148(f) of the Code and in making elections to apply the rebate exceptions.

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<sup>1</sup> In this memorandum the word "bond" is defined to include any bond, note, certificate, financing lease or other obligation of an issuer.

## Effective Dates

The regulations promulgated on June 18, 1993, generally apply to bonds delivered after June 30, 1993, although they do permit an issuer to elect to apply the rules to bonds issued prior to that date. The temporary regulations adopted by the U.S. Treasury Department in 1989 and 1992 incorporated the same effective dates which generally apply for purposes of section 148(f) of the Code. As such, the previous versions of the rebate regulations generally applied to bonds issued between August 1986 and June 30, 1993 (or, with an election, to bonds issued prior to August 15, 1993). The statutory provisions of section 148(f) of the Code, other than the exception for construction issues, apply to all bonds issued after August 15, 1986, (for private activity bonds) and August 31, 1986, (for governmental public purpose bonds). The statutory exception to rebate applicable for construction issues generally applies if such issue is delivered after December 19, 1989.

The regulations provide numerous transitional rules for bonds sold prior to July 1, 1993. Moreover, since, under prior law, rules were previously published with respect to industrial development bonds and mortgage revenue bonds, the transitional rules contained in these regulations permit an issuer to elect to apply certain of these rules for computing rebate on pre-1986 bonds. The regulations provide for numerous elections which would permit an issuer to apply the rules (other than 18-month spending exception) to bonds which were issued prior to July 1, 1993 and remain outstanding on June 30, 1993. Due to the complexity of the regulations, it is impossible to discuss in this memorandum all circumstances for which specific elections are provided. If an issuer prefers to use these final version of rebate regulations in lieu of the computational method stated under prior law (e.g., due to prior redemption) or the regulations, please contact McCall, Parkhurst & Horton L.L.P. for advice as to the availability of such options.

## Future Value Computation Method

The regulations employ an actuarial method for computing the rebate amount based on the future value of the investment receipts (i.e., earnings) and payments. The rebate method employs a two-step computation to determine the amount of the rebate payment. First, the issuer determines the bond yield. Second, the issuer determines the arbitrage rebate amount. The regulations require that the computations be made at the end of each five-year period and upon final maturity of the issue (the "computation dates"). **THE FINAL MATURITY DATE WILL ACCELERATE IN CIRCUMSTANCES IN WHICH THE BONDS ARE OPTIONALLY REDEEMED PRIOR TO MATURITY. AS SUCH, IF BONDS ARE REFUNDED OR OTHERWISE REDEEMED, THE REBATE MAY BE DUE EARLIER THAN INITIALLY PROJECTED.** In order to accommodate accurate record-keeping and to assure that sufficient amounts will be available for the payment of arbitrage rebate liability, however, we recommend that the computations be performed at least annually. Please refer to other materials provided by McCall, Parkhurst & Horton L.L.P. relating to federal tax rules regarding record retention.

Under the future value method, the amount of rebate is determined by compounding the aggregate earnings on all the investments from the date of receipt by the issuer to the computation date. Similarly, a payment for an investment is future valued from the date that the payment is made to the computation date. The receipts and payments are future valued at a discount rate equal to the yield on the bonds. The rebatable arbitrage, as of any

computation date, is equal to the excess of the (1) future value of all receipts from investments (i.e., earnings), over (2) the future value of all payments.

The following example is provided in the regulations to illustrate how arbitrage rebate is computed under the future value method for a fixed-yield bond:

"On January 1, 1994, City A issues a fixed yield issue and invests all the sale proceeds of the issue (\$49 million). There are no other gross proceeds. The issue has a yield of 7.0000 percent per year compounded semiannually (computed on a 30 day month/360 day year basis). City A receives amounts from the investment and immediately expends them for the governmental purpose of the issue as follows:

<u>Date</u>	<u>Amount</u>
2/1/1994	\$ 3,000,000
4/1/1994	5,000,000
6/1/1994	14,000,000
9/1/1994	20,000,000
7/1/1995	10,000,000

City A selects a bond year ending on January 1, and thus the first required computation date is January 1, 1999. The rebate amount as of this date is computed by determining the future value of the receipts and the payments for the investment. The compounding interval is each 6-month (or shorter) period and the 30 day month/360 day year basis is used because these conventions were used to compute yield on the issue. The future value of these amounts, plus the computation credit, as of January 1, 1999, is:

<u>Date</u>	<u>Receipts (Payments)</u>	<u>FY (7.0000 percent)</u>
01/1/1994	(\$49,000,000)	(\$69,119,339)
02/1/1994	3,000,000	4,207,602
04/1/1994	5,000,000	6,932,715
06/1/1994	14,000,000	19,190,277
09/1/1994	20,000,000	26,947,162
01/1/1995	(1,000)	(1,317)
07/1/1995	10,000,000	12,722,793
01/1/1996	(1,000)	(1,229)
Rebate amount (01/01/1999)		<u>\$878,664"</u>

### **General Method for Computing Yield on Bonds**

In general, the term "yield," with respect to a bond, means the discount rate that when used in computing the present value of all unconditionally due payments of principal and interest and all of the payments for a qualified guarantee produces an amount equal to the issue price of the bond. The term "issue price" has the same meaning as provided in sections

1273 and 1274 of the Code. That is, if bonds are publicly offered (i.e., sold by the issuer to a bond house, broker or similar person acting in the capacity of underwriter or wholesaler), the issue price of each bond is determined on the basis of the initial offering price to the public (not to the aforementioned intermediaries) at which price a substantial amount of such bond was sold to the public (not to the aforementioned intermediaries). The "issue price" is separately determined for each bond (i.e., maturity) comprising an issue.

The regulations also provide varying periods for computing yield on the bonds depending on the method by which the interest payment is determined. Thus, for example, yield on an issue of bonds sold with variable interest rates (i.e., interest rates which are reset periodically based on changes in market) is computed separately for each annual period ending on the first anniversary of the delivery date that the issue is outstanding. In effect, yield on a variable yield issue is determined on each computation date by "looking back" at the interest payments for such period. The regulations, however, permit an issuer of a variable-yield issue to elect to compute the yield for annual periods ending on any date in order to permit a matching of such yield to the expenditure of the proceeds. Any such election must be made in writing, is irrevocable, and must be made no later than the earlier of (1) the fifth anniversary date, or (2) the final maturity date.

Yield on a fixed interest rate issue (i.e., an issue of bonds the interest rate on which is determined as of the date of the issue) is computed over the entire term of the issue. Issuers of fixed-yield issues generally use the yield computed as of the date of issue for all rebate computations. Such yield on fixed-yield issues generally is recomputed only if (1) the issue is sold at a substantial premium, may be retired within five years of the date of delivery, and such date is earlier than its scheduled maturity date, or (2) the issue is a stepped-coupon bond. In such cases, the regulations require the issuer to recompute the yield on such issues by taking into account the early retirement value of the bonds. Similarly, recomputation may occur in circumstances in which the issuer or bondholder modify or waive certain terms of, or rights with respect to, the issue or in sophisticated hedging transactions. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

For purposes of determining the principal or redemption payments on a bond, different rules are used for fixed-rate and variable-rate bonds. The payment is computed separately on each maturity of bonds rather than on the issue as a whole. In certain circumstances, the yield on the bond is determined by assuming that principal on the bond is paid as scheduled and that the bond is retired on the final maturity date for the stated retirement price. For bonds subject to early redemption or stepped-coupon bonds, described above, or for bonds subject to mandatory early redemption, the yield is computed assuming the bonds are paid on the early redemption date for an amount equal to their value.

Premiums paid to guarantee the payment of debt service on bonds are taken into account in computing the yield on the bond. Payments for guarantees are taken into account by treating such premiums as the payment of interest on the bonds. This treatment, in effect, raises the yield on the bond, thereby permitting the issuer to recover such fee with excess earnings.

The guarantee must be an unconditional obligation of the guarantor enforceable by the bondholder for the payment of principal or interest on the bond or the tender price of a tender bond. The guarantee may be in the form of an insurance policy, surety bond, irrevocable letter or line of credit, or standby purchase agreement. Importantly, the guarantor must be legally entitled to full reimbursement for any payment made on the guarantee either immediately or upon commercially reasonable repayment terms. The guarantor may not be a co-obligor of the bonds or a user of more than 10 percent of the proceeds of the bonds.

Payments for the guarantee may not exceed a reasonable charge for the transfer of credit risk. This reasonable charge requirement is not satisfied unless it is reasonably expected that the guarantee will result in a net present value savings on the bond (i.e., the premium does not exceed the present value of the interest savings resulting by virtue of the guarantee). If the guarantee is entered into after June 14, 1989, then any fees charged for the nonguarantee services must be separately stated or the guarantee fee is not recoverable.

The regulations also treat certain "hedging" transactions in a manner similar to qualified guarantees. "Hedges" are contracts, e.g., interest rate swaps, futures contracts or options, which are intended to reduce the risk of interest rate fluctuations. Hedges and other financial derivatives are sophisticated and ever-evolving financial products with which a memorandum, such as this, can not readily deal. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

### **Earnings on Nonpurpose Investments**

The arbitrage rebate provisions apply only to the receipts from the investment of "gross proceeds" in "nonpurpose investments." For this purpose, nonpurpose investments are stock, bonds or other obligations acquired with the gross proceeds of the bonds for the period prior to the expenditure of the gross proceeds for the ultimate purpose. For example, investments deposited to construction funds, reserve funds (including surplus taxes or revenues deposited to sinking funds) or other similar funds are nonpurpose investments. Such investments include only those which are acquired with "gross proceeds." For this purpose, the term "gross proceeds" includes original proceeds received from the sale of the bonds, investment earnings from the investment of such original proceeds, amounts pledged to the payment of debt service on the bonds or amounts actually used to pay debt service on the bonds. The regulations do not provide a sufficient amount of guidance to include an exhaustive list of "gross proceeds" for this purpose; however, it can be assumed that "gross proceeds" represent all amounts received from the sale of bonds, amounts earned as a result of such sale or amounts (including taxes and revenues) which are used to pay, or secure the payment of, debt service for the bonds. The total amount of "gross proceeds" allocated to a bond generally can not exceed the outstanding principal amount of the bonds.

The regulations provide that an investment is allocated to an issue for the period (1) that begins on the date gross proceeds are used to acquire the investment, and (2) that ends on the date such investment ceases to be allocated to the issue. In general, proceeds are allocated to a bond issue until expended for the ultimate purpose for which the bond was issued or for which such proceeds are received (e.g., construction of a bond-financed facility or payment of debt service on the bonds). Deposit of gross proceeds to the general fund of the

issuer (or other fund in which they are commingled with revenues or taxes) does not eliminate or ameliorate the Issuer's obligation to compute rebate in most cases. As such, proceeds commingled with the general revenues of the issuer are not "freed-up" from the rebate obligation. An exception to this commingling limitation for bonds, other than private activity bonds, permits "investment earnings" (but not sale proceeds or other types of gross proceeds) to be considered spent when deposited to a commingled fund if those amounts are reasonably expected to be spent within six months. Other than for these amounts, issuers may consider segregating investments in order to more easily compute the amount of such arbitrage earnings by not having to allocate investments.

Special rules are provided for purposes of advance refundings. These rules are too complex to discuss in this memorandum. Essentially, the rules relating to refundings, however, do not require that amounts deposited to the escrow fund to defease the prior obligations of the issuer be subject to arbitrage rebate to the extent that the investments deposited to the escrow fund do not have a yield in excess of the yield on the bonds. Any loss resulting from the investment of proceeds in an escrow fund below the yield on the bonds, however, may be recovered by combining those investments with investments deposited to other funds, e.g., reserve or construction funds.

The arbitrage regulations also provide an exception to the arbitrage limitations for the investment of bond proceeds in tax-exempt obligations. As such, investment of proceeds in tax exempt bonds eliminates the Issuer's rebate obligation. A caveat; this exception does not apply to gross proceeds derived allocable to a bond, which is not subject to the alternative minimum tax under section 57(a)(5) of the Code, if invested in tax-exempt bonds subject to the alternative minimum tax, i.e., "private activity bonds." Such "AMT-subject" investment is treated as a taxable investment and must comply with the arbitrage rules, including rebate. Earnings from these tax-exempt investments are subject to arbitrage restrictions, including rebate.

Similarly, the investment of gross proceeds in certain tax-exempt mutual funds are treated as a direct investment in the tax-exempt obligations deposited in such fund. While issuers may invest in such funds for purposes of avoiding arbitrage rebate, they should be aware that if "private activity bonds" are included in the fund then a portion of the earnings will be subject to arbitrage rebate. Issuers should be prudent in assuring that the funds do not contain private activity bonds.

The arbitrage regulations provide a number of instances in which earnings will be imputed to nonpurpose investments. Receipts generally will be imputed to investments that do not bear interest at an arm's-length (i.e., market) interest rate. As such, the regulations adopt a "market price" rule. In effect, this rule prohibits an issuer from investing bond proceeds in investments at a price which is higher than the market price of comparable obligations, in order to reduce the yield. Special rules are included for determining the market price for investment contracts, certificates of deposit and certain U.S. Treasury obligations. For example, to establish the fair market value of investment contracts a bidding process between three qualified bidders must be used. The fair market value of certificates of deposit which bear a fixed interest rate and are subject to an early withdrawal penalty is its purchase price if that price is not less than the yield on comparable U.S. Treasury obligations and is the highest yield available from the institution. In any event, a basic "common sense" rule-of-thumb that can be used to determine whether a fair market value has been paid is to ask whether the general

funds of the issuer would be invested at the same yield or at a higher yield. An exception to this market price rule is available for United States Treasury Obligations - State or Local Government Series in which case the purchase price is always the market price.

### **Reimbursement and Working Capital**

The regulations provide rules for purposes of determining whether gross proceeds are used for working capital and, if so, at what times those proceeds are considered spent. In general, working capital financings are subject to many of the same rules that have existed since the mid-1970s. For example, the regulations generally continue the 13-month temporary period. By adopting a "proceeds-spent-last" rule, the regulations also generally require that an issuer actually incur a deficit (i.e., expenditures must exceed receipts) for the computation period (which generally corresponds to the issuer's fiscal year). Also, the regulations continue to permit an operating reserve, but unlike prior regulations the amount of such reserve may not exceed five percent of the issuer's actual working capital expenditures for the prior fiscal year. Another change made by the regulations is that the issuer may not finance the operating reserve with proceeds of a tax-exempt obligation.

Importantly, the regulations contain rules for determining whether proceeds used to reimburse an issuer for costs paid prior to the date of issue of the obligation, in fact, are considered spent at the time of reimbursement. These rules apply to an issuer who uses general revenues for the payment of all or a portion of the costs of a project then uses the proceeds of the bonds to reimburse those general revenues. Failure to comply with these rules would result in the proceeds continuing to be subject to federal income tax restrictions, including rebate.

To qualify for reimbursement, a cost must be described in an expression (e.g., resolution, legislative authorization) evidencing the issuer's intent to reimburse which is made no later than 60 days after the payment of the cost. Reimbursement must occur no later than 18 months after the later of (1) the date the cost is paid or (2) the date the project is placed in service. Except for projects requiring an extended construction period or small issuers, in no event can a cost be reimbursed more than three years after the cost is paid.

Reimbursement generally is not permitted for working capital; only capital costs, grants and loans may be reimbursed. Moreover, certain anti-abuse rules apply to prevent issuers from avoiding the limitations on refundings. IN CASES INVOLVING WORKING CAPITAL OR REIMBURSEMENT, ISSUERS ARE ADVISED TO CONTACT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTION.

### **Rebate Payments**

Rebate payments generally are due 60 days after each installment computation date. The interim computation dates occur each fifth anniversary of the issue date. The final computation date is on the latest of (1) the date 60 days after the date the issue of bonds is no longer outstanding, (2) the date eight months after the date of issue for certain short-term obligations (i.e., obligations retired within three years), or (3) the date the issuer no longer reasonably expects any spending exception, discussed below, to apply to the issue. On such

payment dates, other than the final payment date, an issuer is required to pay 90 percent of the rebatable arbitrage to the United States. On the final payment date, an issuer is required to pay 100 percent of the remaining rebate liability.

Failure to timely pay rebate does not necessarily result in the loss of tax-exemption. Late payments, however, are subject to the payment of interest, and unless waived, a penalty of 50 percent (or, in the case of private activity bonds, other than qualified 501(c)(3) bonds, 100 percent) of the rebate amount which is due. IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.

Rebate payments are refundable. The issuer, however, must establish to the satisfaction of the Commissioner of the Internal Revenue Service that the issuer paid an amount in excess of the rebate and that the recovery of the overpayment on that date would not result in additional rebatable arbitrage. An overpayment of less than \$5,000 may not be recovered before the final computation date.

#### **Alternative Penalty Amount**

In certain cases, an issuer of a bond the proceeds of which are to be used for construction may elect to pay a penalty, in lieu of rebate. The penalty may be elected in circumstances in which the issuer expects to satisfy the two-year spending exception which is more fully described under the heading "Exceptions to Rebate." The penalty is payable, if at all, within 60 days after the end of each six-month period. This is more often than rebate. The election of the alternative penalty amount would subject an issuer, which fails the two-year spend-out requirements, to the payment of a penalty equal to one and one-half of the excess of the amount of proceeds which was required to be spent during that period over the amount which was actually spent during the period.

The penalty has characteristics which distinguish it from arbitrage rebate. First, the penalty would be payable without regard to whether any arbitrage profit is actually earned. Second, the penalty continues to accrue until either (1) the appropriate amount is expended or (2) the issuer elects to terminate the penalty. To be able to terminate the penalty, the issuer must meet specific requirements and, in some instances, must pay an additional penalty equal to three percent of the unexpended proceeds.

#### **Exceptions to Rebate**

The Code and regulations provide certain exceptions to the requirement that the excess investment earnings be rebated to the United States.

a. *Small Issuers*. The first exception provides that if an issuer (together with all subordinate issuers) during a calendar year does not issue tax-exempt bonds<sup>2</sup> in an aggregate

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<sup>2</sup> For this purpose, "private activity bonds" neither are afforded the benefit of this exception nor are taken into account for purposes of determining the amount of bonds issued.

face amount exceeding \$5 million, then the obligations are not subject to rebate. *Only issuers with general taxing powers may take advantage of this exception.* Subordinate issuers are those issuers which derive their authority to issue bonds from the same issuer, e.g., a city and a health facilities development corporation, or which are controlled by the same issuer, e.g., a state and the board of a public university. In the case of bonds issued for public school capital expenditures, the \$5 million cap may be increased to as much as \$15 million. For purposes of measuring whether bonds in the calendar year exceed these dollar limits, current refunding bonds can be disregarded if they meet certain structural requirements. Please contact McCall, Parkhurst & Horton L.L.P. for further information.

b. Spending Exceptions.

Six-Month Exception. The second exception to the rebate requirement is available to all tax-exempt bonds, all of the gross proceeds of which are expended during six months. The six month rule is available to bonds issued after the effective date of the Tax Reform Act of 1986. See the discussion of effective dates on page two. For this purpose, proceeds used for the redemption of bonds (other than proceeds of a refunding bond deposited to an escrow fund to discharge refunded bonds) can not be taken into account as expended. As such, bonds with excess gross proceeds generally can not satisfy the second exception unless the amount does not exceed the lesser of five percent or \$100,000 and such de minimis amount must be expended within one year.

Certain gross proceeds are not subject to the spend-out requirement, including amounts deposited to a bona fide debt service fund, to a reserve fund and amounts which become gross proceeds received from purpose investments. These amounts themselves, however, may be subject to rebate even though the originally expended proceeds were not. The Code provides a special rule for tax and revenue anticipation notes (i.e., obligations issued to pay operating expenses in anticipation of the receipt of taxes and other revenues). Such notes are referred to as TRANs. To determine the timely expenditure of the proceeds of a TRAN, the computation of the "cumulative cash flow deficit" is important. If the "cumulative cash flow deficit" (i.e., the point at which the operating expenditures of the issuer on a cumulative basis exceed the revenues of the issuer during the fiscal year) occurs within the first six months of the date of issue and must be equal to at least 90 percent of the proceeds of the TRAN, then the notes are deemed to satisfy the exception. This special rule requires, however, that the deficit actually occur, not that the issuer merely have an expectation that the deficit will occur. In lieu of the statutory exception for TRANs, the regulations also provide a second exception. Under this exception, 100 percent of the proceeds must be spent within six months, but before note proceeds can be considered spent, all other available amounts of the issuer must be spent first ("proceeds-spent-last" rule). In determining whether all available amounts are spent, a reasonable working capital reserve equal to five percent of the prior year's expenditures may be set aside and treated as unavailable.

18-Month Exception. The regulations also establish a non-statutory exception to arbitrage rebate if all of the gross proceeds (including investment earnings) are expended within 18 months after the date of issue. Under this exception, 15 percent of the gross proceeds must be expended within a six-month spending period, 60 percent within a 12-month spending period and 100 percent within an 18-month spending period. The rule permits an issuer to rely on its reasonable expectations for computing investment earnings which are included as gross

proceeds during the first and second spending period. A reasonable retainage not to exceed five percent of the sale proceeds of the issue is not required to be spent within the 18-month period but must be expended within 30 months. Rules similar to the six-month exception relate to the definition of gross proceeds.

Two Year Exception. Bonds issued after December 19, 1989 (i.e., the effective date of the Omnibus Reconciliation Act of 1989), at least 75 percent of the net proceeds of which are to be used for construction, may be exempted from rebate if the gross proceeds are spent within two years. Bonds more than 25 percent of the proceeds of which are used for acquisition or working capital may not take advantage of this exception. The exception applies only to governmental bonds, qualified 501(c)(3) bonds and private activity bonds for governmentally-owned airports and docks and wharves. The two-year exception requires that at least 10 percent of the available construction proceeds must be expended within six months after the date of issue, 45 percent within 12 months, 75 percent within 18 months and 100 percent within 24 months. The term "available construction proceeds" generally means sale proceeds of the bonds together with investment earnings less amounts deposited to a qualified reserve fund or used to pay costs of issuance. Under this rule, a reasonable retainage not to exceed five percent need not be spent within 24 months but must be spent within 36 months.

The two-year rule also provides for numerous elections which must be made not later than the date of issuance of the bonds. Once made, the elections are irrevocable. Certain elections permit an issuer to bifurcate bond issues, thereby treating only a portion of the issue as a qualified construction bond; and, permit an issuer to disregard earnings from reserve funds for purposes of determining "available construction proceeds." Another election permits an issuer to pay the alternative penalty amount discussed above in lieu of rebate if the issuer ultimately fails to satisfy the two-year rule. Issuers should discuss these elections with their financial advisors prior to issuance of the bonds. Of course, McCall, Parkhurst & Horton L.L.P. remains available to assist you by providing legal interpretations thereof.

Debt Service Funds. Additionally, an exception to the rebate requirement, whether or not any of the previously discussed exceptions are available, applies for earnings on "bona fide debt service funds." A "bona fide debt service fund" is one in which the amounts are expended within 13 months of the accumulation of such amounts by the issuer. In general, most interest and sinking funds (other than any excess taxes or revenues accumulated therein) satisfy these requirements. For private activity bonds, short term bonds (i.e., have a term of less than five years) or variable rate bonds, the exclusion is available only if the gross earnings in such fund does not exceed \$100,000, for the bond year. For other bonds issued after November 11, 1988, no limitation is applied to the gross earnings on such funds for purposes of this exception. Therefore, subject to the foregoing discussion, the issuer is not required to take such amounts into account for purposes of the computation.

**FOR BONDS ISSUED AFTER THE EFFECTIVE DATE OF THE TAX REFORM ACT OF 1986 WHICH WERE OUTSTANDING AS OF NOVEMBER 11, 1988, OTHER THAN PRIVATE ACTIVITY BONDS, SHORT TERM BONDS OR VARIABLE RATE BONDS, A ONE-TIME ELECTION MAY BE MADE TO EXCLUDE EARNINGS ON "BONA FIDE DEBT SERVICE FUNDS" WITHOUT REGARD TO THE \$100,000, LIMITATION. THE ELECTION MUST BE MADE IN WRITING (AND MAINTAINED AS PART OF THE ISSUER'S BOOKS AND**

**RECORDS) NO LATER THAN THE LATER OF MARCH 21, 1990, OR THE FIRST DATE A REBATE PAYMENT IS REQUIRED.**

**Conclusion**

McCall, Parkhurst & Horton L.L.P. hopes that this memorandum will prove to be useful as a general guide to the arbitrage rebate requirements.

Again, this memorandum is not intended as an exhaustive discussion nor as specific advice with respect to any specific transaction. We advise our clients to seek competent financial and accounting assistance. Of course, we remain available to provide legal advice regarding all federal income tax matters, including arbitrage rebate. If you have any questions, please feel free to contact either Harold T. Flanagan or Faust N. Bowerman at (214) 754-9200.

Exhibit "B"

LAW OFFICES

**MCCALL, PARKHURST & HORTON L.L.P.**

600 CONGRESS AVENUE  
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TELEPHONE: (210) 225-2800  
FACSIMILE: (210) 225-2984

[sale date]

Mr. Warren N. Brewer, Jr.  
Regional Manager, Northern Region  
Trinity River Authority of Texas  
P.O. Box 240  
Arlington, Texas 76004

Re: Trinity River Authority of Texas  
Red Oak Creek System Revenue Bonds, Series 2009

Dear Mr. Brewer:

As you know, the Trinity River Authority of Texas (the "Issuer") will issue the captioned bonds in order to provide for the acquisition and construction of the project. As a result of that issuance, the federal income tax laws impose certain restrictions on the investment and expenditure of amounts to be used for the project or to be deposited to the interest and sinking fund and the reserve fund for the captioned bonds. The purpose of this letter is to set forth, in somewhat less technical language, those provisions of the tax law which require the timely use of bond proceeds and that investment of these amounts be at a yield which is not higher than the yield on the captioned bonds. For this purpose, please refer to line 21(e) of the Form 8038-G included in the transcript of proceedings for the yield on the captioned bonds.

Generally, the federal tax laws provide that, unless excepted, amounts to be used for the project or to be deposited to the interest and sinking fund and the reserve fund must be invested in obligations the combined yield on which does not exceed the yield on the bonds. Importantly, for purposes of administrative convenience, the bonds, however, have been structured in such a way as to avoid, for the most part, this restriction on investment yield. They also contain certain covenants relating to expenditures of proceeds designed to alert you to unintentional failures to comply with the laws affecting expenditures of proceeds and dispositions of property.

First, the sale and investment proceeds to be used for the project may be invested for up to three years without regard to yield. (Such amounts, however, may be subject to rebate.) Thereafter, they must be invested at or below the bond yield. Importantly, expenditure of these proceeds must be accounted in your books and records. Allocations of these expenditures must occur within 18 months of the later of the date paid or the date the project is completed. The foregoing notwithstanding, the allocation should not occur later than 60 days

after the earlier of (1) of five years after the delivery date of the bonds or (2) the date the bonds are retired unless you obtain an opinion of bond counsel.

Second, the interest and sinking fund is made up of amounts which are received annually for the payment of current debt service on all the Issuer's outstanding bonds. Any taxes or revenues deposited to the interest and sinking fund which are to be used for the payment of current debt service on the captioned bonds, or any other outstanding bonds, are not subject to yield restriction. By definition, current debt service refers only to debt service to be paid within one year of the date of receipt of these amounts. For the most part, this would be debt service in the current fiscal year. These amounts deposited to the account for current debt service may be invested without regard to any constraint imposed by the federal income tax laws.

Third, a portion of the interest and sinking fund is permitted to be invested without regard to yield restriction as a "minor portion." The "minor portion" exception is available for de minimis amounts of taxes or revenues deposited to the interest and sinking fund. The maximum amount that may be invested as part of this account may not exceed the lesser of five percent of the principal amount of the bonds or \$100,000.

In addition, the reserve fund contains an amount, which although not expended for debt service within the current year, is necessary to ensure that amounts will be sufficient to pay debt service in the event that taxes or revenues are insufficient during that period. This amount represents a reserve against periodic fluctuations in the receipt of taxes and revenues. The Internal Revenue Code permits amounts which are held in reserve for the payment of debt service, in such instances, to be invested without regard to yield restriction if such amounts do not exceed the lesser of (1) 10 percent of the outstanding principal amount of all outstanding bonds, (2) maximum annual debt service on all outstanding bonds, or (3) 125 percent of average annual debt service on all outstanding bonds.

Accordingly, you should review the current balance in the interest and sinking fund and the reserve fund in order to determine if such balances exceed the aggregate amounts discussed above. Additionally, in the future it is important that you be aware of these restrictions as additional amounts are deposited to the funds. The amounts in these funds which are subject to yield restriction would only be the amounts which are in excess of, in the case of the interest and sinking fund, the sum of (1) the current debt service account and (2) the "minor portion" account and, in the case of the reserve fund, the amount which is the lesser of the three amounts described above. Moreover, to the extent that additional bonds are issued by the Issuer, whether for new money projects or for refunding, these amounts will change in their proportion.

The Resolution contains covenants that require the Issuer to comply with the requirements of the federal tax laws relating to the tax-exempt obligations. The Internal Revenue Service (the "Service") has determined that certain materials, records and information should be retained by the issuers of tax-exempt obligations for the purpose of enabling the Service to confirm the exclusion of the interest on such obligations under the Internal Revenue Code. **Accordingly, the Issuer should retain such materials, records and information for the period beginning on the issue date of the captioned bonds and ending three years after the date the captioned bonds are retired. Please note this federal tax law standard may vary from state law standards.** The material, records and information required to be retained will generally be contained in the transcript of proceedings for the captioned bonds, however, the Issuer should collect and retain additional materials, records and information to ensure the continued compliance with federal tax law requirements. For example, beyond the transcript of proceedings for the bonds, the Issuer should keep schedules evidencing the expenditure of bond proceeds, documents relating to the use of bond-financed property by governmental and any private parties (e.g., leases and management contracts, if any) and schedules pertaining to the investment of bond proceeds. In the event that you have questions relating to record retention, please contact us.

Finally, you should notice that the contains a covenant that limits the ability of the Issuer to sell or otherwise dispose of bond-financed property for compensation. Beginning for obligations issued after May 15, 1997 (including certain refunding bonds), or in cases in which an issuer elects to apply new private activity bond regulations, such sale or disposition causes the creation of a class of proceeds referred to as "disposition proceeds." Disposition proceeds, like sale proceeds and investment earnings, are tax-restricted funds. Failure to appropriately account, invest or expend such disposition proceeds would adversely affect the tax-exempt status of the bonds. In the event that you anticipate selling property, even in the ordinary course, please contact us.

Obviously, this letter only presents a fundamental discussion of the yield restriction rules as applied to amounts deposited to the funds. Moreover, this letter does not address the rebate consequences with respect to the interest and sinking fund and the reserve fund. You should review the memorandum attached to the Federal Tax Certificate as Exhibit "A" for this purpose. If you have certain concerns with respect to the matters discussed in this letter or wish to ask additional questions with regards to certain limitations imposed, please feel free to contact our firm. Thank you for your consideration and we look forward to our continued relationship.

Very truly yours,

McCALL, PARKHURST & HORTON L.L.P.

cc: Mr. G. Charles Kobdich

**TAB 13**

RECEIPT FOR PROCEEDS

THE STATE OF TEXAS :  
TRINITY RIVER AUTHORITY OF TEXAS :

The undersigned hereby certifies as follows:

(a) That this receipt is executed and delivered with reference to

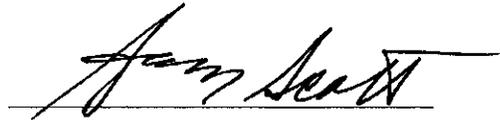
TRINITY RIVER AUTHORITY OF TEXAS RED OAK CREEK SYSTEM  
REVENUE BONDS, SERIES 2009, dated December 1, 2009, authorized by a  
resolution adopted by the Board of Directors of the Issuer on December 2, 2009 (the  
"Bonds").

(b) That the undersigned is duly qualified to receipt for the proceeds of the Bonds on behalf  
of the Issuer.

(c) That the Bonds have been duly delivered to the purchaser thereof.

(d) That the Bonds have been paid for in full by said purchaser concurrently with the  
delivery of this certificate, and the Issuer has received, and hereby acknowledges receipt of, the agreed  
purchase price for the Bonds.

EXECUTED and delivered this DEC 22 2009



A handwritten signature in cursive script, appearing to read "Amy Scott", is written over a horizontal line.

**TAB 14**

**STANDARD  
& POOR'S**

500 North Akard Street  
Lincoln Plaza, Suite 3200  
Dallas, TX 75201  
tel 214 871-1402  
reference no.: 1087146

November 25, 2009

Trinity River Authority of Texas  
5300 S. Collins  
Arlington, TX 76018  
Attention: Mr. Randy Brooks

Re: *US\$19,900,000 Trinity River Authority, Texas, Wastewater System Revolving Fund Loan, (Red Oak Creek Project), Series 2009, dated: August 31, 2009, due: August 31, 2031*

Dear Mr. Brooks:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AA-". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on

Mr. Randy Brooks  
Page 2  
November 25, 2009

CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services  
Public Finance Department  
55 Water Street  
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at [www.standardandpoors.com](http://www.standardandpoors.com). If we can be of help in any other way, please call or contact us at [nypublicfinance@standardandpoors.com](mailto:nypublicfinance@standardandpoors.com). Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services  
a Standard & Poor's Financial Services LLC business

*Standard & Poor's*  
TAC

kw

enclosures

cc: Ms. Mary M. Williams, Senior Vice President  
First Southwest Company

# STANDARD & POOR'S

## **Standard & Poor's Ratings Services Terms and Conditions Applicable To U.S. Public Finance Ratings**

**Request for a rating.** Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

**Agreement to Accept Terms and Conditions.** Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

**Fees and expenses.** In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

**Scope of Rating.** The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

**Publication.** Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

**Information to be Provided by the Issuer/obligor.** The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of

information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

## Trinity River Authority, Texas

**Primary Credit Analysts:**

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edward\_mcglade@  
standardandpoors.com

**Secondary Credit Analysts:**

Sarah Smaardyk  
Dallas  
(1) 214-871-1428  
sarah\_smaardyk@  
standardandpoors.com

**Credit Profile**

**US\$19.9 mil Wastewater System Revolving Fund Loan (Red Oak Creek Project), Series 2009 dated 08/31/2009, due 08/31/2031**

Long Term Rating	AA-/Stable	New
Outstanding Wastewater System State Revolving Fund Loan, Series 2008		
Long Term Rating	AA-/Stable	Upgraded
Outstanding Revenue Refunding Bonds (Red Oak Creek System Project), Series 2003		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Outstanding Wastewater System Revenue Bonds (Red Oak Creek System Project), Series 2006-1		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance

### Rationale

Standard & Poor's Ratings Services raised its long-term and underlying ratings (SPUR) to 'AA-' from 'A+' on Trinity River Authority, Texas' water development board loan series 2008 (Red Oak Creek System) outstanding, issued for the Texas Water Development Board, a regional wastewater treatment system. The outlook is stable.

At the same time, Standard & Poor's assigned its 'AA-' rating, and stable outlook, to the authority's series 2009 loan.

We base the upgrade on the improving creditworthiness and financial stability of the member cities' respective utility systems, as well as what we consider their sound service area economies and utility system operations.

In our opinion, these cities' water and sewer systems collectively exhibit:

- Revenue streams that provide adequate debt service coverage;
- Competitive treatment rates; and

- Sufficient treatment capacity.

A first-lien net revenue pledge derived from payments by contract participants to the authority secures the bonds. Payments are based on the participants' sewer flows as a percent of total flows to the plant. Contracts require the unconditional payment of debt service regardless of treatment services. While there is no explicit language that requires a reallocation of expenses should a participant fail to pay, the authority has the ability to recalculate participant obligations midyear under a fairly broad range of circumstances, providing an effective step-up provision. A debt service reserve fund in the amount of the average annual debt service requirement provides additional security.

Wastewater from all, or portions of, six cities within the Dallas-Fort Worth Metroplex is collected and treated at the Red Oak Regional Wastewater Treatment Facility. Each municipality's payment is an operating expense of its water and sewer system with contracts in place until the bonds are paid off.

The participants, which account for all system revenues, are:

- Cedar Hill, Texas;
- Glenn Heights, Texas;
- Red Oak, Texas;
- DeSoto, Texas;
- Lancaster, Texas; and
- Ovilla, Texas.

The financial position of the project's fund is sound in our opinion. Based on the 2007 audit, revenues were sufficient to provide annual debt service coverage of more than 1x. Participant cities' obligations to the authority are estimated with the preparation of the authority's annual budget and overpayments or underpayments applied at fiscal year-end. Coverage calculations were made before any such true-up by Trinity River Authority.

Credit characteristics of the top member cities include what we consider:

- Strong coverage levels of the individual cities' debt service coupled with sound coverage of existing debt and authority debt.
- Good system customer base growth trends and sound liquidity positions.
- Above-average nationally combined water and sewer monthly bills; however, rates are affordable for the area.

The estimated charge to operate the facility and service the debt is approximately \$5.31 per 1,000 gallons in 2011 that, based upon minimum flows, will provide 1.45x debt service coverage.

## Outlook

The stable outlook reflects Standard & Poor's expectation that Trinity River Authority's participating members' sound financial operations will continue, coupled with the limited additional debt associated with the project.

## Related Research

USPF Criteria: Standard & Poor's Revises Criteria For Rating Water, Sewer, And Drainage Utility Revenue Bonds," Sept. 15, 2008

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The McGraw-Hill Companies

**TAB 15**

**TAB 16**



ATTORNEY GENERAL OF TEXAS  
GREG ABBOTT

December 11, 2009

THIS IS TO CERTIFY that the Trinity River Authority of Texas (the "Issuer"), has submitted to me Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009 (the "Bonds"), in the aggregate principal amount of \$8,280,000 for approval. The Bonds are dated December 1, 2009, numbered R-1 through R-20, and were authorized by Resolution No. R-1290 of the Issuer passed on December 2, 2009 (the "Resolution"). The record of proceedings include the Resolution and the Certificate of General Manager.

I have examined the law and such certified proceedings and other papers as I deem necessary to render this opinion.

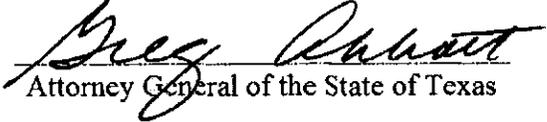
As to questions of fact material to my opinion, I have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to me without undertaking to verify the same by independent investigation.

I express no opinion relating to the official statement or any other offering material relating to the Bonds.

Based on my examination, I am of the opinion, as of the date hereof and under existing law, as follows (capitalized terms, except as herein defined, have the meanings given to them in the Resolution):

- (1) The Bonds have been issued in accordance with law and are valid and binding special obligations of the Issuer.
- (2) The Bonds are payable solely from and equally secured by a first lien on and pledge of the Pledged Revenues.
- (3) The owner of the Bonds shall never have the right to demand payment of the Bonds or interest hereon from taxes or from any source whatsoever other than specified in the Resolution.
- (4) The proceedings conform to the requirements of law.

Therefore, the Bond is approved and, pursuant to the provisions of chapter 1371 of the Government Code, the proceedings are approved.

  
Attorney General of the State of Texas

No. 49986  
Book No. 2009-D  
MA

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, SUSAN COMBS, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009 and certain related documents, (the "Proceedings")

numbered R-1/R-20, of the denomination of \$ various, dated December 1, 2009, as authorized by issuer, interest various percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 11th day of December 2009, under Registration Number 76353.

Given under my hand and seal of office, at Austin, Texas, the 11th day of December 2009.



SUSAN COMBS  
Comptroller of Public Accounts  
of the State of Texas

OFFICE OF COMPTROLLER  
OF THE STATE OF TEXAS

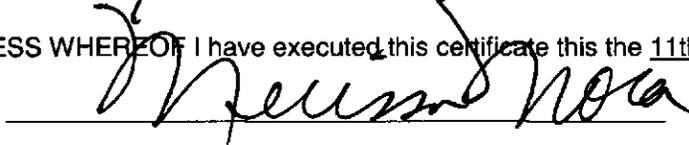
I, Melissa Mora,  Bond Clerk  Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 11th day of December 2009, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Trinity River Authority of Texas Red Oak Creek System Revenue Bonds, Series 2009 and certain related documents, (the "Proceedings"),

numbered R-1/R-20, dated December 1, 2009, and that in signing the certificate of registration I used the following signature:



IN WITNESS WHEREOF I have executed this certificate this the 11th day of December 2009.



I, Susan Combs, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 76353.

GIVEN under my hand and seal of office at Austin, Texas, this the 11th day of December 2009.



Susan Combs  
Comptroller of Public Accounts  
of the State of Texas

**TAB 17**

LAW OFFICES

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SAN ANTONIO, TEXAS 78205-3503

TELEPHONE: 210 225-2800

FACSIMILE: 210 225-2984

DEC 22 2009

TRINITY RIVER AUTHORITY OF TEXAS RED OAK CREEK SYSTEM  
REVENUE BONDS, SERIES 2009, DATED DECEMBER 1, 2009, IN THE  
PRINCIPAL AMOUNT OF \$8,280,000

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which 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, and maturing on February 1 in each of the years 2012 through 2031, inclusive, 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, including the Certificate of General Manager authorized thereby (collectively, the "Bond Resolution").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, which rights may be limited by general principles of equity which permit the exercise of judicial discretion, (i) the covenants and agreements in the 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 "Pledged Revenues", as defined in the Bond Resolution, which include the "Net Revenues of the Red Oak Creek System", as defined in the Bond Resolution, and include payments received by the Issuer from a "Trinity River Authority of Texas-Red Oak Creek Regional Wastewater System Contract", dated as of June 1, 1986, among the Issuer and the Cities of Cedar Hill, De Soto, Glenn Heights, Lancaster, Ovilla, and Red Oak, Texas (the "Initial Contracting Parties"), and (ii) said Trinity River Authority of Texas-Red Oak Creek Regional Wastewater System Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with its terms and provisions.

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

THE ISSUER also has reserved the right to amend the Bond Resolution with the approval of the owners of 51% of the outstanding Bonds, 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 by taxation, or from any source whatsoever other than specified in the Bond Resolution.

IT IS FURTHER OUR OPINION, that, except as discussed below, under the statutes, regulations, published rulings and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) is not includable in an owner's alternative minimum taxable income under Section 55 of the Internal Revenue Code of 1986. 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 EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

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

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

treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

*per call, R. M. + H. H. C. C. P.*

**TAB 18**

LAW OFFICES

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SUITE 1525

SAN ANTONIO, TEXAS 78205-3503

TELEPHONE: 210 225-2800

FACSIMILE: 210 225-2984

February 8, 2010

CERTIFIED MAIL RRR: 7006 2150 0002 3156 7915

Internal Revenue Service Center  
Ogden, Utah 84201

Re: Information Reporting - Tax-Exempt Bonds  
Trinity River Authority of Texas  
Red Oak Creek System Revenue Bonds, Series 2009

Ladies and Gentlemen:

Pursuant to the requirements of Section 149(e) of the Internal Revenue Code of 1986, enclosed please find an original and a photocopy of Form 8038-G which is hereby submitted to you for the above-captioned bonds issued December 22, 2009.

Please file the original and return the "Acknowledgment Copy" of Form 8038-G to the undersigned in the enclosed self-addressed, postage paid envelope.

Sincerely,

McCALL, PARKHURST & HORTON L.L.P.



Harold T. Flanagan

HTF: ved  
Enclosures  
cc: Mr. G. Charles Kobdich

**Information Return for Tax-Exempt Governmental Obligations**  
 ▶ Under Internal Revenue Code section 149(e)  
 ▶ See separate instructions.  
 Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

**Part I Reporting Authority** If Amended Return, check here

1 Issuer's name <b>TRINITY RIVER AUTHORITY OF TEXAS</b>	2 Issuer's employer identification number <b>75 6005084</b>
3 Number and street (or P.O. box if mail is not delivered to street address) <b>P.O. BOX 240</b>	Room/suite
4 Report number <b>3 04</b>	5 City, town, or post office, state, and ZIP code <b>ARLINGTON, TEXAS 76004</b>
6 Date of issue <b>12/22/09</b>	7 Name of issue <b>RED OAK CREEK SYSTEM REVENUE BONDS, SERIES 2009</b>
8 CUSIP number <b>896575 DS3</b>	9 Name and title of officer or legal representative whom the IRS may call for more information <b>WARREN N. BREWER, JR., REGIONAL MANAGER, NORTHERN REGION</b>
10 Telephone number of officer or legal representative <b>( 817 ) 493-5100</b>	

**Part II Type of Issue (check applicable box(es) and enter the issue price)** See instructions and attach schedule

11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input checked="" type="checkbox"/> Utilities	17 <b>8,129,602</b>
18 <input type="checkbox"/> Other. Describe ▶	18
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

**Part III Description of Obligations.** Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	<b>2/01/2031</b>	<b>\$ 8,129,602</b>	<b>\$ 8,280,000</b>	<b>15.682</b> years	<b>3.8671</b> %

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

22 Proceeds used for accrued interest	22	<b>-0-</b>
23 Issue price of entire issue (enter amount from line 21, column (b))	23	<b>8,129,602</b>
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	<b>195,454</b>
25 Proceeds used for credit enhancement	25	<b>-0-</b>
26 Proceeds allocated to reasonably required reserve or replacement fund	26	<b>812,960</b>
27 Proceeds used to currently refund prior issues	27	<b>-0-</b>
28 Proceeds used to advance refund prior issues	28	<b>-0-</b>
29 Total (add lines 24 through 28)	29	<b>1,008,414</b>
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	<b>7,121,188</b>

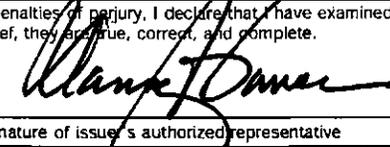
**Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)** N/A

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	_____	years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	_____	years
33 Enter the last date on which the refunded bonds will be called	_____	
34 Enter the date(s) the refunded bonds were issued	_____	

**Part VI Miscellaneous**

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	<b>-0-</b>
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	<b>-0-</b>
b Enter the final maturity date of the guaranteed investment contract		
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	<b>-0-</b>
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer <b>N/A</b> and the date of the issue		
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box <input type="checkbox"/>		
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>		
40 If the issuer has identified a hedge, check box <input type="checkbox"/>		

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign Here  12/22/09 **DANNY F. VANCE, GENERAL MANAGER**

Signature of issuer's authorized representative Date Type or print name and title