RESOLUTION NO. 16-1485

A RESOLUTION OF THE CITY OF EULESS, TEXAS, APPROVING A RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF TRINITY RIVER AUTHORITY OF TEXAS (TARRANT COUNTY WATER PROJECT) REVENUE BONDS, AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, it is necessary and advisable that the City of Euless (the "City") approve a resolution adopted by the Board of Directors of Trinity River Authority of Texas authorizing the issuance, sale, and delivery of Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds, and approving and authorizing instruments and procedures relating thereto hereinafter described.

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EULESS, THAT:

SECTION 1.

A "RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF TRINITY RIVER AUTHORITY OF TEXAS (TARRANT COUNTY WATER PROJECT) REVENUE BONDS, AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO" (the "Bond Resolution") which will be adopted by the Board of Directors of Trinity River Authority of Texas (the "Authority") on February 24, 2016, has been submitted to the City in the form attached **(Exhibit "A")** hereto, and made a part hereof for all purposes. Said resolution is hereby approved by the City as to form and substance, and the bonds (the "Bonds") described therein may be issued by the Authority in accordance with the terms and provisions set forth therein and herein.

SECTION 2.

The principal amount and maturities of the Bonds, the interest rates for the Bonds, the purchaser of the Bonds, and other details and provisions for the Bonds, and the price to be paid for the Bonds, shall be determined by the General Manager of the Authority in accordance with the procedures and parameters set forth in the Bond Resolution in the manner determined by the Board of Directors of Authority, and all such matters and procedures are hereby approved by the City.

SECTION 3.

It is acknowledged and agreed by the City that the Bonds authorized pursuant to said Bond Resolution will be issued in strict conformance and compliance with the water supply contract dated as of January 21, 1972, executed between the Authority and the City, and amended as of January 22, 1975, and further amended as of December 5, 1979 (the "Contract"), relating to the project as defined in said Contract and described in said Bond Resolution, and that the City will be fully bound by the provisions of said Bond Resolution insofar as they pertain to the City, and the City will be unconditionally obligated to make the payments with respect to said Bonds as required by the Contract and said Bond Resolution.

SECTION 4.

In accordance with the Contract, and as a prerequisite to the issuance of the Bonds, the City finds that a case of emergency exists which requires the City to request the Authority to issue the Bonds in order to refund outstanding bonds issued by the Authority with respect to the Tarrant County Water Project resulting in a debt service savings which will inure to the benefit of the City as well as to issue the Bonds to finance and construct the facilities for which the Bonds are to be issued, and the City hereby formally requests the Authority to proceed with such refunding.

SECTION 5.

All ordinances and resolutions of the City in conflict or inconsistent with this Resolution are hereby repealed to the extent of such conflict or inconsistency.

SECTION 6.

EFFECTIVE DATE. This resolution shall be in full force and effect from and after its passage.

APPROVED AND ADOPTED at a regular meeting of the Euless City Council on February 9, 2016, by a vote of _____ ayes, _____ nays, and _____ abstentions.

APPROVED:

_____
Linda Martin, Mayor

ATTEST:

_____
Kim Sutter TRMC, City Secretary

Exhibit "A"

RESOLUTION NO. R-_____

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF TRINITY RIVER AUTHORITY OF TEXAS (TARRANT COUNTY WATER PROJECT) REVENUE BONDS, AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

THE STATE OF TEXAS
TRINITY RIVER AUTHORITY OF TEXAS

WHEREAS, water supply contracts, each dated as of January 21, 1972, and amended as of January 22, 1975, and as of December 5, 1979 (with respect to the City of Euless) and December 11, 1979 (with respect to the City of Bedford), have been duly executed between the Trinity River Authority of Texas (the "Issuer" or the "Authority") and the Cities of Bedford and Euless, Texas, respectively, and water supply contracts, each dated as of April 25, 1979, and amended as of December 5, 1979, and as of April 23, 1980, have been duly executed between the Authority and the Cities of Colleyville, Grapevine, and North Richland Hills, Texas, with all of the above named cities being hereinafter collectively called and defined as the "Cities", and with all of the above contracts, as amended, being hereinafter collectively called and defined as the "Contracts"; and

WHEREAS, the Contracts are hereby referred to and adopted by reference for all purposes, with the same effect as if they had been set forth in their entirety in this Resolution; and

WHEREAS, the Contracts relate to the financing of the acquisition and construction of the Project, as defined therein, being water supply facilities to serve the Cities and others, as described in the engineering report entitled "Report on Proposed Bedford-Euless Water System to Trinity River Authority of Texas", dated July 1, 1971, and as such report has been amended and supplemented to provide expanded service (the "Engineering Report"), including the supplement thereto entitled "Trinity River Authority of Texas Tarrant County Water Project Master Plan Modification to serve Bedford, Euless, Colleyville, Grapevine, and North Richland Hills", dated October, 1976, prepared by Knowlton-English-Flowers, Inc. (the "Consulting Engineers"), and including all additional amendments and supplements thereto made thereafter; and

WHEREAS, pursuant to the Contracts and appropriate bond resolutions, the Issuer issued and has outstanding the following series of bonds:

Trinity River Authority of Texas (Tarrant County Water Project) Improvement Revenue Bonds, Series 2008, dated November 1, 2008, in the original principal amount of $50,355,000 (the "Series 2008 Bonds"); and

Trinity River Authority of Texas (Tarrant County Water Project) Improvement Revenue Bonds, Series 2013, dated October 1, 2013, in the original principal amount of $5,000,000 (the "Series 2013 Bonds"); and

Trinity River Authority of Texas (Tarrant County Water Project) Revenue Refunding Bonds, Series 2015, dated March 15, 2015, in the original principal amount of $67,785,000 (the "Series 2015 Bonds" and, collectively with the Series 2008 Bonds and Series 2015 Bonds, the "Outstanding Bonds"); and

WHEREAS, the Outstanding Bonds and any bonds issued on a parity therewith are secured by a first lien on and pledge of the Net Revenues under the Contracts and certain other revenues; and

WHEREAS, the Issuer has determined to issue the bonds (the "Bonds") hereinafter authorized to obtain funds to refund certain of the Series 2008 Bonds (the "Refunded Bonds") and to pay for the acquisition and construction of improvements, betterments, extensions, and replacements of the trinity River Authority of Texas Tarrant County Water Project; and

WHEREAS, 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 "Act" creating the Authority), Chapters 1207 and 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; DEFINITIONS.

(a) 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 for the acquisition and construction of improvements, betterments, extensions and replacements of the Trinity River Authority of Texas Tarrant County Water Project and to pay the costs of refunding certain maturities of the outstanding Refunded Bonds, the Board of Directors hereby authorizes and directs the issuance of revenue bonds of the Issuer, in one or more series, in the aggregate principal amount of not to exceed (i) $47,000,000 to refund all or a portion of the Series 2008 Bonds and (ii) $23,000,000 to pay for the acquisition and construction of improvements, betterments, extensions, and replacements of the Trinity River Authority of Texas Tarrant County Water Project.

(b) Definitions. In each place throughout this Resolution wherein the following terms, or any of them, are used, the same, unless the text shall indicate another or different meaning or intent, shall be construed and are intended to have meanings as follows:

(1) "Act" and "Authority Act" mean Chapter 518, Acts of the Fifty-Fourth Legislature of the State of Texas, Regular Session, 1955, as amended.

(2) "Additional Bonds" means the additional parity revenue bonds as defined and permitted in Sections 36 and 37 of this Resolution.

(3) "Authority" and "Issuer" mean Trinity River Authority of Texas and any other public body or agency at any time succeeding to the property and principal rights, power and obligations of said Authority.

(4) "Board of Authority" and "Board" mean the Board of Directors of the Authority.

(5) "Bonds" means collectively the Bonds as described and defined herein, and all substitute bonds exchanged therefor, as well as all other substitute and replacement bonds, issued as provided in this Resolution.

(6) "Certified Public Accountant" means any certified public accountant, licensed public accountant or firm of such public accountants of suitable experience and qualifications not regularly in the employ of the Authority, selected by the Authority.

(7) "Cities" means the Cities of Bedford, Euless, Colleyville, Grapevine, and North Richland Hills, Texas.

(8) "Code" means the United States Internal Revenue Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto.

(9) "Contracts" means the contracts between the Authority and the Cities as described and defined in the preamble to this Resolution.

(10) "Credit Facility" shall mean a policy of municipal bond insurance, a surety bond or a letter or line of credit, or any other agreement, commitment or contract authorized by the Authority as a Credit Facility issued by a Credit Facility Provider in support of any Parity Bonds.

(11) "Credit Facility Provider" shall mean (i) with respect to any Credit Facility consisting of a policy of municipal bond insurance or a surety bond, an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations such as the Parity Bonds, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity Bonds 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 other Credit Facility, any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the Parity Bonds in its two highest generic rating categories for such obligations if the Credit Facility proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the series of Parity Bonds and the interest thereon.

(12) "Depository" means the bank or banks which the Authority selects (whether one or more), in accordance with law, as its depository.

(13) "Eligible Investments" shall mean those investments in which the Authority is authorized by law, including, but not limited to, the Public Funds Investment Act of 1987 (Chapter 2256, Texas Government Code), as amended, to purchase, sell and invest its funds and funds under its control; and provided further that Eligible Investments shall specifically include, with respect to the investment of proceeds of any Parity Bonds, guaranteed investment contracts fully collateralized by Government Obligations.

(14) "Engineering Report" means the Report dated July 1, 1971, and the supplements thereto with respect to the Authority's Tarrant County Water Project, all as described and defined in the preamble to this Resolution, as such Engineering Report may be further amended or supplemented prior to the execution of construction contracts and changed by change orders entered after construction contracts have been executed, or as such report may be amended or supplemented to provide expanded service in the future.

(15) "Fiscal Year" means the twelve month period beginning December l of each year, or such other twelve month period as may in the future be designated as the Fiscal Year of Authority.

(16) "Government Obligations" shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(17) "Independent Consulting Engineer" means the Engineer or engineering firm or corporation at the time employed by the Authority under the provisions of Section 31 of this Resolution.

(18) "Outstanding Bonds" shall have the meaning set forth in the preamble.

(19) "Parity Bonds" means collectively the Outstanding Bonds, the Bonds and bonds hereafter issued on a parity therewith.

(20) "Paying Agents" means collectively the banks where the principal of and interest on the Parity Bonds are payable.

(21) “Pricing Certificate" means a certificate of the General Manager setting forth the terms of sale of the Bonds including the method of sale, principal amount, maturity dates, interest payment dates, dated date, interest rates, yields, redemption provisions and other matters related to the sale of the Bonds.

(22) "Rating Agency" shall mean any nationally recognized securities rating agency which has assigned a rating to the Parity Bonds.

(23) "Required Amount" shall mean the amount so designated in Section 10 of this Resolution.

(24) "Reserve Fund" shall mean the Fund so designated in Section 10 of this Resolution.

(25) "Reserve Fund Obligations" shall mean cash, Eligible Investments, any Credit Facility, or any combination of the foregoing.

(26) "Resolution" means this Resolution authorizing the Bonds.

(27) "Series 2008 Bonds" shall have the meaning set forth in the preamble.

(28) "Series 2008 Bond Resolution" shall mean the resolution of the Board authorizing the issuance of the Series 2008 Bonds.

(29) "System" and "Authority's System" mean all of Authority's facilities constructed pursuant to the Engineering Report, as supplemented or amended.

Section 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, MATURITIES AND SALE OF BONDS.

(a) Each Bond issued pursuant to this Resolution shall, subject to paragraph (b) of this section, be designated: "TRINITY RIVER AUTHORITY OF TEXAS (TARRANT COUNTY WATER PROJECT) [IMPROVEMENT AND/OR REFUNDING] REVENUE BOND, SERIES ____."

(b) As authorized by Chapters 1207 and 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, including the execution of any commitment agreements, membership agreements in mutual insurance companies, and other similar agreements, 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 at a private placement, negotiated or competitive sale, at such price, in the aggregate principal amount not exceeding the maximum amount set forth in Section 1 hereof, 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 set forth in a certification by the Authorized Officer. The Bonds shall not be sold at a price less than 95% of the initial aggregate principal amount thereof plus accrued interest thereon from their date to their delivery, 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.

(c) If the Authorized Officer determines that the Bonds should be sold by private placement, the Authorized Officer shall select the purchaser which, after due consideration and investigation, is willing to buy the Bonds on the most advantageous terms to the Issuer as determined by the Authorized Officer.

(d) If the Authorized Officer determines that the Bonds should be sold by a negotiated sale, the Authorized Officer shall designate the senior managing underwriter for the Bonds and such additional investment banking firms as deemed appropriate to assure that the Bonds are sold on the most advantageous terms to the Issuer. The Authorized Officer, acting for and on behalf of the Issuer, is authorized to enter into and carry out the terms of a bond purchase contract for the Bonds to be sold by negotiated sale, with the underwriter(s) thereof at such price, with and subject to such terms as determined by the Authorized Officer subject to the parameters set forth in this Resolution. Any such bond purchase contract shall be substantially in a form and substance previously approved by the Board in connection with the authorization of bonds by the Issuer with such changes as are acceptable to the Authorized Officer. The Authorized Officer shall cause to be prepared an official statement in such manner as the Authorized Officer deems appropriate.

(e) If the Authorized Officer determines that the Bonds should be sold at a competitive sale, the Authorized Officer shall cause to be prepared a notice of sale and official statement in such manner as the Authorized Officer deems appropriate, to make the notice of sale and official statement available to those institutions and firms wishing to submit a bid for the Bonds, to receive such bids, and to award the sale of the Bonds to the bidder submitting the best bid in accordance with the provisions of the notice of sale.

(f) In establishing the aggregate principal amount of the Bonds, the Authorized Officer shall establish an amount within the amount authorized in Section 1 hereof, which amount shall be sufficient to provide for (i) the funding of the Reserve Fund, if any, as hereinafter required or permitted, as deemed appropriate, (ii) the payment of the costs of issuance of the Bonds (iii) the funding of the costs of acquisition and construction of improvements, betterments, extensions and replacements of the Trinity River Authority of Texas Tarrant County Water Project (with a maximum principal amount of Bonds of $23,000,000 for such purpose) and (iv) the refunding of the maturities of the Refunded Bonds in a manner that will result in a target net present value

savings for the transaction of at least 3.00% of the Refunded Bonds being achieved (with a maximum principal amount of Bonds of $47,000,000 to refund the Refunded Bonds).

(g) It is hereby found and determined that the refunding of the Refunded Bonds meeting the criteria set forth in paragraph (f) of this section is advisable and necessary in order to restructure the debt service requirements and procedures of the Issuer, and that the debt service requirements on the Bonds issued for refunding purposes will be less than those on the Refunded Bonds, resulting in a reduction in the amount of principal and interest which otherwise would be payable. The Refunded Bonds are subject to redemption, at the option of the Issuer, and the Authorized Officer is hereby authorized to cause all of the Refunded Bonds being refunded to be called for redemption on the respective date or dates consistent with the savings analysis set forth in paragraph (c) of this section, and the proper notices of such redemption to be given, and in each case at a redemption price of par, plus accrued interest to the date fixed for redemption. In furtherance of authority granted by Section 1207.007(b), Texas Government Code, the Authorized Officer is further authorized, if deemed appropriate or necessary, to enter into and execute on behalf of the Issuer with the escrow agent or deposit agent named therein, an escrow agreement or deposit agreement, in the form and substance as shall be approved by the Authorized Officer, which escrow agreement or deposit agreement will provide for the payment in full of the Refunded Bonds. In addition, the Authorized Officer is authorized to purchase such securities with proceeds of the Bonds, to execute such subscriptions for the purchase of the United States Treasury Securities, State and Local Government Series and to transfer and deposit such cash from available funds, as may be necessary for the escrow fund described in such escrow or deposit agreement.

Section 3. CHARACTERISTICS OF THE BONDS.

(a) Registration, Transfer, Conversion and Exchange; Authentication. 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, or other entity designated in the Pricing Certificate (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 or 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) 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 Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number.

(iii) All redemption payments made by the Paying Agent/Registrar to the Registered Owners shall include a CUSIP number relating to each amount paid to such Registered Owner.

Section 4. BOOK-ENTRY ONLY SYSTEM.

(a) The Bonds issued in exchange for the Bonds initially issued to the purchaser specified herein 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.

(b) 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.

(c) 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.

(d) 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.

Section 5. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bonds initially issued and delivered pursuant to this Resolution, shall be, substantially in the form provided in **Exhibit A**, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution. The Form of Bond as it appears in Exhibit A shall be completed, amended and modified by Bond Counsel to incorporate the information set forth in the Pricing Certificate but it is not required for the Form of Bond to reproduced as an exhibit to the Pricing Certificate.

Section 6. BONDS AND SECURITY THEREFOR. The Parity Bonds are and shall be secured by and payable from a first lien on and pledge of the Net Revenues, as hereinafter defined, and the funds and accounts hereinafter confirmed or created in this Resolution; and the Net Revenues are further pledged to the establishment and maintenance of said funds and accounts as hereinafter provided. The Parity Bonds are and will be secured by and payable only from the Net Revenues, and are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, constituting the System.

Section 7. REVENUE FUND. All revenues of the System received by the Authority, including the net proceeds to the Authority of the Contracts with the Cities shall be collected and paid over promptly upon collection to the Depository and the Authority hereby covenants and agrees so to do. Such revenues shall be held by the Depository in a special fund known as the "Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds Revenue Fund" (hereinafter called the "Revenue Fund"), and shall be disbursed or applied for the purpose of paying Operation and Maintenance Expenses of the System, and for the making of transfers hereinafter required and in the order listed.

Section 8. OPERATION AND MAINTENANCE EXPENSES.

(a) The term "Operation and Maintenance Expenses" shall mean all costs of operation and maintenance of the Authority's System including, but not limited to, repairs and replacements for which no special fund is created in any bond resolution, the cost of utilities, supervision, engineering, accounting, auditing, legal services, and any other supplies, services, administrative costs and equipment necessary for proper operation and maintenance of the Authority's System, and payments made by Authority in satisfaction of judgments resulting from claims not covered by Authority's insurance or not paid by one of the Cities arising in connection with the operation and maintenance of the System. The term also includes the fees of the bank or banks where the Parity Bonds are payable. Depreciation shall not be considered an item of Operation and Maintenance Expense.

(b) Except for other transfers herein required, the moneys in the Revenue Fund shall be subject to withdrawal by the Authority for the payment of Operation and Maintenance Expenses only upon checks and vouchers, stating the purpose of the payment (which shall be in accordance with the current Annual Budget of the Authority) signed by the President of the Authority and countersigned by its Treasurer, or signed and countersigned by such officers or employees of the Authority as may from time to time be designated by resolution of the Board of Authority. At the end of each Authority Fiscal Year any surplus funds remaining in the Revenue Fund shall be transferred to the Interest and Sinking Fund.

Section 9. INTEREST AND SINKING FUND.

(a) For the sole purpose of paying the principal of and interest on the Parity Bonds, and any Additional Bonds, as the same come due, there has been created and established, and there shall be maintained at a Depository, a separate fund entitled the "Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund").

(b) The Issuer shall, immediately after the delivery of the Bonds, deposit into the Interest and Sinking Fund, from the proceeds of sale of the Bonds, all accrued interest received upon sale of the Bonds, plus an amount sufficient to pay the interest coming due on the Bonds during construction, as required and determined by the Authorized Officer, if any. Said deposit shall be held and applied solely to pay interest on the Bonds as it becomes due and payable.

(c) It shall be the duty of the Authority to transfer from Net Revenues in the Revenue Fund to the credit of the Interest and Sinking Fund the amounts and at times as follows:

(1) such amounts, in equal monthly installments, made on or before the 15th day of each month hereafter, as will be sufficient, together with any other amounts on deposit therein and available for such purpose, to pay the interest scheduled to come due on all Parity Bonds and any Additional Bonds on the next interest payment date; and

(2) such amounts, in equal monthly installments, made on or before the 15th day of each month hereafter, as will be sufficient, together with any other amounts on deposit therein and available for such purpose, to pay the principal of all Parity Bonds and any Additional Bonds coming due and maturing or required to be redeemed on the next interest payment date.

(d) The Authority shall make such arrangements as are necessary to insure that sufficient funds from the Interest and Sinking Fund are available at each Paying Agent to pay the principal of and interest on all Parity Bonds and Additional Bonds when due.

Section 10. RESERVE FUND.

(a) There is hereby confirmed and there shall be maintained on the books of the Authority a special Fund entitled the "Trinity River Authority of Texas Tarrant County Water Project New Reserve Fund" (the "Reserve Fund"), within which there may be established separate accounts to be held for the benefit of specific issues of Parity Bonds and not for the benefit of all Parity Bonds. There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the Authority. Reserve Fund Obligations in the Reserve Fund shall be deposited and maintained in a Depository. Reserve Fund Obligations in the Reserve Fund shall be used solely for the purpose of retiring the last of any Parity Bonds for which the Reserve Fund, or an account within the Reserve Fund, is held as they become due or paying principal of and interest on any such Parity Bonds when and to the extent the amounts in the Interest and Sinking Fund are insufficient for such purpose. Any specific Reserve Fund account shall be maintained in an amount equal to the average annual principal and interest requirements of the specific Parity Bonds to which it relates (the "Required Amount"). The Authority may, at its option, withdraw and transfer to the Revenue Fund, all surplus in the Reserve Fund over the Required Amount. The foregoing notwithstanding, with respect to the issuance of the Bonds, the Authorized Officer may direct the transfer of any surplus in the Reserve Fund to be deposited into the Construction and Acquisition Fund.

(b) The Authority may replace or substitute a Credit Facility for cash or Eligible Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or Eligible Investments on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Amount may be withdrawn by the Authority, at its option, and transferred to the Revenue Fund; provided that the face amount of any Credit Facility may be reduced at the option of the Authority in lieu of such transfer.

(c) If the Authority is required to make a withdrawal from the Reserve Fund for any of the purposes described in subsection (a), the Authority shall promptly notify any applicable Credit Facility Provider of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or Eligible Investments then on deposit in the Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency.

(d) In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Amount, then the Authority shall satisfy the Required Amount by depositing Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/60 of the Required Amount made on or before the 15th day of each month following such termination or expiration.

(e) In the event of the redemption or defeasance of any Parity Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Amount may be withdrawn and transferred, at the option of the Authority, to the Revenue Fund, as a result of (i) the redemption of any Parity Bonds or (ii) funds for the payment of any Parity Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in any resolution authorizing the issuance of Parity Bonds, the result of such deposit being that such Parity Bonds no longer are deemed to be Outstanding under the terms of any such resolution.

(f) In the event there is a draw upon the Credit Facility, the Authority shall reimburse the Credit Facility Provider for such draw, in accordance with the terms of any agreement pursuant to which the Credit Facility is issued, from Net Revenues, however, such reimbursement from Net Revenues shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Bonds.

(g) Upon the issuance of Additional Bonds the monies in the Reserve Fund shall, to the extent necessary, be increased to the newly-established Required Amount.

Section 11. CONSTRUCTION AND ACQUISITION FUND. There has been created and there shall be established and maintained at the Depository a separate fund to be entitled the "Trinity River Authority of Texas (Tarrant County Water Project) Revenue Bonds Construction and Acquisition Fund" (hereinafter called the "Construction and Acquisition Fund"). The net proceeds (after paying costs of issuance and making other required deposits) from the sale of all "Improvement Bonds" in the future shall be deposited in the Construction and Acquisition Fund and such Fund shall be subject to and charged with a lien in favor of the holders of all such "Improvement Bonds" until the money in said Fund has been paid out as herein provided. Interest earnings derived from investment of the Construction and Acquisition Fund shall become part thereof for all purposes; provided, however, that any such earnings required to be rebated to the United States shall not be considered as interest earnings for the purposes of this Resolution. The Depository shall be required to secure the Construction and Acquisition Fund in its possession by pledging obligations of or obligations unconditionally guaranteed by the United

States; such obligations at all times shall be at least equal in market value to the amount in the Construction and Acquisition Fund in its possession.

Section 12. DISBURSEMENTS FROM CONSTRUCTION AND ACQUISITION FUND.

(a) Money in the Construction and Acquisition Fund shall be subject to disbursement by the Authority for payment of Project Costs to be incurred in the acquisition and construction of any project for which "Improvement Bonds" are issued. Such disbursements shall be made only upon checks stating the purpose of the payment signed and countersigned by such officers of the Authority as may from time to time be designated by the Authority by resolution, and duly certified to the Depository. Disbursements for payments to construction contractors and disbursements for construction material, supplies, and equipment shall be approved by a registered professional engineer.

(b) "Project Costs" as used herein includes all acquisition costs and construction costs as those terms are generally understood in standard accounting practice as applied to projects of this nature, and without limiting the generality of the foregoing, it shall include purchase of equipment, property, rights in property, capitalized interest, costs of land, easements, and rights of way, including damages to land and property, engineering, financing, financial consultants, administrative, auditing, and legal expenses incurred in connection with the performance of the Contracts. The costs for engineering, financial consultants, administrative, and legal expense paid from bond proceeds incurred by the Authority shall be reasonable and at usual and customary rates. Damages to land and property, whenever accruing, adjusted under Article I, Section 17 of the Constitution of Texas shall constitute a part of Project Costs. After completion of any Project improvements, any residue remaining in the Construction and Acquisition Fund shall be deposited in the Interest and Sinking Fund.

Section 13. TRUST FUNDS. The Interest and Sinking Fund and the Reserve Fund shall constitute trust funds and shall be held in trust by a Depository for the benefit of the holders of the Parity Bonds and Additional Bonds permitted hereunder.

Section 14. SECURITY OF FUNDS. The Authority shall cause the Depository to secure and keep secured, in the manner required by law, all funds on deposit with it, and will cause each paying agent to secure all funds deposited with it or them as other trust funds are secured. The Authority covenants and agrees that no money will be allowed to be or remain deposited with the Depository unless secured as above provided.

Section 15. PLEDGE. The Contracts provide for the payment by the Cities to the Authority (a) an amount equal to all Operation and Maintenance Expenses, (b) the amount necessary to pay all the principal of and the interest coming due on "Bonds" (as defined in the Contracts) on each principal and/or interest payment date, (c) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any "Bond Resolutions", and (d) an amount in addition thereto sufficient to restore any deficiency in any of such funds or accounts required to be accumulated and maintained by the provisions of any "Bond Resolutions". The term "Net Revenues" as used in

this Resolution shall mean and be defined as all of the gross revenues or payments received by the Authority (i) from the Cities under the Contracts and (ii) from the parties, if any, with whom the Authority may contract in the future for supplying treated water from the System, after deducting therefrom the amounts paid to the Authority for the purpose of paying Operation and Maintenance Expenses, with the result that the Net Revenues shall consist of the amounts necessary to pay all principal and/or interest coming due on the Parity Bonds on each principal and/or interest payment date, and any amounts payable under (c) and (d) above. The Parity Bonds and the interest thereon are and shall be payable from and secured by a first lien on and pledge of said Net Revenues, and said Net Revenues are hereby pledged for such purpose and to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund.

Section 16. INVESTMENT OF FUNDS. The money in all Funds maintained hereunder shall be invested and reinvested in Eligible Securities which mature in not more than fifteen (15) years from the date of their purchase. The foregoing notwithstanding, the Reserve Fund and Construction and Acquisition Fund may be invested as described in Sections 10 and 11, respectively. All income and profits from the investment of all funds hereunder shall be deposited in the Interest and Sinking Fund not later than the January 15 or July 15 next following the receipt thereof.

Section 17. PREPARATION OF BUDGET. Not less than forty (40) days before the commencement of each Fiscal Year while any of the Parity Bonds are outstanding and unpaid, the Authority will prepare and file with the Cities the annual budget (herein called "Annual Budget") of Operation and Maintenance Expenses for the ensuing Fiscal Year, and, except as otherwise provided, the total expenditures in any division thereof will not exceed the total expenditures in the corresponding division in the Annual Budget. The Authority covenants that the current Operation and Maintenance Expenses incurred in any Fiscal Year will not exceed the reasonable and necessary amount of such expenses, and that it will not expend any amount or incur any obligation for maintenance, repair, and operation in excess of the amounts provided for current Operation and Maintenance Expenses in the Annual Budget; provided, however, that if at any time the Board of Authority shall determine that the amount of the appropriation for any item in the Annual Budget is in excess of the amount which will be required for such term, the Board of Authority may reduce such appropriation and make appropriation for any item or items not covered by the Annual Budget or increase the appropriation for any other item or items by an amount not exceeding the amount of such reduction; and provided further, that the Board of Authority may at any time adopt an amended or supplemental budget for the remainder of the then current Fiscal Year in case of an emergency caused by some extraordinary occurrence which shall be clearly defined in such resolution. Any such supplemental budget shall be filed immediately with the Cities.

Section 18. ACCOUNTING AND REPORTING. The Authority covenants that proper books of record and account will be kept in which true, full, and correct entries will be made of all income, expense, and transactions of and in relation to the System, and each and every part thereof. Within three months after each full Fiscal Year, a statement certified as correct by a Certified Public Accountant showing the Gross Revenues and the Operation and Maintenance Expenses for such Fiscal Year, shall be furnished to the Cities, and to the original purchasers of

the Bonds. Each such audit will be available during regular office hours at the administration offices of the Authority for inspection by any holder of any of the Bonds.

Section 19. PUBLIC INSPECTION. The Authority further covenants and agrees that the System, and each and every part thereof, and all books, records, accounts, documents, and vouchers relating to the construction, operation, maintenance, repair, improvement, and extension thereof, will at all times be open to inspection by the Cities.

Section 20. PAYMENT OF PARITY BONDS AND INTEREST THEREON. The Authority covenants and agrees that, out of the pledged Net Revenues, it will duly and punctually pay, or cause to be paid, the principal of every Parity Bond and the interest thereon, on the date and at the place and in the manner specified in the Parity Bonds, and that it will faithfully do and perform and at all times fully observe any and all covenants, undertakings, and provisions contained herein or in any Parity Bond.

Section 21. LEGAL ABILITY. The Authority represents that it is a conservation and reclamation district, a political subdivision of the State of Texas, and a governmental agency and body politic and corporate, duly created, organized, and existing under the Constitution and laws of the State of Texas and has proper authority from all other public bodies and authorities, if any, having jurisdiction thereof to construct, acquire, operate, maintain, improve, extend, better, repair, renew, and replace the System as herein described, and to levy and collect rates, tolls, rents, fees, and other charges, and to pledge its revenues in the manner and form as herein done or intended, and that all corporate action on its part to that end has been duly and validly taken. The Authority covenants and agrees that it will at all times maintain its corporate existence and maintain a lawful Board of Directors, and at all times function and act in the best interest of the System and the owners and holders of the Parity Bonds.

Section 22. CONSTRUCTION AND OPERATION. The Authority further covenants that it will forthwith proceed to acquire and construct the improvements, betterments, extensions, and replacements to the System for which the Bonds are being issued as soon as practicable in accordance with plans and specifications which have been prepared by the Independent Consulting Engineer, and thereafter each and every part of the System will be continuously operated by the Authority in an efficient and economical manner and will be kept in thorough repair and maintained in a high state of operating efficiency and in such manner that the interest of the Cities, the people of the State of Texas, the bondholders or owners, and the Authority will be promoted.

Section 23. OPERATION OF THE SYSTEM. The Authority shall use its best efforts to see that the System is properly and efficiently operated.

Section 24. CONTRACTORS. Authority shall require each person, firm, or corporation with whom (or which) it may contract for construction in connection with the System to furnish a performance bond in the full amount of any contract and a payment bond as required by law, and to carry such workmen's compensation or employers' liability insurance as may be required by law and such public liability, property damage, and builders' risk insurance, if any, as may be appropriate and necessary. The Authority further covenants and agrees that the proceeds of any

such performance bond will forthwith, upon receipt of such proceeds, be applied toward the completion of the contract in connection with which such performance bond shall have been furnished.

Section 25. COVENANT TO MAINTAIN SUFFICIENT INCOME. To the end that Authority income will be sufficient to pay the Parity Bonds and the interest thereon when due, the Authority will keep in effect and enforce the Contracts, and will cause the System to be operated and maintained at an annual cost that will be within its income other than the income required to pay the Parity Bonds and the interest thereon and the fees of each paying agent and Paying Agent/Registrar. The Authority will not voluntarily consent to any amendment to the Contracts which would reduce the amounts payable thereunder or extend the time of the payment of such amounts or which would in any manner impair or adversely affect the rights of the holders or owners of the Parity Bonds from time to time. If any of the Cities fails to make payments as required by the Contracts and if it shall appear that enforcement of the Contracts has become ineffective or will be ineffective to the extent that a default in payment of principal of or interest on the Parity Bonds occurs or is threatened, the Authority will take all necessary action to preserve and protect the rights of the holders or owners of the Parity Bonds and to assure payment of the principal thereof and the interest thereon.

Section 26. NO OTHER LIENS. The Authority further covenants that there is not now outstanding, except as regards any Parity Bonds, and that the Authority will not at any time while the Parity Bonds are outstanding, create or allow to accrue or to exist any lien upon the System, or any rights owned, or the revenues pledged herein to the payment of the principal of and interest on the Parity Bonds, at any time derived from the operation thereof, or any of its Funds, except as authorized by Sections 36 and 37 of this Resolution in connection with Additional Bonds and other bonds; that the security of the Parity Bonds will not be impaired in any way as a result of any action or any non-action on the part of the Authority, its Board of Directors, or officers, or any thereof, and that the Authority has, and will, subject to the provisions hereof, continuously preserve good and indefeasible title to the System and each and every part thereof.

Section 27. KEEP FRANCHISES AND PERMITS IN EFFECT. The Authority further covenants that no franchises, permits, privileges, or easements will be allowed to lapse or be forfeited so long as the same shall be necessary for the proper operation of the System.

Section 28. GOVERNMENTAL REQUIREMENTS; LIENS; CLAIMS. The Authority covenants that it will duly observe and comply with all valid requirements of any governmental authority relative to the System or any part thereof, and that it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all lawful claims and demands for labor, materials, supplies, or other objects which if unpaid, might by law become a lien upon such System or any part thereof or the revenue therefrom; provided, however, that nothing in this Section contained shall require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Section 29. FURTHER ASSURANCE. The Authority covenants that it will take such further action as may be required to carry out the purposes of this Resolution and to assure its validity.

Section 30. SALE AND LEASE OF PROPERTY.

(a) The Authority covenants that so long as any of the Parity Bonds or interest payable thereon shall be outstanding, and except as in this Section otherwise permitted, it will not sell, lease, or otherwise dispose of or encumber any part of the System except as provided herein.

(b) The Authority may from time to time dispose of any rights, machinery, fixtures, apparatus, tolls, instruments, or other movable property and any materials used in connection therewith, if the Authority shall determine that such are no longer needed or are no longer useful in connection with the operation and maintenance of the System. The Authority may from time to time sell such real estate that is not needed or serves no useful purposes in connection with the maintenance and operation of the System. The proceeds of any sale of real or personal property acquired from the proceeds of the Parity Bonds shall be deposited in the Revenue Fund.

(c) The Authority may lease any of its lands for any purpose, if such lease or the use of such lands will not be detrimental to the operation and maintenance of the System. It may also lease any of its real property for oil, gas, and mineral purposes. No lease shall be made which will result in any damage to or substantial diminution of the value of other property of the Authority. The rental to be charged under all such leases shall be not less than the fair and reasonable rental in relation to the character and value of the property leased. All rentals, revenues, receipts, and royalties derived by the Authority from any and all leases so made, shall be deposited in the Revenue Fund.

(d) It is covenanted and agreed by Authority that no such property of any nature shall be sold or leased by Authority unless, prior to any action taken by Authority concerning such sale or leasing, Authority shall procure the advice and recommendation in writing of a registered professional engineer concerning such proposed sale or leasing.

Section 31. INDEPENDENT ENGINEER.

(a) The Authority covenants that, until the Parity Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, it will, for the purpose of performing and carrying out the duties imposed on the Independent Consulting Engineer by this Resolution, employ an independent engineer or engineering firm or corporation having a favorable repute for skill and experience in such work.

(b) The Authority covenants that it will at all appropriate times cause the Independent Consulting Engineer to submit and give all necessary or desirable advice and recommendations concerning renewals, replacements, extensions, betterments, and improvements for the System, to the end that the System shall be operated and maintained in the most efficient and satisfactory manner. Further, Authority shall cause the Independent Consulting Engineer to make in writing a full survey, review, and report on the physical condition of the System once every three years.

(c) Authority further covenants that it will cause the Independent Consulting Engineer to make an annual report to it which shall set forth such Engineer's recommendations and advice as to (1) the proper maintenance, repair, and operation of the System, including their findings as to whether or not the properties of the System have been maintained in good repair and sound operating condition; (2) the extensions, improvements, renewals, and replacements which should be made during the ensuing Fiscal Year; (3) the amounts and types of insurance which should be carried by the Authority on the properties; and (4) any revisions or changes of rates, fees, and charges.

(d) The expense incurred under this Section 31 shall constitute Operation and Maintenance Expenses.

Section 32. PARITY BONDS AND INTEREST NOT PAYABLE FROM TAXES. The holders and owners of the Parity Bonds and the interest payable thereon shall never have the right to demand payment thereof out of funds raised or to be raised by taxation, or from any source other than the Net Revenues as defined and described herein.

Section 33. INSURANCE COVERAGE. The Authority covenants that it will at all times keep insured such of the System's plants, structures, buildings, stations, machinery, equipment, apparatus, pipelines, and equipment as are usually insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, and will also at all times maintain workmen's compensation insurance and insurance against public liability and property damages, in a reasonable amount with responsible insurance companies; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the Authority shall not be required to carry such insurance. All such policies shall be open to the inspection of the bondholders and their representatives at all reasonable times.

Section 34. INSURANCE PROCEEDS. In the event of any loss of or damage to the System the Authority covenants that it will reconstruct or repair the destroyed or damaged portion of the property and will apply the proceeds of the insurance policies covering such loss or damage solely for that purpose. The Authority covenants that it will begin such work of reconstruction or repair promptly after such loss or damage shall occur and will continue and properly complete the same as expeditiously as possible and will pay or cause to be paid all costs and expenses in connection therewith so that the same shall be so completed and the property be free and clear of all mechanics' and other liens and claims. The Authority agrees that it will procure the advice and recommendation in writing of a registered professional engineer concerning such reconstruction before it is undertaken.

Section 35. UNUSED INSURANCE PROCEEDS. Any insurance proceeds remaining after the completion of and payment for any such reconstruction or repair shall be deposited in the Revenue Fund.

Section 36. ADDITIONAL BONDS. As used in this resolution, the following additional definitions shall apply:

(a) "Completion Bonds" means any bonds issued to complete construction of the System to enable the Authority to provide water supply services to the Cities and to others, as the System is described in the Engineering Report defined in the Contracts.

(b) "Improvement Bonds" means bonds issued for improvements, betterments, extensions, and replacements of the System.

(c) "Special Project Bonds" means any bonds issued to finance construction and/or acquisition of facilities which will not constitute a part of the System and which will not be paid out of revenues from the Contracts.

(d) "Refunding Bonds" means any bonds issued for the purpose of refunding all or a part of the Prior Lien Bonds, Parity Bonds or Additional Bonds.

(e) "Additional Bonds" means and includes Completion Bonds, Improvement Bonds, and Refunding Bonds.

Section 37. COMPLETION BONDS AND IMPROVEMENT BONDS. The Authority reserves the right to issue Completion Bonds and Improvement Bonds payable from and secured by a pledge of the Net Revenues, on a parity of lien with the Parity Bonds, or junior to the Parity Bonds, or a portion of them may be such first lien bonds and a portion may such junior lien bonds. The Completion Bonds and Improvement Bonds may be issued in one or more series or installments, and from time to time as authorized by the Board of Authority, provided, however, that no installment or series of Completion Bonds or Improvement Bonds, if it is on a parity with the lien of the Parity Bonds, shall be issued unless:

(a) A certificate is executed by the President and Secretary of the Board of Authority to the effect that no default exists in connection with any of the covenants or requirements of the resolutions authorizing the issuance of all then outstanding bonds which are secured by and payable from the Net Revenues;

(b) A certificate is executed by the President and the Secretary of the Board of Authority to the effect that the Interest and Sinking Fund and the Reserve Fund contain the amounts then required to be on deposit therein;

(c) The then proposed Completion Bonds or Improvement Bonds are made to mature on August 1 and/or February 1 of each of the years in which they are scheduled to mature.

Section 38. SPECIAL PROJECT BONDS. Special Project Bonds payable from and secured by revenues may be issued by the Authority for the purpose of providing additional facilities to enable the Authority to render service to other users, provided that such Special Project Bonds are not payable from or secured by a pledge of Net Revenues. Special Project

Bonds may be additionally secured by a mortgage or deed of trust lien upon only the physical properties of the project purchased or constructed with the proceeds of such bonds.

Section 39. INCREASE IN RESERVE FUND. If Completion Bonds or Improvement Bonds are issued as Parity Bonds, the amount required to be deposited and maintained in the Reserve Fund shall, if necessary to maintain the Required Amount in the Reserve Fund, be increased so that the aggregate amount to be accumulated in the Reserve Fund shall be no less than the Required Amount for all then outstanding Parity Bonds and for the installment or series of parity Completion Bonds or Improvement Bonds then proposed to be issued. Such average annual requirements shall be calculated as of the date of any such Additional Bonds. Provided, as of the date of any such Additional Bonds, it shall be sufficient if the aggregate amount in the Reserve Fund is equal to the average annual requirement on the Parity Bonds and Additional Bonds outstanding and to be outstanding, and if the amount exceeds such average annual requirement, any surplus in the Reserve Fund may be transferred to the Revenue Fund, unless otherwise required by any bond resolution.

Section 40. TAX BONDS. No provisions in this Resolution shall in any way affect the statutory right of the Authority to issue bonds supported wholly by ad valorem taxes.

Section 41. REFUNDING BONDS. The Authority reserves the right to issue Refunding Bonds to refund any outstanding bonds secured by a pledge of the Net Revenues from the Contracts and any amendments thereof.

Section 42. DEFAULT PROVISIONS AND REMEDIES. In the event of a default or a threatened default in the payment of principal of or interest on the Parity Bonds, any court of competent jurisdiction may, upon petition of holders or owners of twenty-five per cent of the outstanding Parity Bonds, appoint a receiver with authority to collect and receive all income from the System, employ, and discharge agents, employees, and consultants of the Authority, take charge of pledged funds on hand and manage the proprietary affairs of the Authority without consent or hindrance by the Board of Authority. Such receiver may also be authorized to make contracts for providing water treatment services or renew such contracts with the approval of the court appointing him. The Court may vest the receiver with such other powers and duties as the court may find necessary for the protection of the holders or owners of the Parity Bonds.

Section 43. OTHER REMEDIES; REMEDIES NOT WAIVED. No remedy herein specified is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy available to the holders or owners of the said Parity Bonds, or now or hereafter existing at law or in equity, or by statute. No delay or omission to exercise any right or power shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and so often as may be deemed expedient.

Section 44. AMENDMENTS OF RESOLUTION BY AUTHORITY. Without any prior action by or notice to the holders or owners of the Parity Bonds, Authority may, from time to time, and at any time, amend this Resolution:

(a) to add to the covenants and undertakings of the Authority contained in this Resolution such additional covenants and undertakings as may be authorized or permitted by law; and

(b) to cure any ambiguous, defective, or inconsistent provisions of this Resolution and to accomplish any other purposes not inconsistent with the provisions of this Resolution and which shall not impair the security afforded hereby.

Section 45. AMENDMENTS BY CONSENT. The holders and owners of Parity Bonds and Additional Bonds aggregating in principal amount two-thirds of the aggregate principal amount of the Parity Bonds and Additional Bonds at the time outstanding (but not including in any case any Parity Bonds or Additional Bonds which may then be held or owned by or for the account of the Authority) shall have the right from time to time to approve an amendment of this Resolution which may be deemed necessary or desirable by the Authority; provided, however, that no amendment, without the consent of the holders and owners of all of the outstanding Parity Bonds and Additional Bonds, shall:

(a) Make any change in the maturity of the Parity Bonds or Additional Bonds;

(b) Reduce the rate of interest borne by any of the Parity Bonds or Additional Bonds;

(c) Reduce the amount of the principal payable on the Parity Bonds or Additional Bonds;

(d) Modify the terms of payment of principal of or interest on the Parity Bonds or Additional Bonds, or any of them, or impose any conditions with respect to such payment;

(e) Affect the rights of the holders or owners of less than all of the Parity Bonds and Additional Bonds then outstanding; or

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

Section 46. NOTICE REQUIRED. If at any time the Authority shall desire to amend this Resolution under Section 45, the Authority 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 four successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file with each paying agent for the Parity Bonds and Additional Bonds and with the Secretary of the Board of Authority for inspection by all holders or owners of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder and owner of Parity Bonds and Additional Bonds.

Section 47. ADOPTION OF AMENDMENT. Whenever at any time not less than thirty (30) days and within one year from the date of the first publication of said notice or other service of written notice the Authority shall receive an instrument or instruments executed by the holders and owners of at least two-thirds in aggregate principal amount of 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 with the paying agents and Authority, the Authority may adopt the amendatory resolution in substantially the same form.

Section 48. EFFECTIVE UPON ADOPTION. Upon the adoption of any amendatory resolution pursuant to the provisions hereof, this Resolution shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties, and obligations under this Resolution of the Authority and all the holders or owners of outstanding Parity Bonds and Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendments.

Section 49. REVOCATION OF CONSENT. Any consent given by the holder or owner of a Parity Bond or Additional Bond pursuant to the provisions hereof shall be irrevocable for a period of six months from the date of the first publication of the notice provided for herein, and shall be conclusive and binding upon all future holders and owners of the same Parity Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder or owner who gave such consent, or by a successor in title, by filing notice thereof with the paying agent and the Authority, but such revocation shall not be effective if the holders or owners of two-thirds aggregate principal amount of the Parity Bonds and Additional Bonds outstanding as herein defined have, prior to the attempted revocation, consented to and approved the amendment.

Section 50. PROOF OF OWNERSHIP. The fact of the holding of Parity Bonds and Additional Bonds by any Bondholder and the amount and numbers of such Parity Bonds and Additional Bonds, and the date of his holding same may be proved by the affidavit of the person claiming to be such holder or owner, or by a certificate executed by any trust company, bank, banker, or any other depository, wherever situated showing that on the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Parity Bonds or Additional Bonds described in such certificate. The Authority may conclusively assume that such ownership continues until written notice to the contrary is served upon the Authority. All matters relating to the ownership of fully registered Parity Bonds and Additional Bonds shall be ascertained from the registration books therefor kept by the registrar.

Section 51. 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 51(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 51(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds.

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

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

Section 52. 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 4 for Bonds issued in conversion and exchange for other Bonds.

Section 53. FEDERAL TAX COVENANTS. (a) General Tax Covenants Regarding Tax Exemption of Interest on the Bonds. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) 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 by deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on bond proceeds which are required to be rebated to the United States of America pursuant to Section 53(a) hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section 53(b).

(c) Disposition of Project. The Issuer covenants that the property constituting the Project financed with the proceeds of the Refunded Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer

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

Section 54. 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 55. 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 56. 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 Cities, the Issuer and the Cities 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 Cities in accordance with the Rule as promulgated by the SEC.

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

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

Section 57. SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the Issuer under Sections 6 and 15 of this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the Issuer under Sections 6 and 15 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 58. EXPIRATION OF AUTHORIZATION. The authority of the General Manager, as Authorized Officer, to sell the Bonds as described in Section 2 of this Resolution shall expire on the one-year anniversary date of the adoption of this Resolution by the Board.

Section 59. 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.

FORM OF BOND

The form of the Bond, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached only to the Bonds initially issued and delivered pursuant to this Resolution, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution and with the Bonds to be completed with information set forth in the Pricing Certificate. The Form of Bond as it appears in this Exhibit A shall be completed, amended and modified by Bond Counsel to incorporate the information set forth in the Pricing Certificate but it is not required for the Form of Bond to reproduced as an exhibit to the Pricing Certificate.

NO. R- PRINCIPAL AMOUNT $

UNITED STATES OF AMERICA
STATE OF TEXAS
TRINITY RIVER AUTHORITY OF TEXAS
(TARRANT COUNTY WATER PROJECT)
IMPROVEMENT AND/OR REFUNDING] REVENUE BONDS
SERIES ____

INTEREST RATE	DATE OF BONDS	MATURITY DATE	CUSIP NO.

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 Bonds as set forth above, on _____, ___ and semiannually thereafter on each _____ 1 and _____ 1 to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; 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. 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 Sinking 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 FOR THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS, BETTERMENTS, EXTENSIONS, AND REPLACEMENTS OF THE TRINITY RIVER AUTHORITY OF TEXAS TARRANT COUNTY WATER PROJECT AND/OR TO PAY THE COSTS OF REFUNDING CERTAIN MATURITIES OF THE SERIES 2005 BONDS OF THE ISSUER].

ON _____, ____, or on any date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, 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 _____ 1 in the years and principal amounts shown on the following schedule:

Term Bonds due [___] 1, [____]

Mandatory Redemption Date: __/1/20__	Principal Amount: $[___],000.00
Mandatory Redemption Date: __/1/20__*	Principal Amount: $[___],000.00

* Stated Maturity

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 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.

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 and other parity bonds, are special obligations of the Issuer payable from and secured by a first lien on and pledge of (1) the Issuer's Net Revenues from its water supply contracts, each dated as of January 21, 1972, and amended as of January 22, 1975, and as of December 5, 1979 (with respect to the City of Euless) and December 11, 1979 (with respect to the City of Bedford), with the Cities of Bedford and Euless, Texas, and its water supply contracts each dated as of April 25, 1979, and amended as of December 5, 1979, and as of April 23, 1980, with the Cities of Colleyville, Grapevine, and North Richland Hills, Texas, all relating to the Issuer's Tarrant County Water Project described in said contracts, all as more fully described in said contracts and in the Bond Resolution, to each of which reference is hereby made for all purposes, and (2) the Net Revenues the Issuer may receive from other parties, if any, with whom the Issuer may contract in the future for supplying treated water from the Issuer's Tarrant County Water Project.

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

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

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.

_____	_____
Secretary, Board of Directors Trinity River Authority of Texas	President, Board of Directors Trinity River Authority of Texas

(SEAL)

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 exchange for a bond or bonds, or a portion of a bond or bonds of a series that 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, N.A.
Dallas, Texas
Paying Agent/Registrar

By_____
Authorized Representative

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 type 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.

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)