

<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>
1980	\$150,000	1993	\$400,000
1981	200,000	1994	400,000
1982	200,000	1995	425,000
1983	225,000	1996	475,000
1984	225,000	1997	500,000
1985	250,000	1998	525,000
1986	250,000	1999	550,000
1987	275,000	2000	575,000
1988	300,000	2001	625,000
1989	300,000	2002	650,000
1990	325,000	2003	700,000
1991	350,000	2004	750,000
1992	375,000		

Section 4. Each of the Series 1979 Bonds shall bear interest from its date to its scheduled maturity, due date, or date of redemption prior to scheduled maturity, at the rate of 6.10% per annum. Such interest shall be evidenced by interest coupons which shall appertain and initially be attached to the Bonds, and which shall be payable on the dates and in the manner provided in the FORM OF BOND set forth in Section 6 of this Bond Resolution.

Section 5. The Series 1979 Bonds and the interest coupons appertaining thereto shall be issued, shall be payable, may be redeemed prior to their scheduled maturities, shall have the characteristics, and shall be signed and executed (and the Series 1979 Bonds shall be sealed), all as provided, and in the manner indicated, in the FORM OF BOND set forth in this 1979 Bond Resolution.

Section 6. The form of the Series 1979 Bonds, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on each of the Series 1979 Bonds, and the form of the aforesaid interest coupons which shall appertain and be attached initially to each of the Series 1979 Bonds, shall be, respectively, substantially as follows:

FORM OF BOND:

NO. _____ \$5,000

UNITED STATES OF AMERICA
STATE OF TEXAS
SABINE RIVER AUTHORITY OF TEXAS
SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES
REVENUE BOND
SERIES 1979
(LAKE FORK PROJECT)

ON DECEMBER 1, _____, SABINE RIVER AUTHORITY OF TEXAS (the "Authority") hereby promises to pay to bearer hereof the principal amount of

FIVE THOUSAND DOLLARS

and to pay interest thereon, from date hereof, at the rate of 6.10% per annum, evidenced by interest coupons payable JUNE 1, 1979, and semiannually thereafter on each DECEMBER 1 and JUNE 1 while this Bond is outstanding; provided that such principal and interest are payable solely from the revenues or payments hereinafter described, and from no other source.

THE PRINCIPAL of this Bond and the interest coupons appertaining hereto shall be payable to bearer, in lawful money of the United States of America, without exchange or collection charges to the bearer, upon presentation and surrender of this Bond or proper interest coupon, at the following, which collectively shall constitute and be defined as the "Paying Agent" for this Series of Bonds:

REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS,
OR, AT THE OPTION OF THE BEARER, AT
IRVING TRUST COMPANY, NEW YORK, NEW YORK.

THIS BOND is one of a Series of Bonds (the "Series 1979 Bonds") dated as of MARCH 1, 1979, authorized and issued in the principal amount of \$10,000,000, FOR THE PURPOSE OF PROVIDING WATER SUPPLY FACILITIES BY PROVIDING FUNDS FOR COMPLETING THE ACQUISITION AND CONSTRUCTION OF A DAM AND RESERVOIR ON LAKE FORK CREEK, A TRIBUTARY OF THE SABINE RIVER, IN WOOD, RAINS, AND HOPKINS COUNTIES, TEXAS (the "Water Supply Facilities").

ON DECEMBER 1, 1987, or on any interest payment date thereafter, the outstanding Series 1979 Bonds may be redeemed prior to their scheduled maturities, at the option of the Authority, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date.

Redemption Dates	Redemption Prices (%)
December 1, 1987 and June 1, 1988:	103
December 1, 1988 and June 1, 1989:	102-1/2
December 1, 1989 and June 1, 1990:	102
December 1, 1990 and June 1, 1991:	101-1/2
December 1, 1991 and June 1, 1992:	101
December 1, 1992 and June 1, 1993:	100-1/2
December 1, 1993, and each June 1 and December 1 thereafter :	100

THE SERIES 1979 BONDS ALSO are subject to redemption prior to their scheduled maturities, at the option of the Authority, as a whole, at any time, for the principal amount thereof, and accrued interest thereon to the date fixed for redemption, and without premium, if one or more of the following events or circumstances shall have occurred or exist:

(1) The Water Supply Facilities shall have been damaged or destroyed (i) to such extent that they cannot be reasonably restored within six months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Authority is thereby prevented from carrying on the normal operations of said facilities for a period of six months, or (iii) to such extent that the restoration cost of said facilities would exceed 25% of the cost of constructing said facilities.

(2) Title to, or the temporary use of, all or substantially all of said Water Supply Facilities, or such part thereof as shall, in the Authority's judgment, materially interfere with the operation of said facilities, for the purposes for which they are designed, shall have been taken under the exercise of the power of eminent domain (including such taking as results in the Authority being prevented from carrying on its normal operations of said facilities for a period of six months).

(3) As a result of changes in the Constitution of the United States, or of the State of Texas, or of legislative or administrative action of said State or any political subdivision thereof, or of the United States, or by final decree, judgment, or order of any court or administrative body entered after the contest thereof by the Authority in good faith, the operation and maintenance of said Water Supply Facilities by the Authority shall become, in the Authority's judgment, impracticable or impossible.

(4) The dam and reservoir proposed to be provided by the Authority as part of the Water Supply Facilities are not substantially completed by January 1, 1980, to the extent required to permit closure of the dam and commencement of impounding water in the reservoir in substantially the volume for which the dam and reservoir were designed, because of circumstances which the Authority could not reasonably control or overcome, including, but not limited to, the economic, legal, or other inability of the Authority to obtain the materials, supplies, labor, equipment, interests in land, and other things necessary to acquire and construct the dam and reservoir; and the Series 1979 Bonds may be so redeemed if the Authority files with the Trustee a certificate setting forth the pertinent circumstances, and stating that in the Authority's judgment it is not feasible to complete the dam and reservoir by January 1, 1981, under the circumstances, and such certificate shall be conclusive of the matters contained therein.

AT LEAST thirty days prior to the date fixed for any redemption of Series 1979 Bonds prior to their scheduled maturities a written notice of such redemption shall be published at least once in a financial publication published in the City of New York, New York, or in the City of Austin, Texas. By the date fixed for any such redemption due provision shall be made with the "Paying Agent" for the payment of the principal amount of the Series 1979 Bonds which are to be so redeemed and accrued interest thereon to the date fixed for redemption, plus any required premium. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Series 1979 Bonds which are to be so redeemed thereby automatically shall be 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 bearer to receive the redemption price from the "Paying Agent" out of the funds provided for such payment.

IT IS HEREBY certified and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special revenue obligation of said Authority with the principal of, redemption premium, if any, and interest on this Bond and the Series 1979 Bonds of which it is a part, together with the bonds of that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1974 (Lake Fork

Project), dated as of December 1, 1974, in the original principal amount of \$30,000,000 (the "Series 1974 Bonds"); that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1975 (Lake Fork Project), dated as of June 1, 1975, in the principal amount of \$40,000,000 (the "Series 1975 Bonds"), and that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1978 (Lake Fork Project), dated as of May 1, 1978, in the original principal amount of \$10,000,000 (the "Series 1978 Bonds"), being payable solely from, and secured equally and ratably on a parity by an irrevocable first lien on and pledge of, the revenues or payments designated as the "Semi-Annual Facilities Charges" to be made by Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company (collectively "The Corporations") pursuant to a Bond Amortization Contract (the "Contract") dated as of February 12, 1974, between the Authority and The Corporations; and The Corporations have agreed, and are unconditionally obligated to the Authority, severally (but not jointly) to pay, in the percentages hereinafter stated, said "Semi-Annual Facilities Charges" to the Trustee, for deposit into a Debt Service Fund, in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of, redemption premium, if any, and interest on this Bond, and the Series 1979 Bonds of which it is a part, and the Series 1974 Bonds, the Series 1975 Bonds, and the Series 1978 Bonds, when due, as required by the Contract, the resolution adopted on March 20, 1979, authorizing the Series 1979 Bonds (the "1979 Bond Resolution"), the resolution dated April 18, 1978, authorizing the Series 1978 Bonds (the "Series 1978 Bond Resolution"), the resolution dated July 15, 1975 authorizing the Series 1975 Bonds (the "1975 Bond Resolution"), the resolution dated November 7, 1974, authorizing the Series 1974 Bonds (the "1974 Bond Resolution"), and the Trust Indenture securing the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, and the Series 1979 Bonds, with each of The Corporations being unconditionally obligated to pay the percentage of the aggregate amount of each "Semi-Annual Facilities Charge" as follows:

Dallas Power & Light Company:	33-1/3%
Texas Electric Service Company:	33-1/3%
Texas Power & Light Company:	33-1/3%
TOTAL:	100%

THE SERIES 1979 BONDS, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds are further secured equally and ratably on a parity by a Trust Indenture, dated as of December 1, 1974, whereunder the REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS, or its successor, as Trustee, is custodian of the Debt Service Fund, and is obligated to enforce the rights of the holders of the Series 1979 Bonds, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds, and to perform other duties, in the manner and under the conditions stated or referred to in said Trust Indenture and in the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, and the 1979 Bond Resolution.

THE AUTHORITY has reserved the right, subject to the restrictions stated or referred to in the 1974 Bond Resolution, the 1975 Bond Resolution, the Series 1978 Bond Resolution, and the 1979 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 "Semi-Annual Facilities Charges".

THE AUTHORITY also has reserved the right to amend the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, the Series 1979 Bond Resolution, and the Trust Indenture, with the approval of the holders of two-thirds of the outstanding bonds secured by the Trust Indenture, subject to the restrictions stated or referred to in the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, and the 1979 Bond Resolution.

THE HOLDER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source whatsoever other than the pledged "Semi-Annual Facilities Charges".

IN WITNESS WHEREOF, this Bond and the interest coupons appertaining hereto have been signed with the facsimile signature of the President of the Board of Directors of said Authority, and countersigned with the facsimile signature of the Secretary of said Board of Directors, and the official seal of said Authority has been duly impressed, or placed in facsimile, on this Bond.

XXXXXXXXXX
Secretary, Board of Directors President, Board of Directors
XXXXXXXXXX

FORM OF REGISTRATION CERTIFICATE:

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

XXXXXXXXXX
Comptroller of Public Accounts of
the State of Texas.

FORM OF INTEREST COUPON:

NO. _____

ON _____ 1, _____

SABINE RIVER AUTHORITY OF TEXAS promises to pay to bearer, but solely from the pledged revenues or payments specified in the Bond to which this coupon is attached, the amount shown on this interest coupon, in lawful money of the United States of America (without exchange or collection charges to the bearer), unless due provision has been made for the redemption prior to scheduled maturity of the Bond to which this interest coupon appertains, upon presentation and surrender of this interest coupon, at
REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS,
OR, AT THE OPTION OF THE BEARER, AT
IRVING TRUST COMPANY, NEW YORK, NEW YORK,
said amount being interest coming due that day on the Bond, bearing the number hereinafter designated, of that issue of SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES REVENUE BONDS, SERIES 1979 (LAKE FORK PROJECT), DATED MARCH 1, 1979. The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source other than the pledged revenues or payments referred to above. Bond No. _____

XXXXXXXXXX
Secretary, Board of Directors President, Board of Directors
XXXXXXXXXX

Section 7. PLEDGE. (a) The Series 1979 Bonds authorized by the 1979 Bond Resolution are additional parity revenue bonds issued pursuant to the Contract, Section 14 of the 1974 Bond Resolution, and the Trust Indenture.

(b) The Series 1979 Bond, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds, and the redemption premium thereof, if any, and the interest on the Series 1979 Bonds, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds, are and shall be payable from, and secured equally and ratably on a parity by an irrevocable first lien on and pledge of, the payments designated as the "Semi-Annual Facilities Charges" to be made by The Corporations under the Contract, the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, and this 1979 Bond Resolution, and the Trust Indenture, and any amendments of, any of them; and said Semi-Annual Facilities Charges are further pledged irrevocably to the establishment and maintenance of the Debt Service Fund hereinafter described.

Section 8. SPECIAL FUND. The separate and special trust fund, designated and created as the "Debt Service Fund", by the Contract and the 1974 Bond Resolution, has been established by the Authority with the Trustee, and the Debt Service Fund is, hereby confirmed and shall be maintained as provided in the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, this 1979 Bond Resolution, and the Trust Indenture, as long as any of the Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds, Series 1979 Bonds, or interest coupons appertaining thereto, are outstanding and unpaid.

Section 9. DEBT SERVICE FUND. (a) The Corporations shall pay, or cause to be paid, to the Trustee, which shall deposit into the Debt Service Fund, the Semi-Annual Facilities Charges as follows:

- (1) on or before the last day of MAY, 1979, and semiannually, on or before the last day of each NOVEMBER and MAY thereafter, an amount which, together with any other amounts then on deposit therein for such purpose, will be sufficient to pay the interest coming due on the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, and the Series 1979 Bonds, on the next succeeding interest payment date; and
- (2) on or before the last day of NOVEMBER, 1980, and annually, on or before the last day of each NOVEMBER thereafter an amount which, together with any other amounts then on deposit therein for such purpose, will be sufficient to pay the principal of the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, and the Series 1979 Bonds maturing on the next succeeding principal payment date; and
- (3) by the date fixed for redemption of any of the Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds, or Series 1979 Bonds, called for redemption prior to their scheduled maturity, at the option of the Authority, as permitted in the FORM OF BOND set forth in the 1974 Bond Resolution, 1975 Bond Resolution, 1978 Bond Resolution, or 1979 Bond Resolution, respectively, an amount equal to the required redemption price; and

(4) on or before the last day of MAY, 1979, and semiannually, on or before the last day of each NOVEMBER and MAY thereafter, an amount equal to the charges of the Trustee for performing the duties of the Trustee, and the charges of the "Paying Agent" for the Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds, and Series 1979 Bonds for paying or redeeming the Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds and Series 1979 Bonds, and/or the interest coupons appertaining thereto coming due on the next succeeding interest payment date; and

(5) immediately, the principal amount of all Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds, and Series 1979 Bonds declared and becoming due and payable pursuant to the Trust Indenture because of an Event of Default, together with all interest accrued thereon.

(b) The Debt Service Fund shall be used by the Trustee only to pay the principal of, redemption premium, if any, and interest on the Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds, and Series 1979 Bonds, and any other additional parity revenue bonds hereafter issued, when due, and the charges of the Trustee and "Paying Agent", and the Trustee shall make available to the "Paying Agent", out of the Debt Service Fund, the amounts required to pay or redeem all principal of, redemption premium, if any, and interest on the Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds, and Series 1979 Bonds, when due.

Section 10. THE CORPORATIONS' PAYMENTS. The Corporations have agreed in the Contract, and by approving this 1979 Bond Resolution The Corporations have further unconditionally obligated themselves and agreed severally (but not jointly) to make, or cause to be made, payments to the Trustee in amounts, in the percentages specified below, sufficient to enable the Trustee to make the deposits required by Section 9(a) hereof to be made into the Debt Service Fund, and to make such payments on or before the dates specified in this 1979 Bond Resolution and the Trust Indenture; and said payments by The Corporations shall be and constitute the Semi-Annual Facilities Charges as contemplated and required by the Contract, this 1979 Bond Resolution, and the Trust Indenture; and each of The Corporations is unconditionally obligated to pay the percentage of the aggregate amount of each Semi-Annual Facilities Charge, as follows:

Dallas Power & Light Company:	33-1/3%
Texas Electric Service Company:	33-1/3%
Texas Power & Light Company:	33-1/3%
TOTAL:	100%

Section 11. BONDHOLDERS MAY RELY. The holders of the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, and Series 1979 Bonds are and shall be entitled to rely unconditionally on the agreements, covenants, and representations set forth in the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, this 1979 Bond Resolution, and the Trust Indenture. It is understood and agreed, however, that each of The Corporations is obligated solely to pay its respective percentage of each Semi-Annual Facilities Charge as specified above; and none of The Corporations shall be obligated

to pay any part of any Semi-Annual Facilities Charge which any other of The Corporations is obligated to pay as specified above. It is further understood and agreed that each of The Corporations may prepay all or any part of its percentage of each Semi-Annual Facilities Charge, and any such prepayment, and any earnings thereon, shall be applied by the Trustee to the payment of the percentage of Semi-Annual Facilities Charges payable by the one of The Corporations which made such prepayment; provided that the redemption of any outstanding Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds or Series 1979 Bonds prior to maturity at any time, with funds from any source (whether from Semi-Annual Facilities Charges or otherwise), shall not relieve any of The Corporations of the unconditional obligation to pay its percentage of each Semi-Annual Facilities Charge, as specified above, when due with respect to any remaining outstanding Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds, or Series 1979 Bonds.

Section 12. 1974, 1975, AND 1978 BOND RESOLUTIONS AND TRUST INDENTURE. (a) Sections 7 through 11 of this 1979 Bond Resolution are supplemental to and cumulative of Sections 7 through 11 of the 1974 Bond Resolution, the 1975 Bond Resolution, and the 1978 Bond Resolution, so as to be applicable to the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, and the Series 1979 Bonds, and set forth the aggregate Semi-Annual Facilities Charges required for the Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds, and Series 1979 Bonds.

(b) Sections 12 through 17 of the 1974 Bond Resolution are hereby adopted by reference and shall be and are hereby made applicable to the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, and the Series 1979 Bonds, equally and ratably on a parity for all purposes, and the term "Bonds" as used therein shall mean and include the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, and the Series 1979 Bonds, and the term "Resolution" as used therein shall mean and include the 1974 Bond Resolution, 1975 Bond Resolution, 1978 Bond Resolution and the 1979 Bond Resolution.

(c) The Trust Indenture authorized and executed pursuant to the 1974 Bond Resolution is hereby adopted by reference, made applicable to, and shall secure, the Series 1974 Bonds, Series 1975 Bonds, Series 1978 Bonds, and Series 1979 Bonds equally and ratably on a parity, in accordance with terms of the Contract, the Series 1974 Bond Resolution, and the Trust Indenture, with respect to additional parity revenue bonds issued pursuant to the Contract, Section 14 of the 1974 Bond Resolution, and the Trust Indenture.

(d) A certified copy of this 1979 Bond Resolution shall be delivered to the Trustee under the aforesaid Trust Indenture.

Section 13. CONSTRUCTION FUND. In accordance with the Contract and the Facilities Agreement, and immediately after the sale and delivery of the Series 1979 Bonds, the Authority shall deposit into the separate and special Construction Fund (which was created pursuant to Section 18 of the 1974 Bond Resolution, and which has been established at one or more of the Authority's official depositories) all of the proceeds from the sale of the Series 1979 Bonds. The Construction Fund shall be drawn on and used by the Authority to pay the

costs of completing the acquisition and construction of the Authority's water supply facilities for which the Series 1979 Bonds are being issued, and to pay the costs and expenses of issuing the Series 1979 Bonds. As a part of the cost of constructing said facilities the Authority shall transfer from such proceeds of the Series 1979 Bonds, if any, then available in the Construction Fund, and deposit to the credit of the Debt Service Fund, on or before the last day of MAY, 1979, and semiannually on or before the last day of each NOVEMBER and MAY thereafter, an amount sufficient to pay the interest, coming due on the Series 1979 Bonds on each interest payment date during the period of construction of said Facilities. Any surplus remaining in the Construction Fund after the completion of said facilities shall be deposited into the Debt Service Fund. All deposits actually made from the Construction Fund into the Debt Service Fund shall reduce, to the extent of such deposits, the amounts which otherwise would be required to be deposited into the Debt Service Fund from Semi-Annual Facilities Charges.

Section 14. APPROVAL AND REGISTRATION OF BONDS: The President of the Board of Directors of the Authority is hereby authorized to have control of the Series 1979 Bonds and all necessary records and proceedings pertaining to the Series 1979 Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Series 1979 Bonds, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate prescribed herein to be printed and endorsed on each Series 1979 Bond, and the seal of said Comptroller shall be impressed, or printed, or lithographed on each of the Series 1979 Bonds.

Section 15. NO ARBITRAGE. That the Authority covenants to and with the purchasers of the Series 1979 Bonds that it will make no use of the proceeds of the Series 1979 Bonds at any time throughout the term of this issue of Series 1979 Bonds which, if such use had been reasonably expected on the date of delivery of the Series 1979 Bonds to and payment for the Series 1979 Bonds by the purchasers, would have caused the Series 1979 Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, or any regulations or rulings pertaining thereto; and by this covenant the Authority is obligated to comply with the requirements of the aforesaid Section 103(c) and all applicable and pertinent Department of the Treasury regulations relating to arbitrage bonds. The Authority further covenants that the proceeds of the Series 1979 Bonds will not otherwise be used directly or indirectly so as to cause all or any part of the Series 1979 Bonds to be or become arbitrage bonds within the meaning of the aforesaid Section 103(c), or any regulations or rulings pertaining thereto.

Section 16. EMERGENCY. It is hereby officially found and determined: that a case of emergency or urgent public necessity exists which requires the holding of the meeting at which this 1979 Bond Resolution is adopted, such emergency or urgent public necessity being that the proceeds from the sale of the Series 1979 Bonds are required as soon as possible and without delay for necessary and urgently needed public improvements; and that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Vernon's Ann. Civ. St. Article 6252-17.

Section 17. SALE OF BONDS. The Series 1979 Bonds are hereby sold, in accordance with law, and shall be delivered to Texas Commerce Bank, N.A., Houston, Texas, for the price of par and accrued interest to the date of payment and delivery, and it is hereby determined by the Board of Directors of the Authority that such price and terms are the most advantageous reasonably obtainable.

CERTIFICATE FOR
RESOLUTION AUTHORIZING THE ISSUANCE OF SABINE RIVER
AUTHORITY OF TEXAS WATER SUPPLY FACILITIES REVENUE
BONDS, SERIES 1980 (LAKE FORK PROJECT), \$10,000,000

THE STATE OF TEXAS :
SABINE RIVER AUTHORITY OF TEXAS :

We, the undersigned officers of the Board of Directors
of said Authority, hereby certify as follows:

1. The Board of Directors of said Authority convened in
SPECIAL MEETING ON THE 10TH DAY OF MARCH, 1980,
at the designated meeting place, and the roll was called of the
duly constituted officers and members of said Board, to-wit:

John H. Butts, Secretary, Juan Nichols, President
C. C. Rice, Ben B. Pegues, Vice President
James E. Campbell, L. E. "Red" Davis
E. A. Meek, Olin V. Joffrion
Charles T. Wickersham


and all of said persons were present, except the following
absentees: Charles T. Wickersham
thus constituting a quorum. Whereupon, among other business,
the following was transacted at said Meeting: a written
RESOLUTION AUTHORIZING THE ISSUANCE OF SABINE RIVER
AUTHORITY OF TEXAS WATER SUPPLY FACILITIES REVENUE
BONDS, SERIES 1980 (LAKE FORK PROJECT), \$10,000,000
was duly introduced for the consideration of said Board and
read in full. It was then duly moved and seconded that said
Resolution be adopted; and, after due discussion, said motion,
carrying with it the adoption of said Resolution, prevailed
and carried by the following vote:

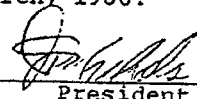
AYES: All members of said Board shown
present above voted "Aye".

NOES: None.

2. That a true, full, and correct copy of the aforesaid
Resolution adopted at the Meeting described in the above and
foregoing paragraph is attached to and follows this Certificate;
that said Resolution has been duly recorded in said Board's
minutes of said Meeting; that the above and foregoing paragraph
is a true, full, and correct excerpt from said Board's minutes
of said Meeting pertaining to the adoption of said Resolution;
that the persons named in the above and foregoing paragraph are
the duly chosen, qualified, and acting officers and members of
said Board as indicated therein; and that each of the officers
and members of said Board was duly and sufficiently notified
officially and personally, in advance, of the time, place, and
purpose of the aforesaid Meeting, and that said Resolution
would be introduced and considered for adoption at said Meet-
ing, and each of said officers and members consented, in ad-
vance, to the holding of said Meeting for such purpose; and
that said Meeting was open to the public, and public notice
of the time, place, and purpose of said meeting was given, all
as required by Vernon's Ann. Civ. St. Article 6251-17.

SIGNED AND SEALED the 10th day of March, 1980.


Secretary


President

(SEAL)

SERIES 1980 BOND RESOLUTION

RESOLUTION AUTHORIZING THE ISSUANCE OF
SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES
REVENUE BONDS, SERIES 1980
(LAKE FORK PROJECT), \$10,000,000

THE STATE OF TEXAS :
SABINE RIVER AUTHORITY OF TEXAS :

WHEREAS, Sabine River Authority of Texas (the "Authority") is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by Vernon's Ann. Civ. St. Article 8280-133, pursuant to Article 16, Section 59 of the Texas Constitution; and

WHEREAS, a "Bond Amortization Contract", dated as of February 12, 1974 (the "Contract"), has been duly executed between the Authority and Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company (collectively "The Corporations"), acting therein by and through Texas Utilities Generating Company (the "Agent") as their agent; and

WHEREAS, each of The Corporations and the Agent is a corporation duly incorporated under the laws of the State of Texas; and

WHEREAS, the Water Supply Facilities Agreement (the "Facilities Agreement"), described and adopted by reference in the Contract, was executed between the Authority and The Corporations, acting therein by and through the Agent, and was dated as of February 12, 1974, and provides for the acquisition, construction, operation, and maintenance by the Authority of the water supply facilities to be financed with the proceeds from the sale and delivery of the Bonds; and

WHEREAS, this preamble shall constitute an integral part of this bond resolution; and

WHEREAS, pursuant to the Contract there have been issued and are presently outstanding the bonds (the "Series 1974 Bonds") of that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1974 (Lake Fork Project), dated as of December 1, 1974, in the principal amount of \$30,000,000, authorized by resolution (the "1974 Bond Resolution") adopted by the Board of Directors of the Authority on November 7, 1974; and

WHEREAS, pursuant to, and in the form prescribed by, the 1974 Bond Resolution, a trust indenture (the "Trust Indenture") dated as of December 1, 1974, was executed by and between the Authority and Republic National Bank of Dallas, Dallas, Texas, as Trustee, to provide additional security for the payment of the Series 1974 Bonds and all additional parity revenue bonds authorized to be issued by the 1974 Bond Resolution; and

WHEREAS, the Contract, the 1974 Bond Resolution, and the Trust Indenture are hereby adopted by reference for all purposes, with the same effect as if they had been set forth in their entirety in this 1980 Bond Resolution; and

WHEREAS, both the Contract and Section 14 of the 1974 Bond Resolution provide for the issuance by the Authority of additional parity revenue bonds for the purpose of completing the acquisition and construction of the water supply facilities for which the Series 1974 Bonds were issued, with such additional parity revenue bonds to be considered, constitute, and be

"Bonds" as defined in the 1974 Bond Resolution and in the Contract, to be, when issued and delivered, payable from and secured by a first lien on and pledge of the "Semi-Annual Facilities Charges" as provided in the Contract, and secured by the Trust Indenture, in the same manner and to the same extent as the Series 1974 Bonds; and

WHEREAS, the bonds (the "Series 1975 Bonds") authorized to be issued by the bond resolution of the Board adopted on July 15, 1975 (the "1975 Bond Resolution"), the bonds (the "Series 1978 Bonds") authorized by the bond resolution of the Board adopted on April 18, 1978 (the "Series 1978 Bond Resolution") and the bonds (the "Series 1979 Bonds") authorized by the bond resolution adopted on March 20, 1979 (the "Series 1979 Bond Resolution") were duly issued and delivered pursuant to Vernon's Ann. Civ. St. Article 8280-133, as amended; as additional parity revenue bonds; and

WHEREAS, the bonds (the "Series 1980 Bonds") authorized by this Resolution (the "1980 Bond Resolution") are to be issued and delivered pursuant to Vernon's Ann. Civ. St. Article 8280-133, as amended, as additional parity revenue bonds; and

WHEREAS, the Series 1980 Bonds are required as, and will constitute, additional parity revenue bonds issued pursuant to the Contract, Section 14 of the 1974 Bond Resolution, and the Trust Indenture; and

WHEREAS, The Corporations, acting by and through the Agent, will duly approve this 1980 Bond Resolution, prior to the delivery of the Series 1980 Bonds, as required by the Contract and Section 14 of the 1974 Bond Resolution; and

WHEREAS, as provided in the Contract, by approving this 1980 Bond Resolution, The Corporations will have agreed and acknowledged that the Series 1980 Bonds are issued in accordance and compliance with the Contract, and that, upon the sale and delivery of the Series 1980 Bonds, The Corporations will be unconditionally obligated to the Authority to pay to the Trustee the "Semi-Annual Facilities Charges" as required by the Contract, the 1980 Bond Resolution, and the Trust Indenture, in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of, redemption premium, if any, and interest on the Series 1980 Bonds, in addition to the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, and the Series 1979 Bonds, when due, all as required by this 1980 Bond Resolution and the Trust Indenture.

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

Section 1. The Authority's negotiable bonds are authorized to be issued in the principal amount of \$10,000,000, FOR THE PURPOSE OF PROVIDING WATER SUPPLY FACILITIES BY PROVIDING FUNDS FOR COMPLETING THE ACQUISITION AND CONSTRUCTION OF A DAM AND RESERVOIR ON LAKE FORK CREEK, A TRIBUTARY OF THE SABINE RIVER, IN WOOD, RAINS, AND HOPKINS COUNTIES, TEXAS.

Section 2. The Series 1980 Bonds are designated and shall be known as the "SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES REVENUE BONDS, SERIES 1980 (LAKE FORK PROJECT)".

Section 3. The Series 1980 Bonds shall be dated MARCH 1, 1980, shall be in the denomination of \$5,000 each, shall be numbered consecutively from one upward, and shall mature, unless redeemed prior to maturity as hereinafter provided, on DECEMBER 1 in each of the years, and in the amounts, respectively, as set forth in the following schedule:

<u>YEAR</u>	<u>AMOUNT</u>
2000	\$5,000,000
2001	5,000,000

Section 4. Each of the Series 1980 Bonds shall bear interest from its date to its scheduled maturity, due date, or date of redemption prior to scheduled maturity, at the rate of 8-3/4% per annum. Such interest shall be evidenced by interest coupons which shall appertain and initially be attached to the Bonds, and which shall be payable on the dates and in the manner provided in the FORM OF BOND set forth in Section 6 of this Bond Resolution.

Section 5. The Series 1980 Bonds and the interest coupons appertaining thereto shall be issued, shall be payable, may be redeemed prior to their scheduled maturities, shall have the characteristics, and shall be signed and executed (and the Series 1980 Bonds shall be sealed), all as provided, and in the manner indicated, in the FORM OF BOND set forth in this 1980 Bond Resolution.

Section 6. The form of the Series 1980 Bonds, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on each of the Series 1980 Bonds, and the form of the aforesaid interest coupons which shall appertain and be attached initially to each of the Series 1980 Bonds, shall be, respectively, substantially as follows:

FORM OF BOND:

NO. _____

\$5,000

UNITED STATES OF AMERICA
STATE OF TEXAS
SABINE RIVER AUTHORITY OF TEXAS
SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES
REVENUE BOND
SERIES 1980
(LAKE FORK PROJECT)

ON DECEMBER 1, _____, SABINE RIVER AUTHORITY OF TEXAS (the "Authority") hereby promises to pay to bearer hereof the principal amount of

FIVE THOUSAND DOLLARS

and to pay interest thereon, from date hereof, at the rate of 8-3/4% per annum, evidenced by interest coupons payable JUNE 1, 1980, and semiannually thereafter on each DECEMBER 1 and JUNE 1 while this Bond is outstanding; provided that such principal and interest are payable solely from the revenues or payments hereinafter described, and from no other source.

THE PRINCIPAL of this Bond and the interest coupons appertaining hereto shall be payable to bearer, in lawful money of the United States of America, without exchange or collection

charges to the bearer, upon presentation and surrender of this Bond or proper interest coupon, at the following, which collectively shall constitute and be defined as the "Paying Agent" for this Series of Bonds:

REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS,
OR, AT THE OPTION OF THE BEARER, AT
IRVING TRUST COMPANY, NEW YORK, NEW YORK.

THIS BOND is one of a Series of Bonds (the "Series 1980 Bonds") dated as of MARCH 1, 1980, authorized and issued in the principal amount of \$10,000,000, FOR THE PURPOSE OF PROVIDING WATER SUPPLY FACILITIES BY PROVIDING FUNDS FOR COMPLETING THE ACQUISITION AND CONSTRUCTION OF A DAM AND RESERVOIR ON LAKE FORE CREEK, A TRIBUTARY OF THE SABINE RIVER, IN WOOD, RAINS, AND HOPKINS COUNTIES, TEXAS (the "Water Supply Facilities").

ON JUNE 1, 1990, or on any interest payment date thereafter, the outstanding Series 1980 Bonds may be redeemed prior to their scheduled maturities, at the option of the Authority, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date.

Redemption Dates	Redemption Prices (%)
June 1, 1990 and December 1, 1990	103
June 1, 1991 and December 1, 1991	102-1/2
June 1, 1992 and December 1, 1992	102
June 1, 1993 and December 1, 1993	101-1/2
June 1, 1994 and December 1, 1994	101
June 1, 1995 and December 1, 1995	100-1/2
June 1, 1996 and each December 1 and June 1 thereafter	100

THE SERIES 1980 BONDS ALSO are subject to redemption prior to their scheduled maturities, at the option of the Authority, as a whole, at any time, for the principal amount thereof, and accrued interest thereon to the date fixed for redemption, and without premium, if one or more of the following events or circumstances shall have occurred or exist:

(1) The Water Supply Facilities shall have been damaged or destroyed (i) to such extent that they cannot be reasonably restored within six months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Authority is thereby prevented from carrying on the normal operations of said facilities for a period of six months, or (iii) to such extent that the restoration cost of said facilities would exceed 25% of the cost of constructing said facilities.

(2) Title to, or the temporary use of, all or substantially all of said Water Supply Facilities, or such part thereof as shall, in the Authority's judgment, materially interfere with the operation of said facilities, for the purposes for which they are designed, shall have been taken under the exercise of the power of eminent domain (including such taking as results in the Authority being prevented from carrying on its normal operations of said facilities for a period of six months).

(3) As a result of changes in the Constitution of the United States, or of the State of Texas, or of legislative or administrative action of said State or any political subdivision thereof, or of the United States, or by final decree, judgment, or order of any court or administrative body entered after the contest thereof by the Authority in good faith, the operation and maintenance of said Water Supply Facilities by the Authority shall become, in the Authority's judgment, impracticable or impossible.

(4) The dam and reservoir proposed to be provided by the Authority as part of the Water Supply Facilities are not substantially completed by January 1, 1981, to the extent required to permit closure of the dam and commencement of impounding water in the reservoir in substantially the volume for which the dam and reservoir were designed, because of circumstances which the Authority could not reasonably control or overcome, including, but not limited to, the economic, legal, or other inability of the Authority to obtain the materials, supplies, labor, equipment, interests in land, and other things necessary to acquire and construct the dam and reservoir; and the Series 1980 Bonds may be so redeemed if the Authority files with the Trustee a certificate setting forth the pertinent circumstances, and stating that in the Authority's judgment it is not feasible to complete the dam and reservoir by January 1, 1981, under the circumstances, and such certificate shall be conclusive of the matters contained therein.

AT LEAST thirty days prior to the date fixed for any redemption of Series 1980 Bonds prior to their scheduled maturities a written notice of such redemption shall be published at least once in a financial publication published in the City of New York, New York, or in the City of Austin, Texas. By the date fixed for any such redemption due provision shall be made with the "Paying Agent" for the payment of the principal amount of the Series 1980 Bonds which are to be so redeemed and accrued interest thereon to the date fixed for redemption, plus any required premium. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Series 1980 Bonds which are to be so redeemed thereby automatically shall be 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 bearer to receive the redemption price from the "Paying Agent" out of the funds provided for such payment.

IT IS HEREBY certified and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special revenue obligation of said Authority with the principal of, redemption premium, if any, and interest on this Bond and the Series 1980 Bonds of which it is a part, together with the bonds of that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1974 (Lake Fork Project), dated as of December 1, 1974, in the original principal amount of \$30,000,000 (the "Series 1974 Bonds"), that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1975 (Lake Fork Project), dated as

of June 1, 1975, in the principal amount of \$40,000,000 (the "Series 1975 Bonds"), that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1978 (Lake Fork Project), dated as of May 1, 1978, in the original principal amount of \$10,000,000 (the "Series 1978 Bonds"), and that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1979 (Lake Fork Project), dated as of March 1, 1979, in the principal amount of \$10,000,000 (the "Series 1979 Bonds"), being payable solely from, and secured equally and ratably on a parity by an irrevocable first lien on and pledge of, the revenues or payments designated as the "Semi-Annual Facilities Charges" to be made by Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company (collectively "The Corporations") pursuant to a Bond Amortization Contract (the "Contract") dated as of February 12, 1974, between the Authority and The Corporations; and The Corporations have agreed, and are unconditionally obligated to the Authority, severally (but not jointly) to pay, in the percentages hereinafter stated, said "Semi-Annual Facilities Charges" to the Trustee, for deposit into a Debt Service Fund, in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of, redemption premium, if any, and interest on this Bond, and the Series 1980 Bonds of which it is a part, and the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, and the Series 1979 Bonds, when due, as required by the Contract, the resolution adopted on March 10, 1980, authorizing the Series 1980 Bonds (the "1980 Bond Resolution"), the resolution adopted on March 20, 1979, authorizing the Series 1979 Bonds (the "1979 Bond Resolution"), the resolution adopted on April 18, 1978, authorizing the Series 1978 Bonds (the "Series 1978 Bond Resolution"), the resolution adopted on July 15, 1975 authorizing the Series 1975 Bonds (the "1975 Bond Resolution"), the resolution adopted November 7, 1974 authorizing the Series 1974 Bonds (the "1974 Bond Resolution"), and the Trust Indenture securing the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, the Series 1979 Bonds, and the Series 1980 Bonds, with each of The Corporations being unconditionally obligated to pay the percentage of the aggregate amount of each "Semi-Annual Facilities Charge" as follows:

Dallas Power & Light Company:	33-1/3%
Texas Electric Service Company:	33-1/3% Texas
Texas Power & Light Company:	33-1/3%
TOTAL:	100%

THE SERIES 1980 BONDS, the Series 1979 Bonds, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds are further secured equally and ratably on a parity by a Trust Indenture, dated as of December 1, 1974, whereunder the REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS, or its successor, as Trustee, is custodian of the Debt Service Fund, and is obligated to enforce the rights of the holders of the Series 1980 Bonds, the Series 1979 Bonds, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds, and to perform other duties, in the manner and under the conditions stated or referred to in said Trust Indenture and in the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, the 1979 Bond Resolution, and the 1980 Bond Resolution.

THE AUTHORITY has reserved the right, subject to the restrictions stated or referred to in the 1974 Bond Resolution, the 1975 Bond Resolution, the Series 1978 Bond Resolution, the 1979 Bond Resolution, and the 1980 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 "Semi-Annual Facilities Charges".

THE AUTHORITY also has reserved the right to amend the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, the Series 1979 Bond Resolution, the 1980 Bond Resolution, and the Trust Indenture, with the approval of the holders of two-thirds of the outstanding bonds secured by the Trust Indenture, subject to the restrictions stated or referred to in the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, the 1979 Bond Resolution, or the 1980 Bond Resolution.

THE HOLDER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source whatsoever other than the pledged "Semi-Annual Facilities Charges".

IN WITNESS WHEREOF, this Bond and the interest coupons appertaining hereto have been signed with the facsimile signature of the President of the Board of Directors of said Authority, and countersigned with the facsimile signature of the Secretary of said Board of Directors, and the official seal of said Authority has been duly impressed, or placed in facsimile, on this Bond.

XXXXXXXXXX
Secretary, Board of Directors President, Board of Directors

FORM OF REGISTRATION CERTIFICATE:

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

XXXXXXXXXX
Comptroller of Public Accounts of
the State of Texas

FORM OF INTEREST COUPON:

NO. _____ \$ _____
ON _____ 1, _____

SABINE RIVER AUTHORITY OF TEXAS
promises to pay to bearer, but solely from the pledged revenues or payments specified in the Bond to which this coupon is attached, the amount shown on this interest coupon, in lawful money of the United States of America (without exchange or collection charges to the bearer), unless due provision has been made for the redemption prior to scheduled maturity of the Bond to which this interest coupon appertains, upon presentation and surrender of this interest coupon, at

REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS,

OR, AT THE OPTION OF THE BEARER, AT

IRVING TRUST COMPANY, NEW YORK, NEW YORK,

said amount being interest coming due that day on the Bond, bearing the number hereinafter designated, of that issue of SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES REVENUE BONDS, SERIES 1980 (LAKE FORK PROJECT), DATED MARCH 1, 1980. The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source other than the pledged revenues or payments referred to above. Bond No. _____

XXXXXXXXXX
Secretary, Board of Directors President, Board of Directors

Section 7. PLEDGE. (a) The Series 1980 Bonds authorized by the 1980 Bond Resolution are additional parity revenue bonds issued pursuant to the Contract, ~~Section 14 of the 1974 Bond Resolution~~, and the Trust Indenture.

(b) The Series 1980 Bonds, the Series 1979 Bonds, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds (hereinafter collectively called the "Bonds"), and the redemption premium thereof, if any, and the interest on the Bonds, are and shall be payable from, and secured equally and ratably on a parity by an irrevocable first lien on and pledge of, the payments designated as the "Semi-Annual Facilities Charges" to be made by The Corporations under the Contract, the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, the 1979 Bond Resolution, and this 1980 Bond Resolution (hereinafter collectively called the "Bond Resolution"), and the Trust Indenture, and any amendments of any of them; and said Semi-Annual Facilities Charges are further pledged irrevocably to the establishment and maintenance of the Debt Service Fund hereinafter described.

Section 8. SPECIAL FUND. The separate and special trust Fund, designated and created as the "Debt Service Fund", by the Contract and the 1974 Bond Resolution, has been established by the Authority with the Trustee, and the Debt Service Fund is hereby confirmed and shall be maintained as provided in the Bond Resolution and the Trust Indenture, as long as any of the Bonds, or interest coupons appertaining thereto, are outstanding and unpaid.

Section 9. DEBT SERVICE FUND. (a) The Corporations shall pay, or cause to be paid, to the Trustee, which shall deposit into the Debt Service Fund, the Semi-Annual Facilities Charges as follows:

- (1) on or before the last day of MAY, 1980, and semiannually, on or before the last day of each NOVEMBER and MAY thereafter, an amount which, together with any other amounts then on deposit therein for such purpose, will be sufficient to pay the interest coming due on the Bonds on the next succeeding interest payment date; and
- (2) on or before the last day of NOVEMBER, 1980, and annually, on or before the last day of each NOVEMBER thereafter an amount which, together with any other amounts then on deposit therein for such purpose, will be sufficient to pay the principal of the Bonds maturing on the next succeeding principal payment date; and
- (3) by the date fixed for redemption of any of the Bonds, at the option of the Authority, as permitted in the FORM OF BOND set forth in each Bond Resolution, respectively, an amount equal to the required redemption price; and
- (4) on or before the last day of MAY, 1980, and semiannually, on or before the last day of each NOVEMBER and MAY thereafter, an amount equal to the charges of the Trustee for performing the duties of the Trustee, and the charges of the "Paying Agent" for the Bonds, and/or the interest coupons appertaining thereto coming due on the next succeeding interest payment date; and

(5) immediately, the principal amount of all of the Bonds declared and becoming due and payable pursuant to the Trust Indenture because of an Event of Default, together with all interest accrued thereon.

(b) The Debt Service Fund shall be used by the Trustee only to pay the principal of, redemption premium, if any, and interest on the Bonds and any other additional parity revenue bonds hereafter issued, when due, and the charges of the Trustee and "Paying Agent", and the Trustee shall make available to the "Paying Agent", out of the Debt Service Fund, the amounts required to pay or redeem all principal of, redemption premium, if any, and interest on the Bonds when due.

Section 10. THE CORPORATIONS' PAYMENTS. The Corporations have agreed in the Contract, and by approving this 1980 Bond Resolution The Corporations have further unconditionally obligated themselves and agreed severally (but not jointly) to make, or cause to be made, payments to the Trustee in amounts, in the percentages specified below, sufficient to enable the Trustee to make the deposits required by Section 9(a) hereof to be made into the Debt Service Fund, and to make such payments on or before the dates specified in this 1980 Bond Resolution and the Trust Indenture; and said payments by The Corporations shall be and constitute the Semi-Annual Facilities Charges as contemplated and required by the Contract, this 1980 Bond Resolution, and the Trust Indenture; and each of The Corporations is unconditionally obligated to pay the percentage of the aggregate amount of each Semi-Annual Facilities Charge, as follows:

Dallas Power & Light Company:	33-1/3%
Texas Electric Service Company:	33-1/3%
Texas Power & Light Company:	33-1/3%
TOTAL:	100%

Section 11. BONDHOLDERS MAY RELY. The holders of the Bonds are and shall be entitled to rely unconditionally on the agreements, covenants, and representations set forth in the Bond Resolutions and the Trust Indenture. It is understood and agreed, however, that each of The Corporations is obligated solely to pay its respective percentage of each Semi-Annual Facilities Charge as specified above; and none of The Corporations shall be obligated to pay any part of any Semi-Annual Facilities Charge which any other of The Corporations is obligated to pay as specified above. It is further understood and agreed that each of The Corporations may prepay all or any part of its percentage of each Semi-Annual Facilities Charge, and any such prepayment, and any earnings thereon, shall be applied by the Trustee to the payment of the percentage of Semi-Annual Facilities Charges payable by the one of The Corporations which made such prepayment; provided that the redemption of any outstanding Bonds prior to maturity at any time, with funds from any source (whether from Semi-Annual Facilities Charges or otherwise), shall not relieve any of The Corporations of the unconditional obligation to pay its percentage of each Semi-Annual Facilities Charge, as specified above, when due with respect to any remaining outstanding Bonds.

Section 12. 1974, 1975, 1978, AND 1979 BOND RESOLUTIONS AND TRUST INDENTURE. (a) Sections 7 through 11 of this 1980 Bond Resolution are supplemental to and cumulative of Sections 7 through 11 of the other Bond Resolutions, so as to be applicable to all of the Bonds, and set forth the aggregate Semi-Annual Facilities Charges required for all of the Bonds.

(b) Sections 12 through 17 of the 1974 Bond Resolution are hereby adopted by reference and shall be and are hereby made applicable to all of the Bonds, equally and ratably on a parity for all purposes, and the term "Bonds" as used therein shall mean and include all of the Bonds, and the term "Resolution" as used therein shall mean and include all of the Bond Resolutions.

(c) The Trust Indenture authorized and executed pursuant to the 1974 Bond Resolution is hereby adopted by reference, made applicable to, and shall secure, all of the Bonds equally and ratably on a parity, in accordance with terms of the Contract, the Series 1974 Bond Resolution, and the Trust Indenture, with respect to additional parity revenue bonds issued pursuant to the Contract, Section 14 of the 1974 Bond Resolution, and the Trust Indenture.

(d) A certified copy of this 1980 Bond Resolution shall be delivered to the Trustee under the aforesaid Trust Indenture.

Section 13. CONSTRUCTION FUND. In accordance with the Contract and the Facilities Agreement, and immediately after the sale and delivery of the Series 1980 Bonds, the Authority shall deposit into the separate and special Construction Fund (which was created pursuant to Section 18 of the 1974 Bond Resolution, and which has been established at one or more of the Authority's official depositories) all of the proceeds from the sale of the Series 1980 Bonds. The Construction Fund shall be drawn on and used by the Authority to pay the costs of completing the acquisition and construction of the Authority's water supply facilities for which the Series 1980 Bonds are being issued, and to pay the costs and expenses of issuing the Series 1980 Bonds. As a part of the cost of constructing said facilities the Authority shall transfer from such proceeds of the Series 1980 Bonds, if any, then available in the Construction Fund, and deposit to the credit of the Debt Service Fund, on or before the last day of MAY, 1980, and semiannually on or before the last day of each NOVEMBER and MAY thereafter, an amount sufficient to pay the interest coming due on the Series 1980 Bonds on each interest payment date during the period of construction of said Facilities. Any surplus remaining in the Construction Fund after the completion of said Facilities shall be deposited into the Debt Service Fund. All deposits actually made from the Construction Fund into the Debt Service Fund shall reduce, to the extent of such deposits, the amounts which otherwise would be required to be deposited into the Debt Service Fund from Semi-Annual Facilities Charges.

Section 14. APPROVAL AND REGISTRATION OF BONDS. The President of the Board of Directors of the Authority is hereby authorized to have control of the Series 1980 Bonds and all necessary records and proceedings pertaining to the Series 1980 Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Series 1980 Bonds, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificates prescribed herein to be printed and endorsed on each Series 1980 Bond, and the seal of said Comptroller shall be impressed, or printed, or lithographed on each of the Series 1980 Bonds.

Section 15. NO ARBITRAGE. That the Authority covenants to and with the purchasers of the Series 1980 Bonds that it will make no use of the proceeds of the Series 1980 Bonds at

any time throughout the term of this issue of Series 1980 Bonds which, if such use had been reasonably expected on the date of delivery of the Series 1980 Bonds to and payment for the Series 1980 Bonds by the purchasers, would have caused the Series 1980 Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, or any regulations or rulings pertaining thereto; and by this covenant the Authority is obligated to comply with the requirements of the aforesaid Section 103(c) and all applicable and pertinent Department of the Treasury regulations relating to arbitrage bonds. The Authority further covenants that the proceeds of the Series 1980 Bonds will not otherwise be used directly or indirectly so as to cause all or any part of the Series 1980 Bonds to be or become arbitrage bonds within the meaning of the aforesaid Section 103(c), or any regulations or rulings pertaining thereto.

Section 16. SALE OF BONDS. The Series 1980 Bonds are hereby sold, in accordance with law, and shall be delivered to the State Farm Insurance Group, for the price of par and accrued interest to the date of payment and delivery, and it is hereby determined by the Board of Directors of the Authority that such price and terms are the most advantageous reasonably obtainable.

CERTIFICATE FOR
RESOLUTION AUTHORIZING THE ISSUANCE OF SABINE RIVER AUTHORITY
OF TEXAS WATER SUPPLY FACILITIES REVENUE BONDS, SERIES 1981
(LAKE FORK PROJECT), \$15,000,000

THE STATE OF TEXAS :
SABINE RIVER AUTHORITY OF TEXAS :

We, the undersigned officers of the Board of Directors of said Authority, hereby certify as follows:

1. The Board of Directors of said Authority convened in SPECIAL MEETING ON THE 1ST DAY OF MAY, 1981, at the designated meeting place, and the roll was called of the duly constituted officers and members of said Board, to-wit:

W. Y. Rice, Secretary	Ben B. Pegues, President
C. C. Rice	Juan Nichols
James E. Campbell	L. E. "Red" Davis
E. A. Meek	Olin V. Joffrion
John H. Butts	

and all of said persons were present, except the following absentees: C. C. Rice, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written RESOLUTION AUTHORIZING THE ISSUANCE OF SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES REVENUE BONDS, SERIES 1981 (LAKE FORK PROJECT), \$15,000,000, was duly introduced for the consideration of said Board and read in full. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

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

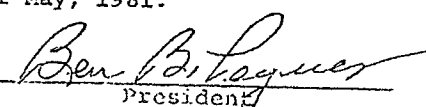
NOES: None.

2. That a true, full, and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Resolution has been duly recorded in said Board's minutes of said Meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said Meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of said Board as indicated therein; and that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for adoption at said Meeting, and each of said officers and members consented, in advance, to the holding of said Meeting for such purpose; and that said Meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Vernon's Ann. Civ. St. Article 6251-17.

SIGNED AND SEALED the 1st day of May, 1981.


Secretary

(SEAL)


President

SERIES 1981 BOND RESOLUTION

RESOLUTION AUTHORIZING THE ISSUANCE OF
SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES
REVENUE BONDS, SERIES 1981
(LAKE FORK PROJECT), \$15,000,000

THE STATE OF TEXAS :
SABINE RIVER AUTHORITY OF TEXAS :

WHEREAS, Sabine River Authority of Texas (the "Authority") is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by Vernon's Ann. Civ. St. Article 8280-133, pursuant to Article 16, Section 59 of the Texas Constitution; and

WHEREAS, a "Bond Amortization Contract", dated as of February 12, 1974 (the "Contract"), has been duly executed between the Authority and Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company (collectively "The Corporations"), acting therein by and through Texas Utilities Generating Company (the "Agent") as their agent; and

WHEREAS, each of The Corporations and the Agent is a corporation duly incorporated under the laws of the State of Texas; and

WHEREAS, the Water Supply Facilities Agreement (the "Facilities Agreement"), described and adopted by reference in the Contract, was executed between the Authority and The Corporations, acting therein by and through the Agent, and was dated as of February 12, 1974, and provides for the acquisition, construction, operation, and maintenance by the Authority of the water supply facilities to be financed with the proceeds from the sale and delivery of the Bonds; and

WHEREAS, this preamble shall constitute an integral part of this bond resolution; and

WHEREAS, pursuant to the Contract there have been issued and are presently outstanding the bonds (the "Series 1974 Bonds") of that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1974 (Lake Fort Project), dated as of December 1, 1974, in the principal amount of \$30,000,000, authorized by resolution (the "1974 Bond Resolution") adopted by the Board of Directors of the Authority on November 7, 1974; and

WHEREAS, pursuant to, and in the form prescribed by, the 1974 Bond Resolution, a trust indenture (the "Trust Indenture") dated as of December 1, 1974, was executed by and between the Authority and Republic National Bank of Dallas, Dallas, Texas, as Trustee, to provide additional security for the payment of the Series 1974 Bonds and all additional parity revenue bonds authorized to be issued by the 1974 Bond Resolution; and

WHEREAS, the Contract, the 1974 Bond Resolution, and the Trust Indenture are hereby adopted by reference for all purposes, with the same effect as if they had been set forth in their entirety in this 1981 Bond Resolution; and

WHEREAS, both the Contract and Section 14 of the 1974 Bond Resolution provide for the issuance by the Authority of additional parity revenue bonds for the purpose of completing the acquisition and construction of the water supply facilities for which the Series 1974 Bonds were issued, with such additional parity revenue bonds to be considered, constitute, and be

"Bonds" as defined in the 1974 Bond Resolution and in the Contract, to be, when issued and delivered, payable from and secured by a first lien on and pledge of the "Semi-Annual Facilities Charges" as provided in the Contract, and secured by the Trust Indenture, in the same manner and to the same extent as the Series 1974 Bonds; and

WHEREAS, the bonds (the "Series 1975 Bonds") authorized to be issued by the bond resolution of the Board adopted on July 15, 1975 (the "1975 Bond Resolution"), the bonds (the "Series 1978 Bonds") authorized by the bond resolution of the Board adopted on April 18, 1978 (the "Series 1978 Bond Resolution"), the bonds (the "Series 1979 Bonds") authorized by the bond resolution adopted on March 20, 1979 (the "Series 1979 Bond Resolution"), and the bonds (the "Series 1980 Bonds") authorized by the bond resolution adopted on March 10, 1980 (the "Series 1980 Bond Resolution") were duly issued and delivered pursuant to Vernon's Ann. Civ. St. Article 8280-133, as amended, as additional parity revenue bonds; and

WHEREAS, the bonds (the "Series 1981 Bonds") authorized by this Resolution (the "1981 Bond Resolution") are to be issued and delivered pursuant to Vernon's Ann. Civ. St. Article 8280-133, as amended, as additional parity revenue bonds; and

WHEREAS, the Series 1981 Bonds are required as, and will constitute, additional parity revenue bonds issued pursuant to the Contract, Section 14 of the 1974 Bond Resolution, and the Trust Indenture; and

WHEREAS, The Corporations, acting by and through the Agent, will duly approve this 1981 Bond Resolution, prior to the delivery of the Series 1981 Bonds, as required by the Contract and Section 14 of the 1974 Bond Resolution; and

WHEREAS, as provided in the Contract, by approving this 1981 Bond Resolution, The Corporations will have agreed and acknowledged that the Series 1981 Bonds are issued in accordance and compliance with the Contract, and that, upon the sale and delivery of the Series 1981 Bonds, The Corporations will be unconditionally obligated to the Authority to pay to the Trustee the "Semi-Annual Facilities Charges" as required by the Contract, the 1981 Bond Resolution, and the Trust Indenture, in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of, redemption premium, if any, and interest on the Series 1981 Bonds, in addition to the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, the Series 1979 Bonds, and the Series 1980 Bonds, when due, all as required by this 1981 Bond Resolution and the Trust Indenture.

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

Section 1. The Authority's negotiable bonds are authorized to be issued in the principal amount of \$15,000,000, FOR THE PURPOSE OF PROVIDING WATER SUPPLY FACILITIES BY PROVIDING FUNDS FOR COMPLETING THE ACQUISITION AND CONSTRUCTION OF A DAM AND RESERVOIR ON LAKE FORK CREEK, A TRIBUTARY OF THE SABINE RIVER, IN WOOD, RAINS, AND HOPKINS COUNTIES, TEXAS.

Section 2. The Series 1981 Bonds are designated and shall be known as the "SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES REVENUE BONDS, SERIES 1981 (LAKE FORK PROJECT)".

Section 3. The Series 1981 Bonds shall be dated JUNE 1, 1981, shall be in the denomination of \$5,000 each, shall be numbered consecutively from one upward, and shall mature, unless redeemed prior to maturity as hereinafter provided, on DECEMBER 1 in each of the years, and in the amounts, respectively, as set forth in the following schedule:

<u>YEARS</u>	<u>AMOUNTS</u>
1999	\$5,000,000
2002	5,000,000
2003	5,000,000

Section 4. Each of the Series 1981 Bonds shall bear interest from its date to its scheduled maturity, due date, or date of redemption prior to scheduled maturity, at the rate of 10-7/8% per annum. Such interest shall be evidenced by interest coupons which shall appertain and initially be attached to the Bonds, and which shall be payable on the dates and in the manner provided in the FORM OF BOND set forth in Section 6 of this Bond Resolution.

Section 5. The Series 1981 Bonds and the interest coupons appertaining thereto shall be issued, shall be payable, may be redeemed prior to their scheduled maturities, shall have the characteristics, and shall be signed and executed (and the Series 1981 Bonds shall be sealed), all as provided, and in the manner indicated, in the FORM OF BOND set forth in this 1981 Bond Resolution.

Section 6. The form of the Series 1981 Bonds, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on each of the Series 1981 Bonds, and the form of the aforesaid interest coupons which shall appertain and be attached initially to each of the Series 1981 Bonds, shall be, respectively, substantially as follows:

FORM OF BOND:

NO. _____ \$5,000

UNITED STATES OF AMERICA
STATE OF TEXAS
SABINE RIVER AUTHORITY OF TEXAS
"SABINE RIVER AUTHORITY OF TEXAS WATER-SUPPLY FACILITIES
REVENUE BOND
SERIES 1981
(LAKE FORK PROJECT)

ON DECEMBER 1, _____, SABINE RIVER AUTHORITY OF TEXAS (the "Authority") hereby promises to pay to bearer hereof the principal amount of

FIVE THOUSAND DOLLARS

and to pay interest thereon, from date hereof, at the rate of 10-7/8% per annum, evidenced by interest coupons payable DECEMBER 1, 1981, and semiannually thereafter on each JUNE 1 and DECEMBER 1 while this Bond is outstanding; provided that such principal and interest are payable solely from the revenues or payments hereinafter described, and from no other source.

THE PRINCIPAL of this Bond and the interest coupons appertaining hereto shall be payable to bearer, in lawful money of the United States of America, without exchange or collection

charges to the bearer, upon presentation and surrender of this Bond or proper interest coupon, at the following, which collectively shall constitute and be defined as the "Paying Agent" for this Series of Bonds:

REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS,
OR, AT THE OPTION OF THE BEARER, AT
IRVING TRUST COMPANY, NEW YORK, NEW YORK.

THIS BOND is one of a Series of Bonds (the "Series 1981 Bonds") dated as of JUNE 1, 1981, authorized and issued in the principal amount of \$15,000,000, FOR THE PURPOSE OF PROVIDING WATER SUPPLY FACILITIES BY PROVIDING FUNDS FOR COMPLETING THE ACQUISITION AND CONSTRUCTION OF A DAM AND RESERVOIR ON LAKE FORK CREEK, A TRIBUTARY OF THE SABINE RIVER, IN WOOD, RAINS, AND HOPKINS COUNTIES, TEXAS (the "Water Supply Facilities").

ON JUNE 1, 1996, or on any interest payment date thereafter, the outstanding Series 1981 Bonds may be redeemed prior to their scheduled maturities, at the option of the Authority, in whole or in part for the principal amount thereof plus accrued interest to the redemption date and without premium.

THE SERIES 1981 BONDS ALSO are subject to redemption prior to their scheduled maturities, at the option of the Authority, as a whole, at any time, for the principal amount thereof, and accrued interest thereon to the date fixed for redemption, and without premium, if one or more of the following events or circumstances shall have occurred or exist:

(1) The Water Supply Facilities shall have been damaged or destroyed (i) to such extent that they cannot be reasonably restored within six months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Authority is thereby prevented from carrying on the normal operations of said facilities for a period of six months, or (iii) to such extent that the restoration cost of said facilities would exceed 25% of the cost of constructing said facilities.

(2) Title to, or the temporary use of, all or substantially all of said Water Supply Facilities, or such part thereof as shall, in the Authority's judgment, materially interfere with the operation of said facilities, for the purposes for which they are designed, shall have been taken under the exercise of the power of eminent domain (including such taking as results in the Authority being prevented from carrying on its normal operations of said facilities for a period of six months).

(3) As a result of changes in the Constitution of the United States, or of the State of Texas, or of legislative or administrative action of said State or any political subdivision thereof, or of the United States, or by final decree, judgment, or order of any court or administrative body entered after the contest thereof by the Authority in good faith, the operation and maintenance of said Water Supply Facilities by the Authority shall become, in the Authority's judgment, impracticable or impossible.

AT LEAST thirty days prior to the date fixed for any redemption of Series 1981 Bonds prior to their scheduled maturities a written notice of such redemption shall be published

at least once in a financial publication published in the City of New York, New York, or in the City of Austin, Texas. By the date fixed for any such redemption due provision shall be made with the "Paying Agent" for the payment of the principal amount of the Series 1981 Bonds which are to be so redeemed plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Series 1981 Bonds which are to be so redeemed thereby automatically shall be 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 bearer to receive the redemption price from the "Paying Agent" out of the funds provided for such payment.

IT IS HEREBY certified and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special revenue obligation of said Authority with the principal of, redemption premium, if any, and interest on this Bond and the Series 1981 Bonds of which it is a part, together with the bonds of that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1974 (Lake Fork Project), dated as of December 1, 1974, in the original principal amount of \$30,000,000 (the "Series 1974 Bonds"), that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1975 (Lake Fork Project), dated as of June 1, 1975, in the original principal amount of \$40,000,000 (the "Series 1975 Bonds"), that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1978 (Lake Fork Project), dated as of May 1, 1978, in the original principal amount of \$10,000,000 (the "Series 1978 Bonds"), that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1979 (Lake Fork Project), dated as of March 1, 1979, in the original principal amount of \$10,000,000 (the "Series 1979 Bonds"), and that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1980 (Lake Fork Project), dated as of March 1, 1980, in the original principal amount of \$10,000,000 (the "Series 1980 Bonds"), being payable solely from, and secured equally and ratably on a parity by an irrevocable first lien on and pledge of, the revenues or payments designated as the "Semi-Annual Facilities Charges" to be made by Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company (collectively "The Corporations") pursuant to a Bond Amortization Contract (the "Contract") dated as of February 12, 1974, between the Authority and The Corporations; and The Corporations have agreed, and are unconditionally obligated to the Authority, severally (but not jointly) to pay, in the percentages hereinafter stated, said "Semi-Annual Facilities Charges" to the Trustee, for deposit into a Debt Service Fund, in amounts sufficient to pay and redeem, or provide for the payment and redemption of, the principal of, redemption premium, if any, and interest on this Bond, and the Series 1981 Bonds of which it is a part, and the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, the Series 1979 Bonds, and the Series 1980 Bonds, when due, as required by the Contract, the resolution adopted on May 1, 1981, authorizing the Series 1981 Bonds (the "1981 Bond Resolution"), the resolution adopted on March 10, 1980, authorizing the Series 1980 Bonds (the "1980 Bond Resolution"), the resolution adopted on March 20, 1979, authorizing the Series 1979 Bonds (the "1979 Bond

Resolution"), the resolution adopted on April 18, 1978, authorizing the Series 1978 Bonds (the "Series 1978 Bond Resolution"), the resolution adopted on July 15, 1975 authorizing the Series 1975 Bonds (the "1975 Bond Resolution"), the resolution adopted November 7, 1974 authorizing the Series 1974 Bonds (the "1974 Bond Resolution"), and the Trust Indenture securing the Series 1974 Bonds, the Series 1975 Bonds, the Series 1978 Bonds, the Series 1979 Bonds, the Series 1980 Bonds, and the Series 1981 Bonds, with each of The Corporations being unconditionally obligated to pay the percentage of the aggregate amount of each "Semi-Annual Facilities Charge" as follows:

Dallas Power & Light Company:	33-1/3%
Texas Electric Service Company:	33-1/3%
Power & Light Company:	33-1/3%
TOTAL:	100%

THE SERIES 1981 BONDS, the Series 1980 Bonds, the Series 1979 Bonds, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds are further secured equally and ratably on a parity by a Trust Indenture, dated as of December 1, 1974, whereunder the REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS, or its successor, as Trustee, is custodian of the Debt Service Fund, and is obligated to enforce the rights of the holders of the Series 1981 Bonds, the Series 1980 Bonds, the Series 1979 Bonds, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds, and to perform other duties, in the manner and under the conditions stated or referred to in said Trust Indenture and in the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, the 1979 Bond Resolution, the 1980 Bond Resolution and the 1981 Bond Resolution.

THE AUTHORITY has reserved the right, subject to the restrictions stated or referred to in the 1974 Bond Resolution, the 1975 Bond Resolution, the Series 1978 Bond Resolution, the 1979 Bond Resolution, the 1980 Bond Resolution, and the 1981 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 "Semi-Annual Facilities Charges".

THE AUTHORITY also has reserved the right to amend the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, the Series 1979 Bond Resolution, the 1980 Bond Resolution, the 1981 Bond Resolution, and the Trust Indenture, with the approval of the holders of two-thirds of the outstanding bonds secured by the Trust Indenture, subject to the restrictions stated or referred to in the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution, the 1979 Bond Resolution, the 1980 Bond Resolution, and the 1981 Bond Resolution.

THE HOLDER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source whatsoever other than the pledged "Semi-Annual Facilities Charges".

IN WITNESS WHEREOF, this Bond and the interest coupons appertaining hereto have been signed with the facsimile signature of the President of the Board of Directors of said Authority, and countersigned with the facsimile signature of the Secretary of said Board of Directors, and the official

seal of said Authority has been duly impressed, or placed in facsimile on this Bond.

XXXXXXXXXX
Secretary, Board of Directors

XXXXXXXXXX
President, Board of Directors

FORM OF REGISTRATION CERTIFICATE:

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

XXXXXXXXXX
Comptroller of Public Accounts of
the State of Texas

FORM OF INTEREST COUPON:

NO. _____ \$ _____

ON _____ I, _____

SABINE RIVER AUTHORITY OF TEXAS

promises to pay to bearer, but solely from the pledged revenues or payments specified in the Bond to which this coupon is attached, the amount shown on this interest coupon, in lawful money of the United States of America (without exchange or collection charges to the bearer), unless due provision has been made for the redemption prior to scheduled maturity of the Bond to which this interest coupon appertains, upon presentation and surrender of this interest coupon, at

REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS,

OR, AT THE OPTION OF THE BEARER, AT

IRVING TRUST COMPANY, NEW YORK, NEW YORK,

said amount being interest coming due that day on the Bond, bearing the number hereinafter designated, of that issue of SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES REVENUE BONDS, SERIES 1981 (LAKE FORD PROJECT), DATED JUNE 1, 1981. The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source other than the pledged revenues or payments referred to above. Bond No. _____

XXXXXXXXXX
Secretary, Board of Directors

XXXXXXXXXXXXXX
President, Board of Directors

Section 7. PLEDGE. (a) The Series 1981 Bonds authorized by the 1981 Bond Resolution are additional parity revenue bonds issued pursuant to the Contract, Section 14 of the 1974 Bond Resolution, and the Trust Indenture.

(b) The Series 1981 Bonds, the Series 1980 Bonds, the Series 1979 Bonds, the Series 1978 Bonds, the Series 1975 Bonds, and the Series 1974 Bonds (hereinafter collectively called the "Bonds"), and the redemption premium thereof, if any, and the interest on the Bonds, are and shall be payable from, and secured equally and ratably on a parity by an irrevocable first lien on and pledge of, the payments designated as the "Semi-Annual Facilities Charges" to be made by The Corporations under the Contract, the 1974 Bond Resolution, the 1975 Bond Resolution, the 1978 Bond Resolution,

the 1979 Bond Resolution, the 1980 Bond Resolution, and this 1981 Bond Resolution (hereinafter collectively called the "Bond Resolutions"), and the Trust Indenture, and any amendments of any of them; and said Semi-Annual Facilities Charges are further pledged irrevocably to the establishment and maintenance of the Debt Service Fund hereinafter described.

Section 8. SPECIAL FUND. The separate and special trust Fund, designated and created as the "Debt Service Fund", by the Contract and the 1974 Bond Resolution, has been established by the Authority with the Trustee, and the Debt Service Fund is hereby confirmed and shall be maintained as provided in the Bond Resolution and the Trust Indenture, as long as any of the Bonds, or interest coupons appertaining thereto, are outstanding and unpaid.

Section 9. DEBT SERVICE FUND. (a) The Corporations shall pay, or cause to be paid, to the Trustee, which shall deposit into the Debt Service Fund, the Semi-Annual Facilities Charges as follows:

- (1) on or before the last day of NOVEMBER, 1975, and semiannually, on or before the last day of each MAY and NOVEMBER thereafter, an amount which, together with any other amounts then on deposit therein for such purpose, will be sufficient to pay the interest coming due on the Bonds on the next succeeding interest payment date; and
- (2) on or before the last day of NOVEMBER, 1980, and annually, on or before the last day of each NOVEMBER thereafter an amount which, together with any other amounts then on deposit therein for such purpose, will be sufficient to pay the principal of the Bonds maturing on the next succeeding principal payment date; and
- (3) by the date fixed for redemption of any of the Bonds, at the option of the Authority, as permitted in the FORM OF BOND set forth in each Bond Resolution, respectively, an amount equal to the required redemption price; and
- (4) on or before the last day of NOVEMBER, 1975, and semiannually, on or before the last day of each MAY and NOVEMBER thereafter, an amount equal to the charges of the Trustee for performing the duties of the Trustee, and the charges of the "Paying Agent" for the Bonds, and/or the interest coupons appertaining thereto coming due on the next succeeding interest payment date; and
- (5) immediately, the principal amount of all of the Bonds declared and becoming due and payable pursuant to the Trust Indenture because of an Event of Default, together with all interest accrued thereon.

(b) The Debt Service Fund shall be used by the Trustee only to pay the principal of, redemption premium, if any, and interest on the Bonds and any other additional parity revenue bonds hereafter issued, when due, and the charges of the Trustee and "Paying Agent", and the Trustee shall make available

to the "Paying Agent", out of the Debt Service Fund, the amounts required to pay or redeem all principal of, redemption premium, if any, and interest on the Bonds when due.

Section 10. THE CORPORATIONS' PAYMENTS. The Corporations have agreed in the Contract, and by approving this 1981 Bond Resolution The Corporations have further unconditionally obligated themselves and agreed severally (but not jointly) to make, or cause to be made, payments to the Trustee in amounts, in the percentages specified below, sufficient to enable the Trustee to make the deposits required by Section 9(a) hereof to be made into the Debt Service Fund, and to make such payments on or before the dates specified in this 1981 Bond Resolution and the Trust Indenture; and said payments by The Corporations shall be and constitute the Semi-Annual Facilities Charges as contemplated and required by the Contract, this 1981 Bond Resolution, and the Trust Indenture; and each of The Corporations is unconditionally obligated to pay the percentage of the aggregate amount of each Semi-Annual Facilities Charge, as follows:

Dallas Power & Light Company:	33-1/3%
Texas Electric Service Company:	33-1/3%
Texas Power & Light Company:	33-1/3%
TOTAL:	100%

Section 11. BONDEHOLDERS MAY RELY. The holders of the Bonds are and shall be entitled to rely unconditionally on the agreements, covenants, and representations set forth in the Bond Resolutions and the Trust Indenture. It is understood and agreed, however, that each of The Corporations is obligated solely to pay its respective percentage of each Semi-Annual Facilities Charge as specified above; and none of The Corporations shall be obligated to pay any part of any Semi-Annual Facilities Charge which any other of The Corporations is obligated to pay as specified above. It is further understood and agreed that each of The Corporations may prepay all or any part of its percentage of each Semi-Annual Facilities Charge, and any such prepayment, and any earnings thereon, shall be applied by the Trustee to the payment of the percentage of Semi-Annual Facilities Charges payable by the one of The Corporations which made such prepayment; provided that the redemption of any outstanding Bonds prior to maturity at any time, with funds from any source (whether from Semi-Annual Facilities Charges or otherwise), shall not relieve any of The Corporations of the unconditional obligation to pay its percentage of each Semi-Annual Facilities Charge, as specified above, when due with respect to any remaining outstanding Bonds.

Section 12. BOND RESOLUTIONS AND TRUST INDENTURE. (a) Sections 7 through 11 of this 1981 Bond Resolution are supplemental to and cumulative of Sections 7 through 11 of the other Bond Resolutions, so as to be applicable to all of the Bonds, and set forth in the aggregate Semi-Annual Facilities Charges required for all of the Bonds.

(b) Sections 12 through 17 of the 1974 Bond Resolution are hereby adopted by reference and shall be and are hereby made applicable to all of the Bonds, equally and ratably on a parity for all purposes, and the term "Bonds" as used therein shall mean and include all of the Bonds, and the term "Resolution" as used therein shall mean and include all of the Bond Resolutions.

(c) The Trust Indenture authorized and executed pursuant to the 1974 Bond Resolution is hereby adopted by reference,

made applicable to, and shall secure, all of the Bonds equally and ratably on a parity, in accordance with terms of the Contract, the Series 1974 Bond Resolution, and the Trust Indenture, with respect to additional parity revenue bonds issued pursuant to the Contract, Section 14 of the 1974 Bond Resolution, and the Trust Indenture.

(d) A certified copy of this 1981 Bond Resolution shall be delivered to the Trustee under the aforesaid Trust Indenture.

Section 13. CONSTRUCTION FUND. In accordance with the Contract and the Facilities Agreement, and immediately after the sale and delivery of the Series 1981 Bonds, the Authority shall deposit into the separate and special Construction Fund (which was created pursuant to Section 18 of the 1974 Bond Resolution, and which has been established at one or more of the Authority's official depositories) all of the proceeds from the sale of the Series 1981 Bonds. The Construction Fund shall be drawn on and used by the Authority to pay the costs of completing the acquisition and construction of the Authority's water supply facilities for which the Series 1981 Bonds are being issued, and to pay the costs and expenses of issuing the Series 1981 Bonds. As a part of the cost of constructing said facilities the Authority may transfer from such proceeds of the Series 1981 Bonds, if any, then available in the Construction Fund, and deposit to the credit of the Debt Service Fund, on or before the last day of NOVEMBER, 1981, and semi-annually on or before the last day of each MAY and NOVEMBER thereafter, an amount sufficient to pay the interest coming due on the Series 1981 Bonds on each interest payment date during the period of construction of said Facilities. Any surplus remaining in the Construction Fund after the completion of said Facilities shall be deposited into the Debt Service Fund. All deposits actually made from the Construction Fund into the Debt Service Fund shall reduce, to the extent of such deposits, the amounts which otherwise would be required to be deposited into the Debt Service Fund from Semi-Annual Facilities Charges.

Section 14. APPROVAL AND REGISTRATION OF BONDS. The President of the Board of Directors of the Authority is hereby authorized to have control of the Series 1981 Bonds and all necessary records and proceedings pertaining to the Series 1981 Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Series 1981 Bonds, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificates prescribed herein to be printed and endorsed on each Series 1981 Bond, and the seal of said Comptroller shall be impressed, or printed, or lithographed on each of the Series 1981 Bonds.

Section 15. NO ARBITRAGE. That the Authority covenants to and with the purchasers of the Series 1981 Bonds that it will make no use of the proceeds of the Series 1981 Bonds at any time throughout the term of this issue of Series 1981 Bonds which, if such use had been reasonably expected on the date of delivery of the Series 1981 Bonds to and payment for the Series 1981 Bonds by the purchasers, would have caused the Series 1981 Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, or any regulations or rulings pertaining thereto; and by this covenant the Authority is obligated to

comply with the requirements of the aforesaid Section 103(c) and all applicable and pertinent Department of the Treasury regulations relating to arbitrage bonds. The Authority further covenants that the proceeds of the Series 1981 Bonds will not otherwise be used directly or indirectly so as to cause all or any part of the Series 1981 Bonds to be or become arbitrage bonds within the meaning of the aforesaid Section 103(c), or any regulations or rulings pertaining thereto.

Section 16. SALE OF BONDS. The Series 1981 Bonds are hereby sold, in accordance with law, and shall be delivered to the State Farm Insurance Group, Southern Farm Bureau Casualty Insurance Company, Republic National Bank of Houston, Houston, Texas, and Guardian Bank of Houston, Houston, Texas, for the price of par and accrued interest to the date of payment and delivery, and it is hereby determined by the Board of Directors of the Authority that such price and terms are the most advantageous reasonably obtainable.

GENERAL CERTIFICATE

THE STATE OF TEXAS
 SABINE RIVER AUTHORITY OF TEXAS :

We, the undersigned officers of the Board of Directors of said Authority, hereby certify as follows:

1. That this certificate is executed with reference to the proposed Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1981 (Lake Fork Project), dated June 1, 1981, in the principal amount of \$15,000,000 (the "Series 1981 Bonds").
2. That said Authority is a governmental agency and body politic operating and existing under the provisions of Vernon's Article 8280-133, as a Conservation and Reclamation District created pursuant to Article 16, Section 59, Texas Constitution.
3. That none of the "Semi-Annual Facilities Charges" as described in the resolution adopted on May 1, 1981, authorizing the Series 1981 Bonds (the "1981 Bond Resolution") have been pledged or encumbered to the payment of any debt or obligation whatsoever, except in connection with the Series 1981 Bonds, that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1980 (Lake Fork Project), dated March 1, 1980, (the "Series 1980 Bonds"), that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1979 (Lake Fork Project), dated March 1, 1979 (the "Series 1979 Bonds"), that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1978 (Lake Fork Project), dated May 1, 1978 (the "Series 1978 Bonds"), that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1975 (Lake Fork Project), dated July 1, 1975 (the "Series 1975 Bonds"), and that issue of Sabine River Authority of Texas Water Supply Facilities Revenue Bonds, Series 1974 (Lake Fork Project), dated December 1, 1974 (the "Series 1974 Bonds").
4. That no litigation of any nature has ever been filed pertaining to, affecting, or contesting: (a) the authorization, issuance, delivery, payment, security, or validity of the Series 1981 Bonds, the Series 1980 Bonds, the Series 1979 Bonds, the Series 1978 Bonds, the Series 1975 Bonds, or the Series 1974 Bonds, (b) the title of the present members and officers of the Board of Directors of said Authority to their respective offices; or (c) the validity or corporate existence of said Authority.
5. That no default exists in connection with any of the covenants or requirements of the resolution adopted on November 7, 1974, authorizing the issuance of the Series 1974 Bonds (the "1974 Bond Resolution"), the resolution adopted on July 15, 1975, authorizing the issuance of the Series 1975 Bonds (the "1975 Bond Resolution"), the resolution adopted on April 18, 1978, authorizing the issuance of the Series 1978 Bonds (the "1978 Bond Resolution"), the resolution adopted on March 20, 1979, authorizing the issuance of the Series 1979 Bonds (the "1979 Bond Resolution"), or the resolution adopted on March 10, 1980, authorizing the issuance of the Series 1980 Bonds (the "1980 Bond Resolution"), and the Debt Service Fund created by the 1974 Bond Resolution, as confirmed in the 1975 Bond Resolution, the 1978 Bond Resolution, the 1979 Bond Resolution, the 1980 Bond Resolution, and the 1981 Bond Resolution, contains the amount required to be on deposit therein.


6. That the 1980 Bond Resolution, the 1979 Bond Resolution, the 1978 Bond Resolution, the 1975 Bond Resolution, the 1974 Bond Resolution, the Bond Amortization Contract dated as of February 12, 1974, and the Trust Indenture dated as of December 1, 1974, described in the 1974 Bond Resolution, have not been changed, amended, revoked, or rescinded since their adoption and/or execution, and all of same are in full force and effect.

7. That the basic design, plans, and specifications of the Lake Fork Project dam and reservoir (for which the Series 1981 Bonds are being issued to complete) have not been changed since the issuance of the Series 1974 Bonds, and the size and capacity of said dam and reservoir have not been altered. However, due to inflation, increased costs of land, and other factors, the original maximum estimated cost of the Lake Fork Project (\$80,000,000) has been increased, and the estimated cost thereof now is at least \$115,000,000.

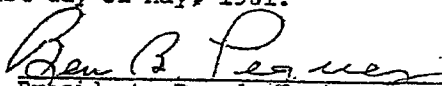
8. That the designed maximum capacity of the Lake Fork Project reservoir (maximum output), with water at the top of the dam, is 1,292,539 acre feet of water, without any reduction for reserves or other unutilized capacity; and the maximum amount of water which Dallas Power & Light Company, Texas Electric Service Company, and Texas Power and Light Company are entitled to withdraw from said reservoir is 120,000 acre feet of water per annum for each year through the final maturity of the Series 1981 Bonds.

9. That the Authority will own and operate the Lake Fork Project dam and reservoir, and water will be made available therefrom to members of the general public in addition to the above electric utility companies; and the Authority has entered into a contract with the City of Longview, Texas, to furnish and sell to said City for distribution to the general public customers of said City's water system 20,000 acre feet of water per annum from the Lake Fork Project reservoir until the year 2005.

SIGNED AND SEALED this the 1st day of May, 1981.


Secretary, Board of Directors

(SEAL)


President, Board of Directors

\$115,000,000
 SABINE RIVER AUTHORITY OF TEXAS
 WATER SUPPLY FACILITIES REVENUE BONDS,
 SERIES 1974, 1975, 1978, 1979, 1986 and 1981

(LAKE FORK PROJECT)

CONSOLIDATED SCHEDULE OF DEBT SERVICE REQUIREMENTS

<u>Date Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due F/Y Ending 8-31:</u>
12-1-79 6-1-80		\$ 3,084,817.50 3,303,577.50	\$ 6,388,395.00
12-1-80 6-1-81	\$ 1,330,000.00	3,522,317.50 3,472,417.50	8,324,735.00
12-1-81 6-1-82	1,505,000.00	4,288,057.50 4,232,227.50	10,025,285.00
12-1-82 6-1-83	1,590,000.00	4,232,257.50 4,173,027.50	9,995,285.00
12-1-83 6-1-84	1,730,000.00	4,173,057.50 4,108,777.50	10,011,835.00
12-1-84 6-1-85	1,825,000.00	4,108,807.50 4,040,727.50	9,974,535.00
12-1-85 6-1-86	1,980,000.00	4,040,757.50 3,967,027.50	9,987,785.00
12-1-86 6-1-87	2,090,000.00	3,967,057.50 3,888,927.50	9,945,985.00
12-1-87 6-1-88	2,255,000.00	3,888,957.50 3,804,777.50	9,948,735.00
12-1-88 6-1-89	2,435,000.00	3,804,807.50 3,720,277.50	9,960,085.00
12-1-89 6-1-90	2,575,000.00	3,720,307.50 3,630,657.50	9,925,965.00
12-1-90 6-1-91	2,775,000.00	3,630,687.50 3,539,102.50	9,944,790.00
12-1-91 6-1-92	2,985,000.00	3,539,132.50 3,441,112.50	9,965,245.00
12-1-92 6-1-93	3,200,000.00	3,441,142.50 3,336,062.50	9,977,205.00
12-1-93 6-1-94	3,435,000.00	3,336,092.50 3,223,272.50	9,994,365.00
12-1-94 6-1-95	3,635,000.00	3,223,302.50 3,102,062.50	9,960,365.00
12-1-95 6-1-96	3,895,000.00	3,102,092.50 2,970,837.50	9,967,930.00
12-1-96 6-1-97	4,225,000.00	2,970,867.50 2,827,727.50	10,023,595.00
12-1-97 6-1-98	4,520,000.00	2,827,757.50 2,673,767.50	10,021,525.00
12-1-98 6-1-99	4,835,000.00	2,673,797.50 2,507,867.50	10,016,665.00
12-1-99 6-1-00	10,170,000.00	2,507,897.50 2,058,450.00	14,736,347.50

Date Payable	Principal	Interest	Total Due F/Y Ending 8-31:
12-1-00	10,525,000.00	2,058,470.00	
6-1-01		1,647,312.50	14,230,782.50
12-1-01	10,950,000.00	1,647,332.50	
6-1-02		1,221,457.50	13,818,790.00
12-1-02	11,355,000.00	1,221,477.50	
6-1-03		735,715.00	13,312,192.50
12-1-03	11,835,000.00	735,725.00	
6-1-04		233,837.50	12,804,562.50
12-1-04	7,345,000.00	233,837.50	
-05			7,578,837.50
	<u>\$115,000,000.00</u>	<u>\$155,841,822.50</u>	<u>\$270,841,822.50</u>

WATER SUPPLY FACILITIES AGREEMENT

By and Between

SABINE RIVER AUTHORITY OF TEXAS

and

**DALLAS POWER & LIGHT COMPANY
TEXAS ELECTRIC SERVICE COMPANY
TEXAS POWER & LIGHT COMPANY**

acting by and through

**TEXAS UTILITIES
GENERATING COMPANY,**

as their agent,

dated as of

February 12, 1974

WATER SUPPLY FACILITIES AGREEMENT

THE STATE OF TEXAS
SABINE RIVER AUTHORITY OF TEXAS } KNOW ALL MEN BY THESE PRESENTS:

This Water Supply Facilities Agreement by and between the Sabine River Authority of Texas (hereinafter called the "Authority") and Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company (hereinafter called collectively "The Corporations"), acting herein by and through Texas Utilities Generating Company (hereinafter called the "Agent"), as their agent:

WITNESSETH:

RECITALS

1. The Authority is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by Vernon's Article 8280-133, as amended (the "Act"), pursuant to Article 16, Section 59, of the Texas Constitution.
2. The Corporations and the Agent are Texas Corporations.
3. Pursuant to the Act, and subject to the powers vested by law in the Texas Water Rights Commission, the Authority has jurisdiction over the watershed of the Sabine River in Texas, including Lake Fork Creek, a tributary of the Sabine River.
4. Pursuant to the Act, the Authority proposes to acquire, construct, and own the water supply facilities hereinafter defined, consisting of a dam, reservoir, and related facilities, on Lake Fork Creek in Wood, Rains, and Hopkins Counties, Texas.
5. The Corporations propose to purchase water from the Authority to be supplied from such water supply facilities.

Now, THEREFORE, in consideration of the premises and of the respective agreements hereinafter set forth, the parties hereto agree as follows:

I. DEFINITIONS

- 1.01. Agreement—This Water Supply Facilities Agreement.
- 1.02. Annual Operating Budget—Estimates of all direct costs and expenses the Authority expects to incur in operating and maintaining the Facilities during the next succeeding Authority fiscal year following the period covered by the Initial Operating Budget, and which are properly includable in the Service Charge, such estimates to be itemized on an annual basis.
- 1.03. Article—Any subdivision of this Agreement designated with a roman numeral.
- 1.04. Bond Amortization Contract—A contract executed and dated on the same date as this Agreement which provides for payments of Semi-Annual Facilities Charges by The Corporations to amortize the Bonds.
- 1.05. Bond Resolution—Any resolution of the Authority's Board of Directors authorizing the issuance of Bonds.

1.06. Bonds — Any revenue bonds of the Authority authorized, issued, and delivered to finance the acquisition and construction of any portion of the Facilities pursuant to the terms of the Bond Amortization Contract and this Agreement, including initial issues or series of bonds and completion bonds, and any bonds issued to repair, enlarge, extend, or otherwise improve the Facilities, together with any bonds issued to refund any of the foregoing bonds.

1.07. Commencement Date — The date on which the Authority notifies the Agent that it has commenced operation of the Facilities.

1.08. Construction Fund — The segregated account in which the proceeds from the sale of Bonds, except as provided in any Bond Resolution, and interest earned on the investment of proceeds from the sale of Bonds prior to payment of project costs, will be deposited, which proceeds will be used to pay the following:

(a) the cost of any portion of the Facilities to be purchased;

(b) the cost of any land, easement, right of way, license, and other interest in real estate acquired by the Authority pursuant to this Agreement, including, without limitation, all legal and other costs and expenses incidental thereto, and all costs and expenses of any relocations;

(c) the cost of engineering, design, and construction, including all unforeseen and extraordinary construction costs, and all other capital costs of the Facilities;

(d) the cost of issuance of the Bonds, including legal fees, financial advisory fees, printing costs, and closing expenses.

(e) the payment of interest on the Bonds during the period of construction, unless otherwise provided in any Bond Resolution.

Any unexpended funds upon completion of the Facilities shall be transferred to the Debt Service Fund.

1.09. Consulting Engineers — URS/Forrest and Cotton, Inc., Consulting Engineers, Dallas, Texas, provided that by mutual agreement between the parties hereto any other engineering firm or company may be substituted as the Consulting Engineers under this Agreement.

1.10. Debt Service Fund — Any fund created by a Bond Resolution for the purpose of paying the principal, interest, redemption costs, if any, and fees of paying agents and trustees on Bonds, if any, and into which the Semi-Annual Facilities Charge shall be deposited.

1.11. Facilities — The water supply facilities consisting of the lands, easements, rights of way, dam, reservoir, and related facilities to be acquired, constructed, and owned by the Authority on Lake Fork Creek, a tributary of the Sabine River, in Wood, Rains, and Hopkins Counties, Texas, with said facilities to be acquired and constructed substantially in accordance with the plan designated as Dam Site B — Scheme II in the "Report on Preliminary Hydrologic Investigation and Cost Study of Reservoir Sites in the Lake Fork Creek Watershed", dated May 1973, by URS/Forrest and Cotton, Inc., Consulting Engineers, Dallas, Texas, and any amendments or supplements thereto, with said Report presently providing for the top of the dam elevation to be at 415.0 feet above mean sea level, with an expected normal pool water surface elevation of 403.0 feet, a normal expected storage capacity of 675,819 acre feet, and a normal expected surface area of 27,690 acres.

1.12. Initial Operating Budget — An estimate of all direct costs and expenses the Authority expects to incur in operating and maintaining the Facilities during the period between the Commencement Date and the end of the Authority fiscal year in which the Commencement Date falls, and which are properly includable in the Service Charge.

1.13. Permits— Any and all necessary permits, licenses, orders, and other governmental approvals from any local, state, or federal agency that may now or hereafter have jurisdiction to authorize the Authority to acquire, construct, provide, operate, and maintain the Facilities.

1.14. Plant— Any power generating plant or plants owned in whole or in substantial part by The Corporations or any other subsidiary corporation substantially owned by Texas Utilities Company.

1.15. Points of Delivery— The points to be agreed upon between the parties where The Corporations will withdraw Water. The Corporations shall provide all works and structures at the Point of Delivery for withdrawing Water from the Facilities, and shall be entitled to withdraw such Water in the amounts specified in this Agreement.

1.16. Section— Any subdivision of this Agreement designated by arabic numerals.

1.17. Semi-Annual Facilities Charge— Any payment which The Corporations are obligated to make to amortize the Bonds pursuant to the Bond Amortization Contract.

1.18. Service Charge— The payment to be made by The Corporations to the Authority to enable the Authority to pay the reasonable and necessary costs and expenses directly associated with the operation and maintenance of the Facilities.

1.19. Trustee— Any corporate trustee named under any trust indenture securing payment of Bonds, as provided in any Bond Resolution.

1.20. Water— Untreated water from the Facilities. The Authority has no duty or responsibility with respect to the treatment, quality, or suitability of the water for The Corporations' purposes.

II. PERMITS AND APPLICABLE LAWS

2.01. The Authority shall obtain the Permits. The Authority shall not initiate, consent to, or approve any modification of the Permits, or any governmental orders in any proceedings with respect thereto, without first consulting with and obtaining the consent of The Corporations and continuing thereafter to cooperate with The Corporations at their request to the end that their views are fully and fairly presented, and, where practicable, presented directly by The Corporations to the governmental bodies or agencies involved. It is specifically understood and agreed that this Agreement is executed, and the sale of Water to The Corporations hereunder is made, subject to the Permits and the Constitution and statutes of the State of Texas and of the United States of America. The Authority also will cooperate with and assist The Corporations in obtaining any permits required by them in connection with the Facilities, the use of their Water, and the use of the stream beds for the transportation of their Water.

2.02. The Authority shall operate, maintain, and use the Facilities in such manner as will comply with the Permits and applicable laws, including the Sabine River Compact and the Authority's Master Plan of Development, dated January, 1955, and supplement thereto dated November, 1962.

2.03. During the term of this Agreement the Authority shall sell Water to The Corporations at the Points of Delivery in the amounts and in the manner set forth in this Agreement, and particularly Article III.

2.04. The Authority shall not transfer control or operation of the Facilities to any other governmental agency or other entity.

III. CORPORATIONS PURCHASE OF WATER AND AUTHORITY'S SALE OF WATER

3.01. The Corporations shall, at their own expense, acquire, construct, and provide all necessary works to provide for Water intake and withdrawal at the Points of Delivery to enable

The Corporations to utilize the Water purchased by them under this Agreement. The Corporations also shall have the right to discharge Water withdrawn from the Facilities back into the Facilities provided that, except to the extent allowed by State and/or Federal permits, such Water has not been additionally polluted or contaminated. The Authority agrees to convey to The Corporations any necessary easements and rights of way over or under the Authority's lands to enable The Corporations to withdraw and utilize such Water for its intended purposes.

3.02. In consideration of the payments to be made by The Corporations under the Bond Amortization Contract and this Agreement, The Corporations shall have the right, subject to the provisions of Section 3.05, to withdraw and have the consumptive use of Water from the Facilities as follows:

- (a) an amount equal to 49% of the actual aggregate total available drawdown yield of Water from the Facilities, but not to exceed 80,000 acre feet, during each calendar year; and
- (b) at the option of The Corporations, exercisable by written notice to the Authority on or before the commencement of any calendar year, an additional amount equal to 25% of the actual aggregate total available drawdown yield of Water from the Facilities, but not to exceed 40,000 acre feet, during such calendar year.

3.03. The amount of the actual aggregate total available drawdown yield of Water from the Facilities, and the actual consumptive use of Water from the Facilities by The Corporations during each calendar year, shall be ascertained by the Consulting Engineers, provided that if either party should dispute the accuracy of any amount so ascertained, the matter shall be subject to arbitration as provided in Article XIV.

3.04. The Authority shall have the right, subject to the provisions of Section 3.05, to withdraw, dispose of, and/or transfer, and have the consumptive use of, all Water from the Facilities to which The Corporations are not entitled under Section 3.02 (hereinafter sometimes called "Authority's Water").

3.05. It is specifically agreed that in no event will any party hereto withdraw any Water from the Facilities if such withdrawal would cause the surface level of Water in the Facilities to be lower than 372 feet above mean sea level, and for the purposes of this Article, the term "actual aggregate total available drawdown yield of Water from the Facilities", as used in this Article, shall be construed to exclude the amount of Water required to maintain the surface level of Water in the Facilities at not less than 372 feet above mean sea level.

3.06. The Authority shall have the right to sell up to and including 20,000 acre feet of its Water from the Facilities annually for any price it deems advisable and to dispose of the proceeds from such sale or sales in any way it deems advisable, subject only to the provisions of Section 6.04 requiring the Authority to pay a proportionate part of the Service Charge as specified therein.

3.07. After selling its Water as provided in Section 3.06, the Authority agrees to use its reasonable best efforts to sell an additional amount of its Water from the Facilities, up to and including 23,000 acre feet annually, at the then prevailing rate for water in the general area, but at a price consisting of (a) a "capital component" of not less than \$27.00 per acre foot, plus (b) an "operating component" equal to the amount required to pay a proportionate part of the Service Charge as provided by Section 6.04. 75% of the "capital component" of such price shall be deposited by the Authority to the credit of the Debt Service Fund, and any such actual deposit shall reduce, to the extent thereof, the amount of Semi-Annual Facilities Charges that The Corporations otherwise would be required to deposit therein. 25% of the "capital component" of the Authority's Water sold pursuant to this Section may be used in any manner deemed advisable by the Authority.

3.08. After selling its Water as provided in Section 3.07, and should The Corporations not exercise their option to use all or any part of the 40,000 acre feet of Water annually for which The Corporations have an option under Section 3.02 (b), the Authority agrees to use its reasonable best efforts to sell all or any remaining part of said 40,000 acre feet annually, including any part of such Water which the Authority may be required by law to release or sell from the Facilities, at the then prevailing rate for water in the general area, but at a price of not less than \$27.00 per acre foot. 95% of such price shall be deposited by the Authority to the credit of the Debt Service Fund, and any such actual deposit shall reduce, to the extent thereof, the amount of Semi-Annual Facilities Charges that The Corporations otherwise would be required to deposit therein. 5% of such price may be used in any manner deemed advisable by the Authority.

3.09. It is presently contemplated that The Corporations will use their Water purchased pursuant to this Agreement for purposes related to the generation of electricity at the Plants. It is agreed that The Corporations will not sell or dispose of their Water to any other person, firm, or corporation, municipal or otherwise, other than a subsidiary corporation substantially owned by Texas Utilities Company, except by and through the Authority, as their exclusive agent, as provided in this Section. If The Corporations wish to sell any part of their Water The Corporations shall so advise the Authority in writing, and the Authority agrees to use its reasonable best efforts to sell such Water at the then prevailing rate for Water in the general area. All such sales shall be subject to the prior written approval of The Corporations. The Authority also agrees to sell such Water to any purchaser at any price suggested or approved by The Corporations. 95% of the price received by the Authority from sales made pursuant to this Section shall be deposited by the Authority to the credit of the Debt Service Fund, and any such actual deposit shall reduce, to the extent thereof, the amount of Semi-Annual Facilities Charges that The Corporations otherwise would be required to deposit therein. 5% of such price shall be retained by the Authority as its commission as agent and may be used in any manner deemed advisable by the Authority. No Water shall be sold pursuant to this Section until after the Authority shall have sold all of its Water under Sections 3.06, 3.07, and 3.08.

3.10. Notwithstanding the provisions of Section 3.07, 3.08, and 3.09, The Corporations and the Authority may, by mutual agreement, permit the Authority to sell Water for any price, and use the proceeds from such sale in any manner, which is acceptable to such parties, and in no event shall the Authority be liable or subject to any penalty for its inability or failure to sell any Water as provided in Sections 3.07, 3.08, and 3.09. All sales of Authority's Water shall be made subject to The Corporation's rights to Water set forth in Section 3.02, and particularly with respect to Water for which The Corporations have an option, and all sales of any Water shall be subject to all applicable laws.

IV. THE FACILITIES

4.01. As soon as funds for such purposes are available, the Authority shall proceed to acquire, construct, and provide the Facilities.

4.02. The Corporations recognize that the Authority's only assured sources of funds to pay for acquiring, constructing, and providing the Facilities are proceeds from the sale of the Bonds and the payments made by The Corporations, and the Authority's commitments hereunder are subject to the availability of such funds.

4.03. The Authority shall operate the Facilities efficiently and maintain the Facilities in good and safe working order and condition at all times during the period in which this Agreement is in effect, and shall submit to The Corporations such operation and maintenance reports as are reasonably requested by The Corporations.

4.04. The Corporations shall have the right to inspect the Facilities at all reasonable times.

V. CONTRACTS FOR THE CONSTRUCTION OF THE FACILITIES

5.01. The Authority and The Corporations jointly shall determine what contracts shall be executed for the acquisition and construction of the Facilities. The Authority shall enter into such contracts in form and content as approved by the Authority and the Agent. The Consulting Engineers shall continuously inspect the construction while it is in progress to insure that the construction is performed in accordance with the construction contract or contracts. No change order to any contract which involves an additional expenditure of more than \$25,000 under such change order shall be issued unless and until a representative designated in writing by the Agent shall have approved such change order.

5.02. The Authority shall acquire and construct the Facilities in accordance with all applicable laws, ordinances, governmental rules, and regulations.

5.03. The Authority shall use its diligent and best efforts to complete the acquisition and construction of the Facilities so as to close the dam and commence impoundment of Water on or before January 1, 1979.

5.04. The Consulting Engineers shall file monthly progress reports on the acquisition and construction of the Facilities in such form as shall be reasonably required by the Authority and the Agent. The Authority shall promptly forward copies of such reports to the Agent and to all governmental agencies having jurisdiction in the premises.

VI. THE SERVICE CHARGE

6.01. The Service Charge, the payments of which shall be deposited by the Authority in a separate fund at its Depository, shall be determined as follows:

(a) The Authority's initial Operating Budget shall indicate and estimate all direct costs and expenses which the Authority expects to incur with respect to the Facilities during the Initial Operating Budget period and which are properly includable in the Service Charge for such period, and shall be established by agreement of the parties hereto, and such amount shall be paid to the Authority by The Corporations in such installments as shall be agreed upon.

(b) The Authority's Annual Operating Budget, based on the Authority's fiscal year, shall indicate and estimate all direct costs and expenses which the Authority expects to incur with respect to the Facilities during the Annual Operating Budget period, and such charges and expenses shall be included in the Service Charge for such period. All payments which the Authority may be required to make to Gulf States Utilities Co., Central Louisiana Electric Co., and Louisiana Power & Light Co. under Section 5.09 of the Power Sales Agreement, dated February 1, 1964, between the Authority and said companies, due to upstream additional dams, shall be a part of and included in the Service Charge, provided, however, that The Corporations shall be permitted to participate in the negotiations to determine such payments, if any. Not less than sixty (60) days prior to the close of each Authority fiscal year after the Commencement Date, the Authority shall submit to the Agent for its review an Annual Operating Budget for the ensuing fiscal year. Within thirty (30) days after receipt of each Annual Operating Budget, the Agent shall notify the Authority in writing as to whether or not it concurs in such Annual Operating Budget. If the Agent notifies the Authority within the aforesaid time limit that it does not concur in the Annual Operating Budget, and the Agent and the Authority are unable to agree on the Annual Operating Budget within thirty (30) days after the Agent receives the Annual Operating Budget, the matter shall be submitted to arbitration for determination. Until such determination is made, The Corporations shall continue to make monthly payments as in the previous budget year. However, if the Agent fails to give such notice within the aforesaid time limit, the Agent shall be deemed to have accepted the Annual Operating Budget.

6.02. Prior to the commencement of each Annual Operating Budget period after the Initial Operating Budget period, The Corporations shall deliver to the Authority such amount of money as will cause the Authority to have on hand in the Service Charge Fund a total amount equal to $\frac{1}{6}$ of the Annual Operating Budget for the ensuing year. Thereafter, on or before the first day of the second month and each subsequent month of each fiscal year The Corporations shall pay to the Authority the budgeted amount of the Service Charge during the ensuing month, which shall be $\frac{1}{12}$ of the Annual Operating Budget. It is intended hereby that the Authority shall always have on hand at the beginning of each month an amount equal to $\frac{1}{6}$ of the then current Annual Operating Budget. The Corporations shall furnish the Authority with additional funds to make payments in emergencies (not otherwise budgeted or provided for) upon approval of The Corporations, and to make any payments required by the second sentence of Section 6.01(b), above.

6.03. The Authority agrees to operate and maintain the Facilities in a prudent, efficient, and economical manner and to take such steps as may be reasonable from time to time to reduce both fixed and variable costs of operation and maintenance of the Facilities, consistent with the proper operation and maintenance of the Facilities.

6.04. The Corporations recognize that the Authority's only assured source of funds to pay the expenses of operation and maintenance of the Facilities will be from the payments of the Service Charges to be made by The Corporations pursuant to this Agreement, and that the Authority shall not be expected or required otherwise to provide for any part of the Service Charge from other sources, unless and until the Authority sells the Authority's Water to other parties. In the event that the Authority sells any such Water during any Authority fiscal year the Authority shall pay from the proceeds of such sale (by giving The Corporations credit, upon receipt of the proceeds of such sale, against the payments for which The Corporations are obligated under Section 6.02 above) a proportionate part of the Service Charge for that fiscal year in the ratio that the volume of such Water so sold bears to 163,000 acre feet, provided that the Authority shall never be required to pay more than 25% of the Service Charge during any fiscal year.

VII. MEASURING EQUIPMENT

7.01. The Authority shall furnish and install from Bond proceeds, and operate and maintain, such equipment and devices as are required by law, and any others that are requested by The Corporations, for measuring the inflow into the Facilities and the quantity of water consumed from the Facilities. The Authority and The Corporations shall establish procedures for the operation of such equipment and devices pursuant to the recommendations of the Consulting Engineers.

VIII. RECORDS AND BOOKS OF ACCOUNT; AUDIT

8.01. The Authority agrees to keep proper financial and operating records and books of account, pursuant to law and in accordance with generally accepted accounting principles, pertaining to the Authority's performance of its obligations under this Agreement, and such records and books of account shall be open to audit by The Corporations at all reasonable times.

8.02. An audit of the Authority's affairs with respect to the Facilities for each Authority fiscal year shall be prepared by an independent certified public accountant or a firm of independent certified public accountants of recognized integrity and ability. The cost of such audit shall be paid out of the Service Charge. A copy of each such audit shall be supplied to the Agent by the Authority.

IX. INSURANCE

9.01. The Authority shall carry such reasonably obtainable insurance as is necessary to pay all claims, damages, and losses for which the Authority could be liable with respect to

the acquisition, construction, existence, ownership, and operation of the Facilities, and shall carry all other reasonably obtainable insurance as requested by the Agent. All insurance premiums shall be paid from and be a part of the Service Charge.

9.02. Subject to the provisions of this Article, if the Facilities, or any portion of any of them, shall be damaged or destroyed by fire, flood, or other casualty, the Authority shall apply the proceeds from any fire, flood, and extended coverages insurance either (i) to repair such damage or destruction so as to restore the Facilities as nearly as possible to the condition thereof immediately prior to such damage or destruction or (ii) to construct or install or otherwise add to the remaining portion of the Facilities improvements substantially equal in value to the portion of the Facilities which was damaged or destroyed, and of a usefulness comparable to that of the destroyed improvements in carrying out the purposes of this Agreement. The insurance proceeds, if any, remaining after application to repair, restoration, or construction as provided in this Section shall be paid into the Service Charge Fund, and The Corporations shall be given pro rata credit therefor against the payments for which The Corporations are obligated under Section 6.02, above, for the next ensuing month or months.

9.03. At the request of the Agent the Authority agrees to issue Bonds in the amount required to repair or restore any portion of the Facilities which may be damaged or destroyed and for which insurance proceeds are not available.

X. FORCE MAJEURE

10.01. If, by reason of force majeure, any party hereto shall be rendered unable wholly or partially to carry out any obligations it may have under this Agreement, other than the obligation of The Corporations to make the payments required to be made under the provisions of this Agreement, then if such party shall give notice as soon as practicable and full details thereafter in writing of such force majeure to each affected party within a reasonable time after the occurrence of the event or cause relied on, the obligations of the party giving such notice, so far as it is affected by such force majeure shall be suspended during the continuance of the inability then claimed, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch.

10.02. The term "force majeure" as employed herein, shall mean acts of God; strikes, lockouts, and other industrial disturbances; acts of the public enemy; orders of any kind of the government of the United States or the State of Texas or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakages or accidents to machinery, pipelines or canals; partial or entire failure of water supply; or inability on the part of any party hereto to carry out its obligations under this Agreement on account of any other cause or causes not reasonably within the control of such party. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable in the judgment of the party having the difficulty.

XI. COMPLIANCE WITH LAWS

11.01. The parties hereto agree to discharge their respective obligations under this Agreement in compliance with all applicable laws, ordinances, governmental rules, and regulations, and subject thereto.

XII. TERM

12.01. The term of this Agreement shall commence on the date hereof, and, unless sooner terminated as hereinafter provided, shall remain in effect for forty years after the date of delivery of and payment for the first issue or series of Bonds, and for any period thereafter during which any Bonds are outstanding.

XIII. TERMINATION

13.01. If any local, state, or federal agency should fail to issue any of the Permits or if any of the Permits should be revoked, modified, or amended, or if any order or ruling should be enacted, promulgated, or issued by any governmental agency having jurisdiction, and the effect of such change, order, or ruling would be to make it impossible or illegal for the Authority to perform its obligations under this Agreement, this Agreement may be terminated by The Corporations or by the Authority by giving written notice to the other parties upon the occurrence of such change, order, or ruling. Also, upon not less than ninety days written notice to the Authority, The Corporations may terminate this Agreement for any reason, within their sole discretion.

13.02. Notwithstanding the foregoing provisions of this Article the obligation of The Corporations to pay each Semi-Annual Facilities Charge pursuant to the Bond Amortization Contract shall not be affected by such termination.

XIV. ARBITRATION

14.01. Any dispute which is specifically stated to be subject to arbitration under the provisions of this Agreement shall be promptly submitted to an arbitrator mutually agreed to by the Authority and the Agent. Such arbitrator shall proceed to resolve the disputes submitted to him pursuant to the terms of this Article, if the parties hereto can agree on a single arbitrator.

14.02. If the parties hereto cannot agree upon a single arbitrator as provided in Section 14.01, such dispute shall be submitted to arbitration in Dallas, Texas, by a board of three (3) arbitrators upon the written request of the Agent or the Authority, which request shall name one (1) arbitrator. The party receiving such notice shall within ten (10) days thereafter, by notice to the other, name the second arbitrator, or failing to do so, the second arbitrator shall be appointed by the Chief Judge of the United States District Court for the Northern District of Texas on request of the party requesting arbitration in the first instance. The two (2) arbitrators so appointed shall name the third, or failing to do so within ten (10) days after appointment of the second arbitrator, the third arbitrator may be appointed by said Chief Judge upon request of either party; provided that the party making such request shall, at least five (5) days prior to making same, give the other party written notice of the time when and place where such request will be made.

14.03. The arbitrators so appointed shall promptly hear and determine the question submitted pursuant to the procedures established by the Texas General Arbitration Act and shall render their decision with all reasonable speed and dispatch, but in no event later than thirty (30) days after the conclusion of evidence. If within said period a decision is not rendered by the board, or a majority thereof, new arbitrators may be named and shall act hereunder at the election of either The Corporations or the Authority in like manner as if none had been previously named.

14.04. The decision of the arbitrators or of the majority thereof shall be final and binding upon parties hereto as to the question submitted, and a judgment upon an award rendered in such arbitration proceedings may be entered in any court of competent jurisdiction. The

expenses of arbitration, including reasonable compensation to the arbitrators, shall be paid by the Authority from and be a part of the Service Charge.

14.05. Pursuant to Article 224 of Vernon's Texas Civil Statutes, the signatures of counsel for each party to this Agreement are subscribed hereto as evidence that this Agreement was concluded upon the advice of said counsel.

XV. NOTICES

15.01. Any notice, request, or other communication under this Agreement shall be given in writing and shall be deemed to have been given by any party to the other parties upon either of the following dates:

(a) The date of the mailing thereof, as shown by the post office receipt if mailed to the other parties hereto by registered or certified mail at the latest address specified by such other party in writing; or

(b) The date of the receipt thereof by such other party if not so mailed by registered or certified mail.

XVI. ASSIGNMENT

16.01. The Corporations may at any time, upon notice to the Authority, name a person, firm, or corporation to succeed to the position of the Agent under this Agreement and thereafter serve in the place and stead of the Agent.

16.02. Any of The Corporations may assign this Agreement, so far as its interest herein is concerned, in connection with the merger or consolidation of such Corporation, or the transfer of all or substantially all of its assets, or the conveyance or other transfer of its interest in the Plant. If such Corporation should merge into another corporation, or consolidate with, or transfer all or substantially all of its assets to, another corporation, or if such Corporation shall sell, assign, or otherwise transfer its interest hereunder in connection with the sale, assignment, or transfer of its interest in the Plant, the surviving corporation in the merger or its successor corporation or transferee of such assets or of such interest in the Plant, as the case may be, shall succeed to and be substituted for it under this Agreement with the same effect as if such surviving corporation, successor corporation, or transferee had been named as a party herein. However, no such merger, consolidation, transfer of assets or sale, assignment, or transfer shall be effected unless the surviving corporation, successor corporation, or transferee of such assets or of such interest in the Plant shall have irrevocably and unconditionally assumed, in an instrument delivered to the Authority, the due and prompt performance of such Corporation's obligations as a party to this Agreement. Upon the delivery of such instrument of assumption, consolidation, or transfer of such assets or transfer of such interest in the Plant, as the case may be, the withdrawing party shall have no further obligation, except for any obligation for the payment of money theretofore accrued, under this Agreement.

16.03. Except to the extent as permitted under Sections 16.01 and 16.02, above, no party may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other parties hereto.

16.04. No Assignment or transfer of this Agreement shall in any way change or affect The Corporations unconditional obligations under the Bond Amortization Contract.

XVII. MISCELLANEOUS

17.01. All headings of the Articles and particular Sections of this Agreement have been inserted for convenience of reference only and are not to be considered a part of this Agreement and in no way shall they affect the interpretation of any of the provisions of this Agreement.

17.02. The rights and remedies of the parties set forth in this Agreement shall not be exclusive are in addition to all other rights and remedies of the parties hereto except with respect to controversies which are specifically stated to be subject to arbitration under the provisions of this Agreement.

17.03. The validity, interpretation and performance of this Agreement shall be governed by the laws of the State of Texas. This Agreement constitutes the sole agreement, and supersedes all other prior agreements, of the parties with respect to the subject matter hereof, except for the Bond Amortization Contract.

17.04. The parties hereto recognize that it may become necessary or advisable to issue additional Bonds to complete, repair, replace, extend, or otherwise improve the Facilities, or to refund any of the Bonds. In the event that such Bonds are issued by the Authority at the request of The Corporations, The Corporations shall be liable for Semi-Annual Facilities Charges as specified in the Bond Amortization Contract and the Bond Resolutions authorizing such Bonds.

17.05. This Agreement may be amended or supplemented by mutual agreement of the parties hereto, but in no event shall any such amendment or supplement change or affect the Bond Amortization Contract.

17.06. The Corporations agree to protect, indemnify, and hold harmless the Authority from any and all claims, damages, and losses, including reasonable attorneys' fees, arising at any time with respect to the acquisition and construction of the Facilities, to the extent any such claims, damages, and losses are not paid from insurance proceeds.

17.07. After the term of this Agreement has expired The Corporations shall have the option thereafter to purchase Water from the Facilities in the quantities to which they were entitled during the term of this Agreement upon such terms and conditions that are mutually agreed upon, and for such price as is prevailing in the general area at that time for contract sales of water of similar quality, quantity, and contract period.

17.08. The payments by The Corporations of Semi-Annual Facilities Charges and Service Charges, and their performance of other obligations expressly imposed upon them hereunder, constitute full consideration for all rights and benefits accruing to The Corporations under this Agreement.

XVIII. ENFORCEMENT

18.01. The parties hereto agree to carry out, respect, and enforce their respective covenants and undertakings as provided in this Agreement by all legal and equitable means, and in addition The Corporations shall have the right to enforce their rights by filing mandamus or injunction proceedings in any court of competent jurisdiction against the Authority, its officials and employees, or any appropriate official of the State of Texas.

XIX. BENEFITS AND OBLIGATIONS OF THE CORPORATIONS AND THE AGENT

19.01. In entering into this Agreement and in exercising and enjoying the powers, rights, and benefits vested hereunder, the Agent is not acting in its individual and personal capacity but as agent in behalf of The Corporations. Accordingly the Agent does not possess in its own interest the powers, rights, and benefits vested in it or The Corporations hereunder, nor is it personally bound by the obligations assumed by it or The Corporations hereunder. All of the rights, benefits, obligations, agreements, and limitations of the Agent or The Corporations contained in this Agreement accrue, attach, inure to the benefit of, and are binding upon, The Corporations, and each of them, with like force and effect as if they alone were named wherever the Agent is mentioned in this Agreement. However, it is agreed and understood that the Agent may make any agreement or request, give any approval or notice, make any payment, and take any action,