

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

As of September 30, 2011, the District had the following investment:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	<u>\$ 2,895,830</u>	34 days
Total Investments	<u><u>\$ 2,895,830</u></u>	

As of September 30, 2011, the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	<u>\$ 2,895,830</u>	N/A	AAAm
Total Investments	<u><u>\$ 2,895,830</u></u>		

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2011, other than external investment pools, the District did not have 5% or more of its investments with one issuer.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less FDIC insurance at all times.

As of September 30, 2011 the District deposits with financial institutions were not in excess of federal depository insurance limits.

Investment in State Investment Pools

The District is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. This oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. ACCOUNTS RECEIVABLE

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

Accounts Receivable:		
MUD water	\$	388,269
MUD sewer		161,167
Unbilled receivables		176,861
Refuse (as agent for Town of Trophy Club)		51,903
Refuse tax (as agent for Town of Trophy Club)		4,574
Storm drainage (as agent for Town of Trophy Club)		13,254
		<u>796,028</u>
Allowance for uncollectible accounts		<u>(12,051)</u>
Total (net)	\$	<u>783,977</u>
Due from Other Governments:		
Town of Trophy Club	\$	<u>33,833</u>

NOTE 4. INTERFUND TRANSFERS

Transfers between funds during the year are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General Fund	\$ 581,878	Capital Improvement Costs
Debt Service	General Fund	<u>308,000</u>	Debt service
	Total	<u>\$ 889,878</u>	

NOTE 5. CAPITAL ASSETS AND PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustment to Net Assets

A management review of annual depreciation for capital assets was completed during the fiscal year and identified \$664,937 of depreciation that had over accumulated through the end of fiscal year 2010. Beginning fiscal year 2011 accumulated depreciation has been decreased and net assets have been increased by this amount on the government-wide financial statements.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Asset Activity

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance as Previously Reported	Adjustments/ Reclassifications	Beginning Balance As Restated	Additions	Retirements/ Transfers	Ending Balance
Governmental Activities:						
Capital assets, not being depreciated						
Land	\$ 248,093	\$ -	\$ 248,093	\$ -	\$ -	\$ 248,093
Construction in progress	601,102	-	601,102	2,817,925	(3,137,128)	281,899
Total capital assets not being depreciated	849,195	-	849,195	2,817,925	(3,137,128)	529,992
Capital assets, being depreciated						
Buildings	506,790	-	506,790	-	3,041,428	3,548,218
Improvements other than buildings	265,017	-	265,017	-	-	265,017
Machinery and equipment	1,179,578	-	1,179,578	274,635	-	1,454,213
Organization costs	2,331,300	-	2,331,300	-	-	2,331,300
Vehicles	1,615,129	-	1,615,129	78,000	(65,174)	1,627,955
Water system	8,080,056	-	8,080,056	-	-	8,080,056
Wastewater treatment system	5,441,926	-	5,441,926	-	-	5,441,926
Wastewater collection system	2,863,443	-	2,863,443	-	-	2,863,443
Total capital assets being depreciated	22,283,239	-	22,283,239	352,635	2,976,254	25,612,128
Less accumulated depreciation for:						
Buildings	(159,049)	2,788	(156,261)	(14,238)	45,485	(125,015)
Improvements other than buildings	(174,388)	1	(174,387)	(13,166)	-	(187,552)
Machinery and equipment	(391,884)	427	(391,457)	(90,102)	-	(481,559)
Organization costs	(2,016,621)	(10,781)	(2,027,402)	(76,350)	-	(2,103,752)
Vehicles	(994,555)	(1,476)	(996,031)	(110,759)	65,174	(1,041,616)
Water system	(3,013,031)	358,073	(2,654,958)	(131,125)	-	(2,786,083)
Wastewater treatment system	(1,743,613)	357,383	(1,386,230)	(127,272)	-	(1,513,503)
Wastewater collection system	(1,070,054)	(41,479)	(1,111,533)	(49,046)	-	(1,160,578)
Total accumulated depreciation	(9,563,195)	664,937	(8,898,258)	(612,058)	110,659	(9,399,658)
Governmental activities capital assets, net	\$ 13,569,239	\$ 664,937	\$ 14,234,176	\$ 2,558,502	\$ (50,215)	\$ 16,742,462

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS AND PRIOR PERIOD ADJUSTMENTS - Continued

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General government	\$ 344,985
Water operations	124,698
Fire department	15,070
Wastewater operations	47,954
Wastewater collection systems	79,351
Total depreciation expense	<u>\$ 612,058</u>

NOTE 6. LONG-TERM DEBT

At September 30, 2011, the District's long-term debt payable consisted of the following:

Description	Interest Rate Payable	Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Outstanding 9/30/2011
Tax and revenue bonds:						
Refunding	3.25-5.90%	1997	2011	\$ 398,620	\$ 3,075,000	\$ -
Refunding	4.00-5.00%	2003	2011	252,963	1,949,288	-
Improvements	4.00-5.00%	2002	2023	281,058	3,510,000	2,510,000
Operations	4.00-5.00%	2003	2023	89,793	1,200,000	840,000
Refunding	3.00-4.20%	2005	2023	195,676	3,143,998	1,770,000
Improvements	3.50-5.00%	2010	2031	148,205	2,000,000	2,000,000
						<u>\$ 7,120,000</u>
Contractual Obligations:						
Fire Truck	4.33%	2007	2014	\$ 56,000	\$ 448,000	\$ 201,000
Improvements	3.50%	2004	2012	39,000	270,000	33,750
Improvements	3.90%	2009	2012	110,000	330,000	114,309
						<u>\$ 349,059</u>
Notes payable:						
Equipment	2.50%	1999	2018	\$ 2,245	\$ 35,000	\$ 14,254
Equipment	3.90%	2010	2015	201,318	179,955	175,955
						<u>\$ 190,209</u>
Capital Lease Obligations:						
Equipment	4.00%	2008	2012	\$ 9,886	\$ 49,432	<u>\$ 9,886</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT - Continued

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Tax and revenue bonds	\$ 8,235,000	\$ -	\$ (1,115,000)	\$ 7,120,000	\$ 565,000
Contractual obligations	554,752	-	(205,693)	349,059	212,059
Deferred loss on refunding	(55,907)	-	4,414	(51,493)	(4,414)
Premium on bonding	101,626	-	(7,991)	93,635	7,991
	<u>8,835,471</u>	<u>-</u>	<u>(1,324,270)</u>	<u>7,511,201</u>	<u>780,636</u>
Notes payable	196,052	-	(5,843)	190,209	69,871
Capital lease obligations	19,774	-	(9,886)	9,888	9,888
Compensated absences (restated)	<u>75,777</u>	<u>2,139</u>	<u>-</u>	<u>77,916</u>	<u>77,916</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 9,127,074</u>	<u>\$ 2,139</u>	<u>\$ (1,339,999)</u>	<u>\$ 7,789,214</u>	<u>\$ 938,311</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT – CONTINUED

The annual requirements to amortize all debts outstanding as of September 30, 2011, are as follows:

Tax and revenue bonds:

Year Ending September 30,	Principal	Interest	Total
2012	\$ 565,000	\$ 301,300	\$ 866,300
2013	585,000	280,596	865,596
2014	400,000	259,123	659,123
2015	415,000	242,938	657,938
2016	435,000	225,938	660,938
2017-2021	2,520,000	832,679	3,352,679
2022-2026	1,525,000	283,945	1,808,945
2027-2031	675,000	87,670	762,670
Total	<u>\$ 7,120,000</u>	<u>\$ 2,514,189</u>	<u>\$ 9,634,189</u>

Contractual obligations

Year Ending September 30,	Principal	Interest	Total
2012	\$ 212,059	\$ 13,158	\$ 225,217
2013	67,000	5,932	72,932
2014	70,000	3,031	73,031
Total	<u>\$ 349,059</u>	<u>\$ 22,121</u>	<u>\$ 371,180</u>

Notes payable:

Year Ending September 30,	Principal	Interest	Total
2012	\$ 69,871	\$ 6,201	\$ 76,072
2013	37,927	4,578	42,505
2014	37,974	3,107	41,081
2015	38,025	1,634	39,659
2016	2,085	160	2,245
2017-2018	4,327	163	4,490
Total	<u>\$ 190,209</u>	<u>\$ 15,843</u>	<u>\$ 206,052</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT – CONTINUED

Capital Lease:

Year Ending September 30,	Principal	Interest	Total
2012	\$ 9,888	\$ 399	\$ 10,287
Total	<u>\$ 9,888</u>	<u>\$ 399</u>	<u>\$ 10,287</u>

The assets acquired under the capital lease obligations above are included in capital assets at a cost of \$50,173. Accumulated depreciation on the assets as of September 30, 2011 was \$11,721.

The tax revenue bonds are payable from the proceeds of ad valorem taxes levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from, and secured by a lien on and pledge of the net revenue to be received from the operation of the District's waterworks and sanitary sewer system.

The outstanding bonds are callable for redemption prior to maturity at the option of the District as follows:

Series 1997 – All maturities from 2008 to 2011 are callable in principal increments of \$5,000 on or after September 1, 2007 at par plus unpaid accrued interest to the fixed date for redemptions.

Series 2002 – All maturities from 2013 to 2023 are callable in principal increments of \$5,000 on or after September 1, 2012 at par plus unpaid accrued interest to the fixed date for redemptions.

Series 2003 – No bonds are subject to redemption prior to maturity.

Series 2003 (debt issued by the entity formerly known as MUD 2) – All maturities from 2013 to 2023 are callable in principal increments of \$5,000 on or after September 1, 2012 at par plus unpaid accrued interest to the fixed date for redemptions.

Series 2005 - All maturities from 2014 to 2023 are callable in principal increments of \$5,000 on or after September 1, 2013 at par plus unpaid accrued interest to the fixed date for redemptions.

Contractual obligations and notes payable are liquidated from the general fund. Tax and revenue bonds are liquidated from the debt service fund.

The provisions of the bond resolutions relating to debt service requirements have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements for the year ended September 30, 2011.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT – CONTINUED

In previous years, the District has legally defeased certain outstanding general obligation debt by placing funds into irrevocable trusts pledged to pay all future debt service payments of the refunded debt. Accordingly, a liability for the defeased debt issue is not included in the District's financial statements. As of September 30, 2011, the following outstanding bonds were legally defeased:

Series	Type	Amount
1995	Unlimited Tax Refunding Bonds	\$ 2,490,000
Total		<u>\$ 2,490,000</u>

NOTE 7. PROPERTY TAXES

Property taxes are levied as of October 1, on the assessed value listed as of the prior January 1, for all real and certain personal property located in the District and MUD2 (the "Districts"). The appraisal of property within the District is the responsibility of Denton Appraisal District (Appraisal District) as required by legislation passed by the Texas legislature. The Appraisal District is required under such legislation to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the Appraisal District must be reviewed every five years; however, the District may, at its own expense, require annual reviews of appraised values. The Districts may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Property taxes for the Districts are not limited as to rate or amount. In an election held October 7, 1975, the electorate of the Districts authorized the levy of up to \$0.25 per \$100 valuation per District for the operations and maintenance of the Districts. Property taxes attach as an enforceable lien on property as of January 1, following the levy date. Taxes are due by January 31, following the levy date. Property taxes are recorded as receivables when levied. Following is information regarding the 2011 tax levies:

Adjusted taxable values		<u>\$ 993,169,500</u>
O & M Fire tax levy	\$0.11804/\$100	1,284,669
I & S tax levy	\$0.07696/\$100	<u>763,303</u>
Total tax levy	\$0.1950/\$100	<u>\$ 2,047,972</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. FUND BALANCE CLASSIFICATIONS AND DEFICITS

The District's authorized their Director to designate certain fund balances as assigned. Excluding unassigned fund balances, the following describes the District's fund balance classifications at September 30, 2011:

Non-Spendable Fund Balances

Non-Spendable Fund Balance of \$7,755 for the General Fund represents assets not in spendable form.

Assigned Fund Balances

The District assigned \$265,082 of General Fund fund balances to offset expected fiscal year 2012 budgetary deficits for general operations and the fire department.

The District assigned a total of \$556,175 of General Fund fund balances for the following: \$21,000 for water plant equipment, \$219,414 for future technology acquisitions, and \$315,761 for fiscal year 2012 expected transfers to the Capital Projects Fund.

Fund Balance Deficits

The Capital Projects Fund has a fund balance deficit at September 30, 2011 of \$302,466. In fiscal year 2012, the District intends to transfer funds from the General Fund to eliminate the deficit.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. Commercial insurance is purchased for the risks of loss to which the District is exposed. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the District's basic financial statements.

Additionally, the District must operate in compliance with rules and regulations mandated for public water supply systems by federal and state governments. The District is subject to compliance oversight by the Texas Commission on Environmental Quality (TCEQ).

Fiscal Year 2011 TCEQ Compliance

In October of 2011, the District notified TCEQ of inaccuracies in previously submitted, monthly Discharge Monitoring Reports (DMR's). The inaccuracies related to the laboratory measurement results for Carbonaceous Biochemical Oxygen Demand (CBOD). The District submitted corrected DMR's to TCEQ, but has not been formally notified by TCEQ of the resulting action, if any, that will occur due to the reported inaccuracies.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. SUBSEQUENT EVENTS

The District has evaluated all events and transactions that occurred after September 30, 2011 up through audit report date, which is the date the financial statements were issued. The following is a subsequent for the District:

On January 18, 2012, the District issued Trophy Club Municipal Utility District No. 1, Revenue Note, Series 2012 for \$1,100,000 (the Note). The Note was issued to finance the expansion of two ground storage tanks. Interest accrues at 2.87% per annum and is payable each March 1st and September 1st commencing March 1, 2012.

The following schedule shows amounts that this Note will add to the District's future debt service requirements:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 367,000	\$ 19,556	\$ 386,556
2013	366,000	21,037	387,037
2014	367,000	10,533	377,533
	<u>\$ 1,100,000</u>	<u>\$ 51,126</u>	<u>\$ 1,151,126</u>

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REQUIRED SUPPLEMENTARY INFORMATION

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2011

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Water and wastewater charges	\$ 4,349,548	\$ 4,349,548	\$ 5,323,244	\$ 973,696
Taxes	1,278,248	1,278,248	1,311,296	33,048
Utility fees	167,900	167,900	165,600	(2,300)
Intergovernmental revenues	13,750	93,080	89,330	(3,750)
Miscellaneous	37,014	38,323	80,906	42,583
Oversize meter reimbursements	50,000	50,000	70,594	20,594
Inspection and tap fees	3,000	3,000	8,560	5,560
Investment income	2,000	2,000	5,534	3,534
Total revenues	5,901,460	5,982,099	7,055,065	1,072,966
Expenditures:				
Water operations	2,060,851	2,060,851	2,271,490	(210,639)
Fire	1,204,001	1,206,640	770,123	436,517
Wastewater operations	628,207	628,207	598,465	29,742
Manager's office	547,908	547,908	537,597	10,311
Wastewater collection system	381,658	381,658	277,775	103,883
Utility billing	237,571	237,571	207,307	30,264
Information systems	131,012	131,012	123,605	7,407
Finance	113,706	113,706	119,359	(5,653)
General government	86,314	86,314	85,092	1,222
Facilities management	90,739	90,739	77,493	13,246
Directors	24,528	24,528	14,356	10,172
Human resources	6,945	6,945	868	6,077
Capital Outlay	486,565	720,544	515,884	204,660
Debt Service	-	-	240,245	(240,245)
Total expenditures	6,000,005	6,236,623	5,839,660	396,963
Excess of revenues over expenditures	(98,545)	(254,524)	1,215,405	1,469,929
Other financing sources (uses):				
Transfers in	54,314	54,314	-	(54,314)
Transfers out	(56,911)	(56,911)	(889,878)	(832,967)
Total other financing sources (uses)	(2,597)	(2,597)	(889,878)	(887,281)
Net change in fund balance	(101,142)	(257,121)	325,527	582,648
Fund Balances - beginning of year	3,012,914	3,012,914	3,012,914	-
Fund Balances - end of year	\$ 2,911,772	\$ 2,755,793	\$ 3,338,441	\$ 582,648

Notes to Required Supplementary Information:

The District annual budgets are approved on the budgetary basis. The Board also approves all revisions and appropriations which lapse at each fiscal year-end.

**INDIVIDUAL SCHEDULES AND OTHER
SUPPLEMENTARY INFORMATION REQUIRED
BY TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY (TCEQ)**

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Taxes	\$ 765,212	\$ 765,212	\$ 777,648	\$ 12,436
Investment income	500	500	985	485
Utility fees	246,100	246,100	246,100	-
Total revenues	1,011,812	1,011,812	1,024,733	12,921
Expenditures:				
Debt service				
Principal	1,115,000	1,115,000	1,115,000	-
Interest	379,559	379,559	379,559	-
Fees	3,500	3,500	2,460	1,040
Total expenditures	1,498,059	1,498,059	1,497,019	1,040
Deficiency of revenues under expenditures	(486,247)	(486,247)	(472,286)	13,961
Other financing sources				
Premium on bonds				
Transfers in	308,000	308,000	308,000	-
Total other financing sources	308,000	308,000	308,000	-
Net change in fund balance	(178,247)	(178,247)	(164,286)	13,961
Fund Balances - beginning of year	272,132	272,132	272,132	-
Fund Balances - end of year	\$ 93,885	\$ 93,885	\$ 107,846	\$ 13,961

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1
SERVICES AND RATES
YEAR ENDED SEPTEMBER 30, 2011

TSI - SERVICE AND RATES

1. Services provided by the District:

- a) Retail Water
- b) Retail Wastewater
- c) Fire Protection
- d) Irrigation
- e) Participates in regional system and/or wastewater service (other than emergency interconnect)

2. Retail service providers:

a) Retail rates-based on 5/8" meter:

Most prevalent type of meter (if not a 5/8"):

1 inch

	Admin Fee	Minimum Usage	Flat Rate Y/N	Rates per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ 12.71	0	No	\$ 2.48	0 to 6,000
			No	3.00	7,000 to 12,000
			No	3.23	13,000 to 25,000
			No	3.34	26,000 to 50,000
			No	3.44	51,000 +

Note: Out of district water rates are double the "in-town" rate and are included in the rate order.

WASTEWATER	\$ 12.71	0	No	\$ 2.48	0 to 6,000
			No	3.00	7,000 to 12,000
			No	-	Caps at 12,000

GOLF COURSE Subject to peak draw rates from Ft Worth water department.

NOTE: all rates noted above were amended effective February 1, 2011.

District employs winter averaging for wastewater usage? No

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

TSI-1

SERVICES AND RATES (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2011

TSI - SERVICE AND RATES - CONTINUED

Total water and wastewater charges per 10,000 gallons usage (including surcharges)
effective February 1, 2011

First 10,000 gallons used	\$ 79.18
Next 10,000 gallons used	37.84
Next 10,000 gallons used	32.85
Next 10,000 gallons used	33.40
Next 10,000 gallons used	33.40
Next 10,000 gallons used and subsequent	34.40

Maximum residential wastewater charge is for 12,000 gallons or \$45.59

- b) Retail service providers: number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC).

Meter Size	Connections		ESFC Factor	Active ESFC's
	Total	Active		
Unmetered	-	-	1.0	-
Less than 3/4"	2,513.0	2,495.0	1.0	2,495.0
1"	958.0	934.0	2.5	2,335.0
1 1/2"	18.0	17.0	5.0	85.0
2"	80.0	75.0	8.0	600.0
3"	14.0	13.0	15.0	195.0
4"	12.0	12.0	25.0	300.0
6"	3.0	3.0	50.0	150.0
8"	-	-	80.0	-
10"	-	-	115.0	-
Total Water	<u>3,598.0</u>	<u>3,549.0</u>		<u>6,160.0</u>
Total Wastewater	<u>3,603.0</u>	<u>3,554.0</u>	1.0	<u>3,554.0</u>

- * Number of connections relates to water service if provided. Otherwise, the number of wastewater connections should be provided.

Note: "inactive" means that water and wastewater connections were made, but service is not being provided.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-2
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED SEPTEMBER 30, 2011

	<u>Current Year</u>	<u>Prior Year</u>
Water Operations	\$ 2,271,490	\$ 1,882,511
Administrative	1,042,073	993,986
Contribution to Trophy Club Fire Dept	770,123	876,521
Wastewater Operations	598,465	711,382
Capital Outlay	515,884	-
Wastewater Collection Systems	277,775	308,798
Information Systems	123,605	182,658
Transfer to Debt Service	1,130,123	558,000
Misellaneous	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>\$ 6,729,538</u>	<u>\$ 5,513,856</u>
Number of employees employed by the District:		
Full time Equivalents (FTEs)	29.5	32.5
Part time	None	None

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-3
TEMPORARY INVESTMENTS
SEPTEMBER 30, 2011

<u>Funds</u>	<u>Identification Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance End of Year</u>	<u>Accrued Interest End of Year</u>
General Fund TexPool	613300002	0.2165%	Demand	\$ 2,787,983	Paid daily
Debt Service Fund TexPool	613300003	0.2165%	Demand	\$ 107,847	Paid daily
Fire Construction TexPool	613300008	0.2165%	Demand	\$ -	Paid daily
2010 GO Fire Station TexPool	613300009	0.2165%	Demand	<u>\$ -</u>	Paid daily
Total - All Funds				<u><u>\$ 2,895,830</u></u>	

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

TSI-4

**TAXES LEVIED AND RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2011**

	General Fund			Debt	
	Operations	Fire	Total	Service	Total
Taxes receivable beginning of year	\$ 2,616	\$ 15,605	\$ 18,221	\$ 21,794	\$ 40,015
2010 tax levy	87,181	1,197,488	1,284,669	763,303	2,047,972
Total to be accounted for	89,797	1,213,093	1,302,890	785,097	2,087,987
Less collections and adjustments:					
Current year	(86,796)	(1,192,694)	(1,279,490)	(759,932)	(2,039,422)
Prior years	(1,145)	(3,228)	(4,373)	(11,574)	(15,947)
Total to be accounted for	(87,941)	(1,195,922)	(1,283,863)	(771,506)	(2,055,369)
Taxes receivable, end of year	<u>\$ 1,856</u>	<u>\$ 17,171</u>	<u>\$ 19,027</u>	<u>\$ 13,591</u>	<u>\$ 32,618</u>
Taxes receivable by year					
1996 and prior	19	108	127	454	581
1997	7	41	48	150	198
1998	7	44	51	140	191
1999	7	48	55	108	163
2000	15	73	88	266	354
2001	34	134	168	440	608
2002	362	2091	2453	3707	6160
2003	70	126	196	132	328
2004	17	145	162	210	372
2005	59	199	258	283	541
2006	169	774	943	1351	2294
2007	67	2125	2192	789	2981
2008	136	2615	2751	920	3671
2009	502	3854	4356	1270	5626
2010	385	4794	5179	3371	8550
	<u>\$ 1,856</u>	<u>\$ 17,171</u>	<u>\$ 19,027</u>	<u>\$ 13,591</u>	<u>\$ 32,618</u>
Property valuations (in 000's)					
	F/Y 10/11	F/Y 09/10	F/Y 08/09	F/Y 07/08	F/Y 06/07
Land	\$ 247,335	\$ 209,177	\$ 186,574	\$ 213,640	\$ 193,906
Improvements	713,265	786,539	737,273	638,560	581,667
Personal property	73,914	80,332	71,091	94,823	65,248
Exemptions	(41,345)	(40,057)	(34,027)	(34,405)	(29,607)
	<u>\$ 993,169</u>	<u>\$ 1,035,991</u>	<u>\$ 960,911</u>	<u>\$ 912,618</u>	<u>\$ 811,214</u>
Tax rate per \$100 valuation					
Operations	0.008790	0.027140	0.014040	0.010200	0.030900
Fire department	0.109250	0.109140	0.116020	0.120860	0.102700
Debt service	0.076960	0.068720	0.114555	0.098940	0.146400
Tax rate per \$100 valuation	<u>0.195000</u>	<u>0.205000</u>	<u>0.244615</u>	<u>0.230000</u>	<u>0.280000</u>
Tax levy:	\$ 2,047,972	\$ 2,091,414	\$ 2,380,679	\$ 2,234,909	\$ 2,191,536
Percent of taxes collected to taxes levied	100.36%	100.36%	99.58%	100.36%	100.62%

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-5
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEAR
SEPTEMBER 30, 2011

All Bonded Debt Series			
<u>Due During Fiscal Years Ending</u>	<u>Principal Due 1-Sep</u>	<u>Interest Due Mar 1/Sep 1</u>	<u>Total</u>
2012	\$ 565,000	\$ 301,300	\$ 866,300
2013	585,000	280,596	865,596
2014	400,000	259,123	659,123
2015	415,000	242,938	657,938
2016	435,000	225,938	660,938
2017	460,000	207,868	667,868
2018	480,000	188,468	668,468
2019	505,000	167,838	672,838
2020	525,000	145,737	670,737
2021	550,000	122,768	672,768
2022	580,000	98,533	678,533
2023	605,000	71,463	676,463
2024	110,000	43,183	153,183
2025	115,000	37,683	152,683
2026	115,000	33,083	148,083
2027	125,000	28,368	153,368
2028	130,000	23,243	153,243
2029	135,000	17,783	152,783
2030	140,000	12,113	152,113
2031	145,000	6,163	151,163
	<u>\$ 7,120,000</u>	<u>\$ 2,514,189</u>	<u>\$ 9,634,189</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-5
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEAR
SEPTEMBER 30, 2011

Due During Fiscal Years Ending	Series 2010 General Obligation Bonds		
	Principal Due 1-Sep	Interest Due Mar 1/Sep 1	Total
2012	\$ 65,000	\$ 80,733	\$ 145,733
2013	65,000	78,458	143,458
2014	70,000	76,183	146,183
2015	70,000	73,733	143,733
2016	75,000	71,283	146,283
2017	80,000	68,658	148,658
2018	85,000	65,858	150,858
2019	85,000	62,883	147,883
2020	90,000	59,908	149,908
2021	95,000	56,758	151,758
2022	100,000	53,433	153,433
2023	105,000	48,433	153,433
2024	110,000	43,183	153,183
2025	115,000	37,683	152,683
2026	115,000	33,083	148,083
2027	125,000	28,368	153,368
2028	130,000	23,243	153,243
2029	135,000	17,783	152,783
2030	140,000	12,113	152,113
2031	145,000	6,163	151,163
	<u>\$ 2,000,000</u>	<u>\$ 997,940</u>	<u>\$ 2,997,940</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-5
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEAR
SEPTEMBER 30, 2011

<u>Due During Fiscal Years Ending</u>	<u>Series 2005 Combination Tax Bonds</u>		
	<u>Principal Due 1-Sep</u>	<u>Interest Due Mar 1/Sep 1</u>	<u>Total</u>
2012	\$ 290,000	\$ 68,685	\$ 358,685
2013	295,000	58,535	353,535
2014	100,000	48,210	148,210
2015	105,000	44,210	149,210
2016	105,000	40,010	145,010
2017	110,000	35,810	145,810
2018	115,000	31,410	146,410
2019	120,000	26,810	146,810
2020	125,000	22,010	147,010
2021	130,000	17,010	147,010
2022	135,000	11,550	146,550
2023	140,000	5,880	145,880
	<u>\$ 1,770,000</u>	<u>\$ 410,130</u>	<u>\$ 2,180,130</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-5
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEAR
SEPTEMBER 30, 2011

Series 2003 Combination Tax Bonds			
Due During Fiscal Years Ending	Principal Due 1- Sep	Interest Due Mar 1/Sep 1	Total
2012	\$ 55,000	\$ 33,215	\$ 88,215
2013	60,000	31,290	91,290
2014	60,000	29,430	89,430
2015	60,000	27,090	87,090
2016	65,000	24,750	89,750
2017	70,000	22,150	92,150
2018	70,000	19,350	89,350
2019	75,000	16,375	91,375
2020	75,000	13,187	88,187
2021	80,000	10,000	90,000
2022	85,000	6,800	91,800
2023	85,000	3,400	88,400
	<u>\$ 840,000</u>	<u>\$ 237,037</u>	<u>\$ 1,077,037</u>

Series 2002 Combination Tax Bonds			
Due During Fiscal Years Ending	Principal Due 1- Sep	Interest Due Mar 1/Sep 1	Total
2012	155,000	118,667	273,667
2013	165,000	112,313	277,313
2014	170,000	105,300	275,300
2015	180,000	97,905	277,905
2016	190,000	89,895	279,895
2017	200,000	81,250	281,250
2018	210,000	71,850	281,850
2019	225,000	61,770	286,770
2020	235,000	50,632	285,632
2021	245,000	39,000	284,000
2022	260,000	26,750	286,750
2023	275,000	13,750	288,750
	<u>\$ 2,510,000</u>	<u>\$ 869,082</u>	<u>\$ 3,379,082</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-6
CHANGES IN LONG-TERM BONDED DEBT
YEAR ENDED SEPTEMBER 30, 2011

	Series 1997 Combination Tax	Series 2002 Combination Tax	Series 2003 Combination Tax	Series 2003 Unlimited Tax	Series 2005 Combination Tax	Series 2010 Combination Tax	Total
Interest rate	3.25-5.9%	4.00-5.50%	3.10-4.25%	3.25%	2.97-4.20%		
Date interest payable	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	
Maturity date	9/1/98 to 9/1/2011	9/1/2023	9/1/2023	9/1/2011	9/1/2023	9/1/2031	
Bonds outstanding at beginning of year	\$ 380,000	\$ 2,660,000	\$ 895,000	\$ 245,000	\$ 2,055,000	\$ 2,000,000	\$ 8,235,000
Retirements of principal	(380,000)	(150,000)	(55,000)	(245,000)	(285,000)	-	(1,115,000)
Bond Issue							-
Bonds outstanding at end of fiscal year	\$ -	\$ 2,510,000	\$ 840,000	\$ -	\$ 1,770,000	\$ 2,000,000	\$ 7,120,000
Retirements of interest	\$ 18,620	\$ 124,668	\$ 35,278	\$ 7,963	\$ 78,660	\$ 114,371	\$ 379,560

Paying agent's name & city:

All series
Bank of New York Mellon
P.O. Box 2320
Dallas, Texas 75221-2320

Bond Authority	General Obligation Bonds
Amount authorized by voters	\$ 27,094,217
Amount issued	(23,325,000)
Remaining to be issued	\$ 3,769,217

The general obligation bonds were authorized on October 7, 1975

Debt Service Fund cash and cash equivalents balance as of September 30, 2011 \$ 107,847

Average annual debt service payment (principal & interest) for remaining term of debt: \$ 481,709

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
TSI-7
GENERAL FUND
COMPARATIVE SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES
AND EXPENDITURES AND OTHER FINANCING USES - FIVE YEARS

SEPTEMBER 30, 2011

	Amounts					Percent of total revenue				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
REVENUE AND OTHER FINANCING SOURCES										
Ad valorem property taxes	\$ 1,311,296	\$ 1,491,564	\$ 1,283,705	\$ 1,002,608	\$ 909,495	18.6%	26.2%	21.1%	20.3%	21.0%
Water and wastewater charges	5,323,244	3,919,084	3,721,868	3,678,859	3,151,144	75.5%	68.8%	61.3%	74.5%	72.8%
Utility Fees	165,600	80,500	515,200	-	-	2.3%	1.4%	8.5%	0.0%	0.0%
Inspection and tap fees	8,560	5,775	4,975	22,550	32,900	0.1%	0.1%	0.1%	0.5%	0.8%
Interest earned	5,534	6,171	20,755	69,447	106,168	0.1%	0.1%	0.3%	1.4%	2.5%
Capital lease proceeds/Contractual Obligations	-	-	330,000	49,432	-	0.0%	0.0%	5.4%	1.0%	0.0%
Miscellaneous and other	240,830	191,498	199,780	116,295	131,124	3.4%	3.4%	3.3%	2.4%	3.0%
Total revenue and other financing sources	7,055,065	5,694,592	6,076,283	4,939,191	4,330,831	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES										
Water operations	2,271,490	1,882,511	1,811,385	1,934,792	1,638,294	32.2%	33.1%	29.8%	39.2%	37.8%
Administrative	1,042,073	993,986	1,297,613	905,052	835,590	14.8%	17.5%	21.4%	18.3%	19.3%
Transfers out and debt service	1,130,123	558,000	383,009	-	-	16.0%	9.8%	6.3%	0.0%	0.0%
Contribution to Trophy Club Fire Dept	770,123	876,521	783,736	902,353	725,764	10.9%	15.4%	12.9%	18.3%	16.8%
Wastewater operations	598,465	711,382	999,388	500,224	480,798	8.5%	12.5%	16.4%	10.1%	11.1%
Capital outlay	515,884	-	-	29,379	442,782	7.3%	0.0%	0.0%	0.6%	10.2%
Wastewater collection systems	277,775	308,798	294,869	409,948	402,482	3.9%	5.4%	4.9%	8.3%	9.3%
Miscellaneous	-	-	-	45,457	135,121	0.0%	0.0%	0.0%	0.9%	3.1%
Information systems	123,605	182,658	175,698	187,908	124,987	1.8%	3.2%	2.9%	3.8%	2.9%
Total expenditures	6,729,538	5,513,856	5,745,698	4,915,113	4,785,818	95.4%	96.8%	94.6%	99.5%	110.5%
Excess (deficiency) of revenues over (under) expenditures	\$ 325,527	\$ 180,736	\$ 330,585	\$ 24,078	\$ (454,987)	4.6%	3.2%	5.4%	0.5%	-10.5%
Total active retail water and/or wastewater connections	3,554	3,361	3,161	3,092	2,827					

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

TSI-7

DEBT SERVICE FUND

**COMPARATIVE SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES
AND EXPENDITURES AND OTHER FINANCING USES - FIVE YEARS**

SEPTEMBER 30, 2011

**TSI - 7 COMPARATIVE SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES AND EXPENDITURES AND OTHER FINANCING
USES - FIVE YEARS - CONTINUED**

REVENUE	Amounts					Percent of total revenue				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Ad valorem property taxes	\$ 771,631	\$ 740,420	\$ 1,100,115	\$ 1,302,763	\$ 1,325,143	57.9%	52.9%	73.4%	96.1%	94.8%
Penalties and interest	6,018	-	11,885	-	-	0.5%	0.0%	0.8%	0.0%	0.0%
Transfers in	554,100	653,000	383,009	-	-	41.6%	46.7%	25.5%	0.0%	0.0%
Interest earned	985	4,848	4,105	23,326	43,456	0.1%	0.3%	0.3%	1.7%	3.1%
Miscellaneous and other	-	1,000	-	29,379	29,379	0.0%	0.1%	0.0%	2.2%	2.1%
Total revenue	1,332,734	1,399,268	1,499,114	1,355,468	1,397,978	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES										
Principal retirement	1,115,000	1,055,000	1,025,000	975,000	945,000	83.7%	75.4%	68.4%	71.9%	67.6%
Interest and fiscal charges	382,019	311,570	352,194	390,565	425,838	28.7%	22.3%	23.5%	28.8%	30.5%
Total expenditures	1,497,019	1,366,570	1,377,194	1,365,565	1,370,838	112.3%	97.7%	91.9%	100.7%	98.1%
Excess (deficiency) of revenues over (under) expenditures	\$ (164,285)	\$ 32,698	\$ 121,920	\$ (10,097)	\$ 27,140	-12.3%	2.3%	8.1%	-0.7%	1.9%

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INVESTMENT BANKERS

TAB 6

NEW ISSUE-BOOK-ENTRY-ONLY

Ratings: **S&P: "AA-"**
(See "RATINGS" herein)

OFFICIAL STATEMENT

Dated: February 14, 2012

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

*The District has designated the Bonds as "Qualified Tax-Exempt Obligations",
(See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)*

\$2,355,000

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas Located in Denton and Tarrant Counties, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2012**

Dated Date: March 1, 2012

Due: September 1, as shown on Page ii

The Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") \$2,355,000 Unlimited Tax Refunding Bonds, Series 2012, which are being issued pursuant to the terms and provisions of an order (the "Bond Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"). In the Bond Order, the District delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved a "Pricing Certificate" which contains the final terms of sale and completed the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order"). (See "THE BONDS - Authority for Issuance" herein.)

The Bonds, when issued, will constitute direct and general obligations of the District, payable from the proceeds of an annual ad valorem tax levied against all taxable property located therein, without limitation as to rate or amount. **Neither the State of Texas, Denton or Tarrant Counties, Texas nor any political subdivision or municipality, other than the District shall be obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas or Denton or Tarrant Counties, Texas or any political subdivision or municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption price of the Bonds.** (See "THE BONDS - Security for Payment" herein.) **THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN.** (See "INVESTMENT CONSIDERATIONS" herein.) Bond purchasers are encouraged to read this entire Official Statement prior to making an investment decision.

Interest on the Bonds will accrue from March 1, 2012 (the "Dated Date") and will be payable March 1 and September 1 of each year, commencing September 1, 2012, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds until DTC resigns or is discharged. Book-entry interests in the Bonds will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of bonds representing their interest in the Bonds purchased. So long as Cede & Co. or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent/registrars to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Bonds. The initial paying agent/registrars for the Bonds shall be The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent"). (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds are being used to (i) refund for debt service savings the District's outstanding Unlimited Tax Bonds, Series 2002 (see Schedule 1 attached hereto) and (ii) pay the costs related to the issuance of the Bonds. (See "PLAN OF FINANCING - Purpose" herein.)

The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2021, in whole or from time to time in part, on September 1, 2020, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. (See "THE BONDS - Redemption Provisions" herein.)

STATED MATURITY SCHEDULE

(See Page ii)

The Bonds are offered for delivery, when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or will accompany the Bonds. Certain matters will be passed upon for the Underwriter by Fulbright & Jaworski L.L.P., Dallas, Texas, as counsel to the Underwriter. It is expected that the Bonds will be available for delivery through DTC on or about March 5, 2012.

FIRSTSOUTHWEST

TCMUD002412

STATED MATURITY SCHEDULE
(Due September 1)
Base CUSIP – 897059 ^(a)

\$2,355,000 Unlimited Tax Refunding Bonds, Series 2012

<u>Stated Maturity Due 9-1</u>	<u>Principal Amount</u>	<u>Initial Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2013	\$185,000	2.00	0.60	EQ 0
2014	190,000	2.00	0.75	ER 8
2015	195,000	2.00	0.97	ES 6
2016	200,000	2.50	1.10	ET 4
2017	205,000	2.50	1.23	EU 1
2018	210,000	2.50	1.41	EV 9
2019	225,000	2.50	1.63	EW 7
2020	225,000	3.00	1.86	EX 5
2021	230,000	3.00	2.08 ^(b)	EY 3
2022	240,000	3.00	2.17 ^(b)	EZ 0
2023	250,000	3.00	2.28 ^(b)	FA 4

(Interest to accrue from the Dated Date.)

^(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

^(b) Yield calculated to first call date at par, September 1, 2020.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Two-Year Term Expires, May</u>	<u>Occupation</u>
James Moss	President	2012	Retired
Kevin Carr	Secretary/Treasurer	2014	Insurance Adjuster
C. Nick Sanders	Vice President	2012	Business Owner
William Armstrong	Director	2014	Retired
James C. Thomas	Director	2014	Retired

DISTRICT PERSONNEL AND ADVISORS

District Manager.....	Robert Scott Trophy Club, Texas
Senior Accountant	Renae Gonzales Trophy Club, Texas
Attorney for the District	Bob West Whitaker Chalk Swindle & Schwartz PLLC Fort Worth, Texas
Financial Advisor	Southwest Securities Dallas, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Independent Auditors	Lafollett & Co., PLLC Tom Bean, Texas
Tax Assessor - Collector	Denton County Tax Assessor-Collector
Chief Appraiser	Denton County, Texas Tarrant County, Texas

For Additional Information Please Contact:

Mr. Robert Scott
District Manager
Trophy Club Municipal Utility District
100 Municipal Drive
Trophy Club, Texas 76262
(682) 831-4610

Mr. Dan A. Almon
Senior Vice President
Southwest Securities, Inc
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 859-9452

Mr. Mark McLiney
Senior Vice President
Southwest Securities, Inc.
4040 Broadway, Suite 220
San Antonio, Texas 78209
(210) 226-8677

TABLE OF CONTENTS

BOARD OF DIRECTORS.....	iii	Population.....	12
DISTRICT PERSONNEL AND ADVISORS	iii	Topography and Drainage	12
TABLE OF CONTENTS.....	iii	Shopping and Commercial Facilities.....	12
USE OF INFORMATION IN THE OFFICIAL STATEMENT.....	v	Fire Protection	12
SELECTED DATA FROM THE OFFICIAL STATEMENT.....	vi	Police Protection.....	12
SELECTED FINANCIAL INFORMATION	vii	Schools.....	12
OFFICIAL STATEMENT.....	1	Recreational Opportunities	13
INTRODUCTION.....	1	Status of Development of the District	13
PLAN OF FINANCING.....	1	Public Improvement District Description	13
Purpose.....	1	THE DISTRICT'S SYSTEM	14
Refunded Bonds	1	Description of the Water System	14
SOURCES AND USES OF FUNDS	2	Description of the Wastewater System.....	14
THE BONDS.....	2	INVESTMENT AUTHORITY AND INVESTMENT	
General Description	2	PRACTICES OF THE DISTRICT	14
Authority for Issuance	2	Current Investments	16
Security for Payment.....	2	TAX DATA	16
Payment Record	3	District Bond Tax Rate Limitation	16
Flow of Funds and Investment of Funds	3	Maintenance and Operations Tax.....	16
Redemption Provisions	3	Overlapping Taxes	16
Termination of Book-Entry-Only System	4	TAXING PROCEDURES	16
Defeasance of Outstanding Bonds.....	4	Authority to Levy Taxes	16
Paying Agent/Registrar	5	Property Tax Code and County-Wide Appraisal	
Record Date	5	District	16
Issuance of Additional Debt.....	5	Valuation of Property for Taxation	18
Specific Tax Covenants	6	Notice and Hearing Procedures.....	18
Additional Covenants	6	District and Taxpayer Remedies.....	18
Remedies in Event of Default.....	6	Levy and Collection of Taxes.....	18
Amendments to the Order	6	District's Rights in the Event of Tax Delinquencies.....	19
RATINGS.....	6	TAX MATTERS.....	19
BOOK-ENTRY-ONLY SYSTEM	6	Opinion	19
Use of Certain Terms in Other Sections of this Official		Federal Income Tax Accounting Treatment of Original	
Statement.....	8	Issue Discount.....	20
INVESTMENT CONSIDERATIONS	8	Collateral Federal Income Tax Consequences	20
General	8	State, Local and Foreign Taxes.....	21
Approval of the Bonds.....	8	Qualified Tax-Exempt Obligations for Financial	
Tax Collections and Foreclosure Remedies.....	9	Institutions	21
Consolidation	9	CONTINUING DISCLOSURE OF INFORMATION	21
Abolition	9	Annual Reports.....	21
Alteration of Boundaries	9	Notice of Certain Events.....	22
Registered Owners' Remedies.....	9	Availability of Information from MSRB	22
Bankruptcy Limitation to Registered Owners' Rights.....	10	Limitations and Amendments	22
The Effect of the Financial Institutions Act of 1989 on		Compliance with Prior Agreements.....	23
Tax Collections of the District.....	10	OTHER PERTINENT INFORMATION	23
Continuing Compliance with Certain Covenants	10	Legal Matters.....	23
Future Debt.....	11	Registration and Qualification of Bonds for Sale	23
Future and Proposed Legislation	11	Litigation	23
THE DISTRICT.....	11	Legal Investments and Eligibility to Secure Public	
Creation of the District.....	11	Funds in Texas.....	23
Governance.....	11	Underwriting	24
Employees	11	Financial Advisor	24
General	11	Forward-Looking Statements Disclaimer	24
Location	12	Concluding Statement	24
Schedule of Refunded Bonds			
Financial Information of the Issuer.....			Schedule I
General Information Regarding the District.....			Appendix A
Form of Legal Opinion of Bond Counsel.....			Appendix B
The Issuer's General Purpose Audited Financial Statements for the Year Ended September 30, 2011.....			Appendix C
			Appendix D

The cover page, subsequent pages hereof and the schedules and appendices attached hereto, are part of this Official Statement.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page, Schedule I and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Certain information set forth herein has been provided by sources other than the District that the District believes to be reliable, but the District makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

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

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR OR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. (See "OTHER PERTINENT INFORMATION--Forward Looking Statements Disclaimer" herein.)

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") is a political subdivision of the State of Texas located in Denton and Tarrant Counties, Texas. The District was created as a municipal utility district pursuant to Chapter 54 of the Texas Water Code and is a conservation and reclamation district in accordance with Article XVI, Section 59 of the Texas Water Code. The District has also adopted a fire protection plan under Section 50.055 of the Texas Water Code, now codified as Subchapter L of Chapter 49 of the Texas Water Code, pursuant to the Order of the Texas Water Commission of August 22, 1983. In July of 2009, documentation was submitted to the Texas Commission on Environmental Quality ("TCEQ") regarding the consolidation of Trophy Club Municipal Utility District Nos. 1 and 2 pursuant to a May 9, 2009 election. (See "THE DISTRICT" and "APPENDIX B - GENERAL INFORMATION REGARDING THE DISTRICT" herein.)
The Bonds	The Bonds are being issued pursuant to the terms and provisions of an order (the "Bond Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"). In the Bond Order, the District delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved a "Pricing Certificate" which contains the final terms of sale and completed the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order"). (See "THE BONDS - Authority for Issuance" herein.)
Security for Payment	The Bonds, when issued, will constitute direct and general obligations of the District, payable from the proceeds of an annual ad valorem tax levied against all taxable property located therein, without limitation as to rate or amount. Neither the State of Texas, Denton or Tarrant Counties, Texas nor any political subdivision or municipality, other than the District shall be obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas or Denton or Tarrant Counties, Texas or any political subdivisions or municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption price of the Bonds. (See "THE BONDS - Security for Payment" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Redemption Provisions	Bonds maturing on and after September 1, 2021 are subject to redemption in whole or from time to time in part at the option of the District on September 1, 2020, and on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption.
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing law subject to matters discussed herein under "TAX MATTERS", including the alternative minimum tax on corporations. (See "TAX MATTERS" and APPENDIX C - "FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Proceeds	Proceeds from the sale of the Bonds are being used to (i) refund for debt service savings the District's outstanding Unlimited Tax Bonds, Series 2002 (see Schedule 1 attached hereto) and (ii) to pay the costs related to the issuance of the Bonds. (See "PLAN OF FINANCING - Purpose" herein.)
Ratings	The District received a rating on the Bonds of "AA-" from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of such rating may be obtained from the company furnishing the rating. (See "RATINGS" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method of transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Future Bond Issues	The District has no plans to issue additional bonds within the next twelve months. See "INVESTMENT CONSIDERATIONS - Future Debt" herein.
Payment Record	The Issuer has never defaulted in the timely payment of principal of or interest on its general obligation indebtedness.
Delivery	When issued, anticipated on or about March 5, 2012.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

SELECTED FINANCIAL INFORMATION

2011 Certified Net Taxable Assessed Valuation (ARB Approved)		\$954,645,475	(a)
Gross Debt Principal Outstanding (after issuance of the Bonds)		\$7,120,000	
Ratio of Gross Debt Principal to 2011 Taxable Assessed Valuation		0.75%	
Debt Service Fund Balance as of December 31, 2011 (audited)		\$316,299.71	
2011-2012 Tax Rate			
Operations	\$0.00989		
Fire Protection	0.10925		
Debt Service	<u>0.05586</u>		
	Total	\$0.17500	
Average Percentage of Total Tax Collections – Tax Years 2006-2010		100.40%	(b)
Projected Average Annual Debt Service Requirement (2012-2031) Of the Bonds and the Outstanding Bonds ("Projected Average Requirement")		\$463,404	
Tax Rate Required to Pay Projected Average Annual Requirement Based Upon Current Net Taxable Assessed Valuations at 99% Collections		\$0.04903/\$100	A.V.
Projected Maximum Annual Debt Service Requirement (2012) of the Bonds and The Outstanding Bonds ("Projected Maximum Requirement")		\$840,519	
Tax Rate Required to Pay Projected Maximum Annual Requirement Based Upon Current Net Taxable Assessed Valuations at 100% collections		\$0.08893/\$100	A.V.
Estimated 2011 population		7,600	

^(a) 2011 Net Taxable Valuation does not include property under protest or values for incomplete accounts. (See "TAXING PROCEDURES" herein.)

^(b) Historical tax collection information for Tax Years 2007-2008 represents the combined totals from two separate entities (Trophy Club MUD No. 1 and Trophy Club MUD No. 2).

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**OFFICIAL STATEMENT
relating to**

\$2,355,000

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas Located in Denton and Tarrant Counties, Texas)**

UNLIMITED TAX REFUNDING BONDS, SERIES 2012

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") of its \$2,355,000 Unlimited Tax Refunding Bonds, Series 2012 (the "Bonds").

The Bonds are being issued pursuant to the terms and provisions of an order (the "Bond Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"). In the Bond Order, the District delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved a "Pricing Certificate" which contains the final terms of sale and completed the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to herein as the "Order"). (See "THE BONDS - Security for Payment" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Order.

Included in this Official Statement are descriptions of the Bonds, the Order, and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District or Financial Advisor.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds are being used to (i) refund for debt service savings the District's outstanding Unlimited Tax Bonds, Series 2002 (the "Refunded Bonds") (see "Schedule I - Schedule Of Refunded Bonds" attached hereto) and (ii) to pay the costs related to the issuance of the Bonds.

Refunded Bonds

A description and identification of the Refunded Bonds appears in Schedule I attached hereto. The Refunded Bonds, and interest due thereon, are to be paid on September 1, 2012 (the "Redemption Date"), from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent") or its successor. The Order approves and authorizes the execution of an escrow agreement (the "Escrow Agreement") between the District and the Escrow Agent. The Order provides that, from the proceeds of the sale of the Bonds received from the Underwriter, the District will deposit the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date. Such funds will be held uninvested by the Escrow Agent pending their disbursement to redeem the Refunded Bonds on the Redemption Date. The Escrow Agent, as the paying agent for the Refunded Bonds, will determine and certify at the time of delivery of the Bonds that the amounts deposited to the Escrow Fund will equal an amount sufficient to pay, on the scheduled Redemption Date, the principal of and interest on the Refunded Bonds. **Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations and amounts therein will not be available to pay the Bonds.**

By deposit of the funds with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with Texas law. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the funds held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt, and the obligation of the District to make payments in support of the debt service on the Refunded Bonds will be extinguished.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds

Par Amount of Bonds	\$2,355,000.00
Accrued Interest on the Bonds	675.00
Original Issue Premium	<u>136,075.20</u>
Total Sources of Funds	<u>\$2,491,750.20</u>

Uses of Funds

Deposit to Escrow Fund	\$2,411,156.25
Cost of Issuance	55,000.00
Underwriter's Discount	20,817.50
Accrued Interest Deposit to Debt Service Fund	675.00
Additional Proceeds Deposit to the Debt Service Fund	<u>4,101.45</u>
Total Uses of Funds	<u>\$2,491,750.20</u>

THE BONDS

General Description

The Bonds will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof within a stated maturity. The Bonds shall bear interest from the March 1, 2012 on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on March 1 and September 1 of each year commencing September 1, 2012, until maturity or prior redemption. Principal of the Bonds is payable at the designated offices of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Authority for Issuance

The Bonds are issued by the District pursuant to the terms and provisions of the Order and the Constitution and general laws of the State, particularly Chapter 1207.

Security for Payment

The Bonds will constitute valid and legally binding direct obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax levied by the District against all taxable property located therein, without legal limit as to rate or amount. The Order irrevocably pledges such ad valorem taxes to the payment of the principal of and interest on the Bonds while the same remain outstanding. **Neither the State of Texas, Denton or Tarrant Counties, Texas nor any political subdivision or municipality, other than the District shall be obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas or Denton or Tarrant Counties, Texas or any political subdivision or municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption price of the Bonds.**

Tax Pledge: The Board covenants in the Order that, while any of the Bonds are outstanding and the District is in existence, it will levy and assess a continuing ad valorem tax upon each \$100 valuation of taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide for the payment of principal of the Bonds when due or the redemption price at any earlier redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The Board additionally covenants in the Order to timely assess and collect such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated as the "Debt Service Fund" for the Bonds.

Abolition: Under Texas law, if a district is located wholly in two or more municipalities and in an unincorporated area, the district may be abolished by agreement among the district and all of the municipalities in which parts of the district are located. The abolition agreement must provide for the distribution of assets and liabilities (including the Bonds) of the abolished district. The agreement must also provide for the distribution among one or more of the municipalities the pro rata assets and liabilities located in the unincorporated area and must provide for service to customers in unincorporated areas in the service area of the abolished district. The municipality that provides the service in the unincorporated area may charge its usual and customary fees and assessments to the customers in that area. No representation is made concerning the likelihood of abolition or the ability of the municipalities which contain parts of the District to make debt service payments on the Bonds should abolition occur.

Consolidation: A district (such as the District) has the legal authority to consolidate with other municipal utility districts and in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). The District is the resulting entity from a consolidation in May 2009 of Trophy Club Municipal Utility District No. 1 and Trophy Club Municipal Utility District No. 2 (see "THE DISTRICT").

Payment Record

The District has never defaulted on the timely payment of principal of and interest on its general obligation indebtedness.

Flow of Funds and Investment of Funds

The Bond Order creates a Debt Service Fund. The Debt Service Fund shall be kept separate and apart from all other funds of the District. Any cash balance in the Debt Service Fund must be continuously secured, to the extent that the United States or an instrumentality of the United States does not insure the cash balance, by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

The Bond Order establishes the Debt Service Fund to be used to pay principal and interest on the Bonds. The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the initial purchaser, the amount received from proceeds of the Bonds representing accrued interest, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2021 on September 1, 2020, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Not less than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY ANY HOLDER OF THE BONDS, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bonds or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Termination of Book-Entry-Only System

The District is initially utilizing the book-entry-only system of the DTC (See "BOOK-ENTRY-ONLY SYSTEM" herein.) In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment: Principal of the Bonds will be payable at maturity or upon earlier redemption to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due. Initially, the only registered owner of the Bonds will be CEDE & CO. as nominee of DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Registration: The Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent/Registrar to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent/Registrar or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the denominations of \$5,000 or any integral multiple thereof. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

Limitations on Transfer of Bonds: Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the 15th calendar day of the month preceding each interest payment date (the "Record Date") and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds: If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Order relating to the replacement Bonds are exclusive and the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Defeasance of Outstanding Bonds

The Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts

and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the respective series of Bonds. The Order provides that "Defeasance Securities" means (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (4) any other then authorized securities or obligations under applicable Texas state law that may be used to defease obligation such as the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that any particular rating for U.S. Treasury securities used as Government Securities or the rating for any other Government Security will be maintained at any particular rating category. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorize.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the initial Paying Agent/Registrar (the "Paying Agent"). The Paying Agent must be a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each Registered Owner by first-class mail, postage prepaid.

Record Date

The record date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the fifteenth day of the month preceding such interest payment date.

Issuance of Additional Debt

The District may issue bonds necessary to construct waterworks and sewer system improvements and facilities for which the District was created and to provide fire protection to the District, with the approval of the District's voters. Following the issuance of the Bonds, \$5,769,217 unlimited tax bonds authorized by the District's voters will remain unissued. The District has no plans to issue additional general obligation debt within the next twelve months. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. Neither Texas law nor the Order imposes a limitation on the amount of additional debt which may be issued by the District. Any additional debt issued by the District may dilute the security of the Bonds. (See "INVESTMENT CONSIDERATIONS" herein.) The District may also issue bonds secured by revenues of the water and sewer system or other revenues of the District (other than ad valorem tax revenues) without voter approval.

Specific Tax Covenants

In the Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the property re-financed therewith by persons other than state or local governmental units, and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

Additional Covenants

The District has additionally covenanted in the Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

Remedies in Event of Default

The Order provides that, in addition to all other rights and remedies of any owner of Bonds provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Order including payment when due of the principal of and interest on the Bonds, any Bond owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Order provides no additional remedies to a Bond owner. Specifically, the Order does not provide for an appointment of a trustee to protect and enforce the interests of the Bond owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy, which may have to be enforced from year to year by the Bond owners (See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies").

Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Bond owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Bond owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions. (See "INVESTMENT CONSIDERATIONS - Bankruptcy Limitation to Registered Owners' Rights".) The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified to the customary rights of debtors relative to their creditors.

Amendments to the Order

The District may without the consent of or notice to any Bond owners amend the Order in any manner not detrimental to the interest of the Bond owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) affect the right of the owners of less than all of the Bonds outstanding, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may in the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

RATINGS

The District received a rating on the Bonds of "AA-" from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such companies, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by any such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on the payable date in accordance with their